THE STATE OF SOUTH CAROLINA
In the Court of Appeals

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SC Court of Appeals

APPEAL FROM HORRY COUNTY
Court of Common Pleas

Ralph P. Stroman, Special Referee

Case No. 2008-CP-26-6169

Joseph E. Mason, Jr., Appellant,

v.

Catherine L. Mason, Joseph E. Mason, Sr., Kathy St. Blanchard, and Mason Holding Company, Inc., and Irwin Levine, Respondents.

RECORD ON APPEAL
VOLUME III
PAGES 842 - 1313

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RECORD ON APPEAL
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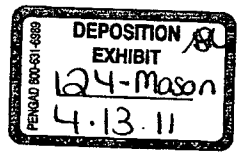
Sandra Adams 07/12/07

Your conduct with Jonah today is unacceptable. Jonah runs our service department and controls it. Steve was asked to get an invoice to work on your personnel vehicle (company policy) and you interfered with the process by telling Jonah to "mind his own business and go back to his office". You then made other gestures indicating that Jonah was upset with you. This kind of behavior will not be tolerated at Mason Tire. You were verbally warned yesterday about 2 attitude incidents in the past 3 days. If you behavior continues in this direction I will have no other choice but to terminate you from the company.

Sandra Adams Sandra Adams

Joe Mason JM-2

Mason Tire & Auto Service



PLT000382

Sandra Adams

1) 06/06/07 Sat Sandra down and talked about her attitude toward the Store Managers and myself. Let her know that we get the impression that when asked a question or we need help that we are bothering her. This isn't the first time I have had to speak to her about the subject.
2) 07/10/07 Talked to Sandra today about attitude. I called her on 07/09/07 to come downstairs to help a HTC salesmen gather phone bills in an attempt to save the company money. She gave me a response like she didn't want to be bothered but would be down to help him. The next morning I called her from the new job site because I needed a amount from an account that owed us money. Again she responded with she was busy and I was bothering her. Reluctantly she gave me the info and I passed it on to the customer. I told Sandra that I can't tolerate this kind of behavior and it needs to change.

TURNER PADGET
TURNER PADGET GRAHAM & LANEY P.A.

CHARLESTON
COLUMBIA
FLORENCE
GREENVILLE
MYRTLE BEACH

REPLY TO:

R. Wayne Byrd

E-Mail: WByrd@TurnerPadget.com
Writer's Direct Dial: (843) 213-5504
Direct Fax: (843)213-5604

August 31, 2007

VIA HAND DELIVERY &
U.S. MAIL

Mr. Joseph E. Mason, Sr.
Ms. Catherine L. Mason
Ms. Catherine J. St. Blanchard
750 Highway 17 North
Surfside Beach, SC 29575

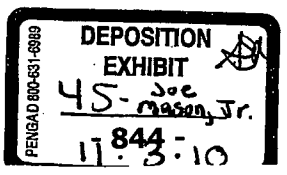
Re: Mason Holding Co., Inc. and its wholly owned Subsidiaries

Dear Ladies & Gentleman:

I have been retained by Joe Mason, Jr. to represent his interests as an officer, director, and minority shareholder of Mason Holding Co., Inc. and its wholly owned subsidiaries. Joe has discussed with me extensively and in great detail the history of the business enterprise. He has also informed me of some of your conduct which has been very troubling to him.

Based on the information I have been given to date, it appears that you have failed to recognize, understand, or comply with your duties and obligations as officers, directors, and controlling shareholders of these entities. It is recognized that these are family owned entities. However, your duties and responsibilities are the same as would apply to non-family members owning interests and occupying positions of authority in corporations. Whether acting as an officer, a director, or collectively, as controlling shareholders, you have a duty of utmost good faith and fair dealing which is owed to the corporations, as well as Joe, Jr. as a minority shareholder. You each individually have a fiduciary duty and responsibility to act in the best interest of the corporations and the minority shareholder. You are forbidden from acting in any way, or causing the corporations to act in any way, which is unfairly prejudicial to the corporations or the other shareholder's interests.

Based on the information that I have been given, you have grossly breached your duties to the corporations and to Joe, Jr. You have committed illegal, fraudulent, and oppressive acts,



and have unduly prejudiced the corporations and Joe's interests therein. He is no longer willing to suffer the consequences of your conduct. You should consider this as a demand that you end your heretofore unacceptable conduct and practices. As you go forward, you must conduct the business of these enterprises in a businesslike manner, and in a way that comports with your duties and responsibilities. If you fail to do so, Joe, Jr. will have no alternative but to seek redress from the Courts. You should be advised that state law provides severe penalties for your actions. Remedies available to Joe, Jr. include relief as severe as dissolution of the corporations. The Courts also have a wide range of remedies which it may fashion short of dissolution. You should refer to South Carolina Code annotated §§33-14-300 and 310 for specifics.

You are all well aware of the specific issues which have given rise to this correspondence. However, if you have any questions, you may contact me at your pleasure.

Your attention to these matters immediately is expected.

Very truly yours,

TURNER, PADGET, GRAHAM & LANEY, P.A.

R. Wayne Byrd

RWB:bk

cc: Joseph E. Mason, Jr.

TURNER PADGET
TURNER PADGET GRAHAM & LANEY P.A.

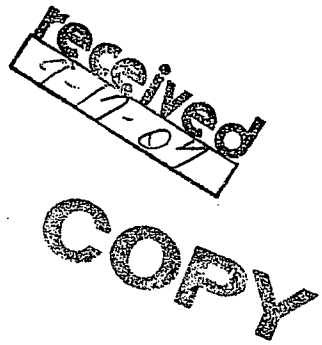
CHARLESTON
COLUMBIA
FLORENCE
GREENVILLE
MYRTLE BEACH

REPLY TO:

R. Wayne Byrd

E-Mail: WByrd@TurnerPadget.com
Writer's Direct Dial: (843) 213-5504
Direct Fax: (843)213-5604

September 17, 2007



VIA HAND DELIVERY,
EMAIL (JTHOMAS@THOMPSONLAW.COM),
AND FACSIMILE (692-0928)

J. Jackson Thomas, Esq.
Thompson & Henry, P.A.
P.O. Box 1290
1314 Professional Drive (29577)
Myrtle Beach, SC 29578

Re: Mason Tire & Auto Service, Inc.

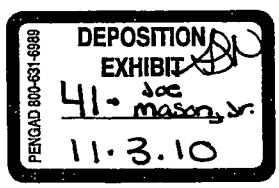
Dear Jack:

I am writing this letter on behalf of Joseph E. Mason, Jr. As you recall, we met in your offices for a lengthy discussion regarding Mason Tire & Auto Service, Inc. During our conference, we discussed a variety and wide range of issues which face the shareholders, directors, and officers of the Company. I had hoped to hear some response from you and your clients before now. Unfortunately, we have heard nothing. There are certain matters which are of an extremely urgent nature which must be addressed immediately.

Mr. Mason, Jr., as President of the Company, will take the following action effective immediately:

(a) Instructions are being given to Irwin Levine, CPA to take immediate steps to correct tax and financial accounting for the Corporation, and Mr. Mason, Jr. He is being instructed to immediately amend the individual income tax returns and the corporate income tax returns. I attach a copy of the letter communicated to Mr. Levine of this date.

(b) The corporation will no longer provide maid or lawn service to the shareholders, or alternatively, the cost of such service will be charged to the shareholders as income.



(c) The salary to be paid to Catherine J. St. Blanchard will be reduced to the amount which is reasonable, Seventeen Dollars and no/100's ($17.00) Dollars per hour, so that such salary can be deducted as an ordinary and necessary business expense of the corporation.

(d) Personal use of Company automobiles will be treated as income to the shareholders.

(e) The employment of Oswaldo J. St. Blanchard, Jr. will be terminated immediately. This employment was not authorized by Mr. Mason, Jr., and more importantly, is inappropriate.

As noted these steps are being taken immediately.

Because of the serious nature of the financial and tax accounting issues, I would like to discuss these matters with you at your earliest convenience. I will be in the office all day to today. However, I will be in the Charleston office in depositions all day tomorrow. I should be available the balance of the week.

Very truly yours,

TURNER, PADGET, GRAHAM & LANEY, P.A.

R. Wayne Byrd

RWB:bk

Enc.
cc: Joseph E. Mason, Jr.

TURNER PADGET
TURNER PADGET GRAHAM & LANEY P.A.

CHARLESTON
COLUMBIA
FLORENCE
GREENVILLE
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REPLY TO:

R. Wayne Byrd

E-Mail: WByrd@TurnerPadget.com
Writer's Direct Dial: (843) 213-5504
Direct Fax: (843)213-5604

September 17, 2007

VIA EMAIL AND/OR FACSIMILE AND U.S. MAIL

Irwin Levine, CPA
5769 North Andrew Way
Ft. Lauderdale, FL 33309

Re: Mason Tire & Auto Service, Inc.

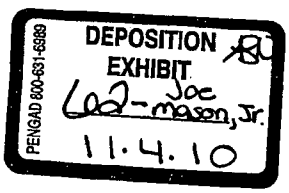
Dear Mr. Levine:

I am writing on behalf of Joseph E. Mason, Jr., as President of Mason Tire & Auto Service, Inc., as well as in his individual capacity.

Over the course of the last two (2) weeks, I have been made aware of various serious financial and tax accounting irregularities which you have devised and fashioned. I understand that these irregularities have been implemented at your direction and under your guidance. Needless to say, I am extremely alarmed at what I have heard.

You are directed to take immediate steps to correct these irregularities and file corrected and amended tax returns for the Corporation and for Joe, Jr. The following are matters which have been brought to my attention over the last several days. There may be others about which you are aware that have not been brought to my attention. The following are matters of which I am aware which must be addressed and corrected immediately:

(a) It is my understanding that over the course of several years, ending inventory has been grossly understated. These misstatements have resulted in large overstatements of cost of goods sold expense, thereby understating net income. I understand that you have put in place two (2) different schemes to cover-up this understatement. First, you have somehow adjusted inventory by a journal entry to ending inventory, and a corresponding entry to loans payable to shareholders. I further understand some interest has actually been booked, and paid, with regard



to these fabricated loan accounts. Second, I understand that you have suggested the use of false invoices to setup inventory purchases. These invoices have been paid by cash to some or all of the shareholders. These fictitious invoices have been treated as purchases of inventory, which ultimately flow through to the calculation of costs of goods sold expense, which is in turn charged against gross income.

(2) It is Joe, Jr's understanding that you have been treating personal expenses for shareholders for lawn care and maid services as ordinary and necessary business expenses, which have been deducted from income on the corporate income tax return, without corresponding inclusion in the income of the shareholders.

(3) Joe, Jr. is also of the belief that no personal use for corporate automobiles has been charged to the shareholders. This likewise should be corrected immediately.

(4) Joe, Jr. has presented to me for my review various letters and agreements which have been created based upon your advice and recommendations. It is my understanding that a plan has been put in place to treat the redemption of shares in the corporation from Mr. and Mrs. Mason, Sr. as disguised lease payments and consulting fees. These transactions must be recast to properly and accurately reflect the true nature of the transactions.

We expect these corrections to be made without delay.

If Joe is correct in explaining these matters to me, and my understanding is factual, I am shocked to know these things. You, as a CPA, obviously know the implications associated with such conduct. These financial and tax accounting misstatements must be corrected immediately. You are hereby directed to correct them without delay. Specifically, you are instructed to amend the state and federal tax returns for the Company and for Joe and Erika Mason. Obviously, the other parties are required to amend their individual tax returns, but, I have no authority to, and

therefore, do not, speak for them. However, I am sending their attorney a copy of this correspondence, and he can direct you as he deems appropriate.

Very truly yours,

TURNER, PADGET, GRAHAM & LANEY, P.A.

R. Wayne Byrd

RWB:bk

cc: J. Jackson Thomas, Esq.
Joseph E. Mason, Jr.

Received at: 09/19/2007 01:19PM
SEP-19-2007 12:09 FROM:LEVINE-THOMAS & ASSO 9542290522 TO:18432135604 P:1

SEPT 19 2007

TO R WAYNE BYRD

FROM IRWIN LEVINE

RE MASON TIRE & AUTO SERVICE INC.
LETTER SEPT 17 2007

DEAR MR BYRD

I AM SURE THAT YOU WERE AWARE THAT I HAVE ASSOCIATED WITH THE "MASON FAMILY" FOR ROUGHLY 30 YEARS. OVER THE PAST 6-10 YEARS, JOE MASON JR. AND I WOULD REVIEW THE CORP. FINANCIAL RESULTS IN ORDER TO REFLECT TAXABLE INCOME TO BE REPORTED TO INTERNAL REVENUE SERVICE (APPROX $100,000.-)

IN ORDER TO MAINTAIN THE ABOVE FIGURE I CLOSED MY EYES KNOWING THAT THE FAMILY WOULD BENEFIT IN THE LONG RUN. THIS CERTAIN TAX PREPARED WORK DONE IN ORDER TO ACCOMPLISH THIS END RESULT

NOW THIS IS ALL CHANGED AND I WILL AMMEND THE VARIOUS YEARS INVOLVED.

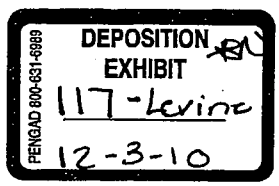
JOE MASON JR. STATED THAT IF THE ABOVE WAS NOT CORRECTED, YOU HAD ADVISED HIM, HE COULD BE SUBJECT TO JAIL. I TRY TO EXPLAIN THAT SINCE MASON TIRE WAS NOT A PUBLIC CORPORATION THIS WAS NOT TRUE. INTERNAL REVENUE SERVICE WANTS TAX FUNDS DUE THEM AND NOT LOOKING TO PUT PEOPLE IN JAIL.

ALSO, THERE ARE ADDITIONAL BENEFITS THAT WERE NOT REPORTED AFFECTING JOE MASON JR. THAT WILL BE STOP.

I KNOW THAT MASON TIRE / HOLDING COMPANY'S BOARD OF DIRECTOR WILL NOW TAKE AN ACTIVE ROLE IN THESE COMPANIES

RESPECTFULLY

Irwin Levine



-------- Original Message --------
From: <admin@levine-thomasllc.com>
Date: Wed, September 26, 2007 11:42 am.
To: <jmasonjr@masontire.net>

----- Original Message -----
From: admin@levine-thomasllc.com
To: kathy@masontire.net ; jmasonjr@masotire.net ; ctallpa@sc.rr.com
Cc: admin@levine-thomasllc.com
Sent: Wednesday, September 26, 2007 11:19 AM
Subject: Disbursements issues

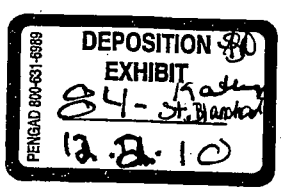
Hello Kathy:

Based on the corporation's current financial situation involving certain disbursements, it is my opinion that certain checks should not be paid by "Mason Tire & Auto Services - Surfside Store".

These payments include the following:

1. $750.00 payment pertaining to "lake house rent".
2. gardening and maid services
3. franchise and directors fees not originally approved by the Board of Directors.
4. all truck and auto expenses paid on behalf of the corporation stockholders should be stopped until the board resolves this situation in a fair business method. Once this is accomplished, stockholders will be reimbursed for these expenses that are corporation benefits.

Regards,
Irwin H. Levine



From: <admin@levine-thomasllc.com>
Date: Tue, October 09, 2007 11:17 am
To: <jmasonjr@masontire.net>, <kathy@masontire.net>,
<ctallpa@sc.rr.com>
Cc: <admin@levine-thomasllc.com>, <deb@levine-thomasllc.com>

Joe,

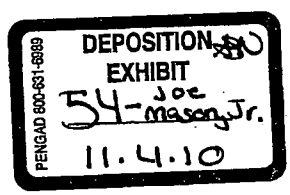
In reference to (Journal Entry 01725 accrued interest). I instructed Sandra to reverse the 9 months accrual. As you know, Joe Mason Jr. and Kathy St. Blanchard's loans were set up on a fraudulent basis and, will be eliminated when the various amended tax return are filed. The journal entry was just an earlier step. Various board members know that all will be accomplished long before the end of this year.

P.S. Kathy had nothing to do with any of the original planning or transactions being recorded. Thus she is not involved or understands what had taken place in the past.

Regards,
Irwin

Levine-Thomas & Associates, LLC
5769 N. Andrews Way
Ft. Lauderdale, FL 33309
admin@levine-thomasllc.com
Phone: 954-229-0557
Fax: 954-229-0522

10/15/2007



October 18th, 2007

To: Joseph E. Mason Sr.
Catherine L. Mason
Joseph E. Mason Jr.
Catherine J. Mason St. Blanchard

From: Irwin Levine

Subject: Personal use of unreported income

I need all of the above board members to sign that they have agreed that personal expenses for unreported income is as follows:

1. Auto expense 25%
2. House cleaning expense
3. Home gardening
4. ~~Life insurance (Joseph E. Mason Jr. & Catherine J. Mason St. Blanchard)~~
5. Disability Insurance (Joseph E. Mason Jr. & Catherine J. Mason St. Blanchard)

CSB

Upon completion of the various personal expenses incurred by the above they agree that they will repay the corporation the amount owed.

We agree that all expenses and percentages that you have stated are acceptable. We also agree that the amounts that need to be reported to the corporation will be done before the amended returns are filed.

J Mason
Joseph E. Mason Sr.

Catherine L Mason
Catherine L. Mason

Joseph E. Mason Jr.

Catherine J. Mason St. Blanchard
Catherine J. Mason St. Blanchard

PENGAD 800-631-6989
DEPOSITION EXHIBIT
916-St Blanchard
12.2.10

WAIVER OF NOTICE OF SPECIAL JOINT MEETING OF MASON HOLDING COMPANY, Inc., M&S TIRE COMPANY, Inc., MASON TIRE AND AUTO, SERVICE, Inc., J&O TIRE AND AUTO SERVICE, Inc., K&J TIRE, Inc. SHAREHOLDERS AND DIRECTORS

The undersigned hereby waive notice requirements for a special meeting, described above, to take place at the time and location set forth below, signifying their consent to such meeting.

Date of Meeting: October 24, 2007

Time of Meeting: 1:00 P.M.

Location of Meeting: 4702 Oleander Drive, Myrtle Beach, SC 29577

Agenda Items:

1) Selection of registered agent for Mason Tire and Auto, Inc. to be listed with the South Carolina Secretary of State.

2) Review and ratification of corporate records which have been kept regarding past business.

3) Selection of new accounting firm to assist the business, generally, and to supervise correction of past tax reporting.

4) Election of Officers and Directors

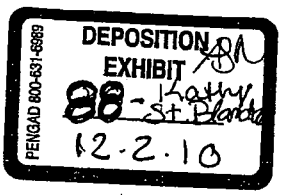
Joseph E. Mason, Sr., Shareholder

Catherine L. Mason, Shareholder

Catherine J. St. Blanchard, Shareholder

October 24, 2007
Date

Joseph E. Mason, Jr., Shareholder



A SPECIAL MEETING OF THE SHAREHOLDERS AND DIRECTORS OF MASON HOLDING COMPANY, Inc., M& S TIRE COMPANY, Inc., MASON TIRE AND AUT0, SERVICE, Inc., J& O TIRE AND AUTO SERVICE, Inc., K& J TIRE, Inc.

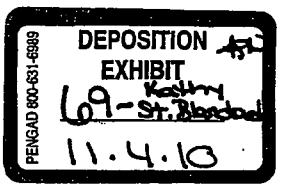
Wednesday, October 24, 2007
1:12 p.m. — 1:53 p.m.

The Special Meeting of the Shareholders and Directors, taken at the law office of Clifford H. Tall, located at 4702 Oleander Drive, Suite 100, Myrtle Beach, South Carolina, on Wednesday, October 24, 2007.

COPY

APPEARANCES:

Clifford H. Tall, Esquire
R. Wayne Byrd, Esquire
Catherine L. Mason
Joseph E. Mason, Sr.
Catherine J. St. Blanchard
Joseph E. Mason, Jr.



Prestige Court Reporting, Inc.
413 Paul Street
Conway, South Carolina 29526
(843) 248-5252

MR. BYRD: Just to clarify a point. My understanding is the only non-statutory close corporation is Mason Tire and Auto Service, right?

MR. TALL: This is Cliff Tall. My review of the charters, I had copies of all the charters, and that's what I see.

MR. BYRD: Okay. Good. All right.

MR. TALL: And then following up on that, Mr. Byrd, we've got a shareholder management agreement, which we believe is similar to what has been signed in each of the statutory close corporations. And the one that we have is for Mason Holding Company, Inc., in paragraph three of it, and it's typical of a statutory close corporation. It's to dispense with the need for directors.

MR. BYRD: Okay.

MR. TALL: But I'm not sure you have that same thing with Mason Tire and Auto, which we have. And that one was 1985.

MR. BYRD: And you have no corporate records with regard to any of the entities other than Mason Holding except what was filed

with the Secretary of State; is that right?

MR. TALL: I think we have, there's probably a couple of management agreements for one or two of the others, but I don't know, I mean, it's only a three page document for Mason Holding Company, but I think some of those are a little bit wanting.

MR. BYRD: Okay. All right.

MR. TALL: And just for the record, I think the family knows that there was a fire at a residence and that the, a lot of the corporate records were at that fire. I've made requests of Mr. Kelaher's office, who is largely responsible for forming these corporations, and there may be unsigned copies of several organizational documents.

MR. BYRD: Okay. All right.

MR. TALL: Good so far? Okay. And so, one thing for the record, we have a waiver of a notice of this special meeting. The special meeting was originally established for October 29 at another location, and based upon this waiver, we can even give you for the record, Ms. Court Reporter, the holding of the meeting today, a different day, and a

different location was approved by all of the shareholders. I'm just going through some housekeeping measures. I have seen, because of a lack of corporate records, I'm now raising questions about what exactly we have. I see a Mason Holding Company, Incorporated, 2006 tax return that I believe was signed and sent on, and it indicates that all four of the shareholders here today are equal quarter, 25 percent, shareholders of Mason Holding Company. And so I am going on that presumption for the record, and I don't know if there's an opinion that's different than that.

MR. BYRD: Do you mind, do you have a copy of that? May I see that?

MR. TALL: Yes, sir.

MR. BYRD: Thank you. (Reviews documents) Cliff, I have seen a copy of the 1120-S for Mason Holding Company, Inc., but it was an incomplete copy, and it appears that this one may be incomplete, but if you take a minute and look, I was looking at the K-1's, ---

MR. TALL: Yes, sir.

MR. BYRD: --- and I see one there for Joe, Jr. twice, and I see one there for Ms. Mason twice, but I don't see the others. That's not an argumentative question. My preparatory question is; have you actually seen one that has a K-1 for all four of the shareholders?

MR. TALL: You've actually seen something that I had not, not noticed myself.

MR. BYRD: And the only reason I happened to notice is, I was looking at a copy that Joe Jr. had just for information, and as I was trying to determine that, I picked up on that, and so I just ask if ---

MR. TALL: Let's do this, because I got this from the accountant who has his office in Florida, and while we're taking care of other business and discussing other matters, let me bring that to his attention and see if this is a product of his -- making a mistake of his records, or if he has something else, and he probably has the 2005 in addition.

MR. BYRD: All right. Well, it should be a little bit different in 2005, but I don't

raise this as a point of disagreement, ---
MR. TALL: Sure, sure.
MR. BYRD: --- just a question. And I need to hasten to add, it is my understanding, consistent with what you said, that that is the stock ownership, but I haven't been able to find any documentation.
MR. TALL: Gotcha.
MR. BYRD: And that's the only reason I raise the point.
MR. TALL: Good. If you'll just give me a moment, ---
MR. BYRD: Certainly.
MR. TALL: --- I'll just make a message to my secretary.
***** OFF THE RECORD *****
(ON THE RECORD)
MR. TALL: All right, I'm back. Thank you. Maybe we'll get some clarification on that issue. We'll call to the accountant. Okay. My suggestion is that we go to agenda items that we have, unless there's any objection?
MR. BYRD: None from us.
MR. TALL: Okay.
MR. MASON SR.: All right. This is a special

meeting of all stockholders and directors of Mason Tire and Mason Holding. We'll address the agenda distributed. Let it be noted that a quorum is made, with Joe Mason, Sr., Joe Mason, Jr., Cathy Mason, Cathy St. Blanchard all being present. Registered agent, attached is a copy of our charter for Mason Tire and Auto Service. Fred Parsons, who is an attorney in Surfside, once served as registered agent, but has resigned. I propose that Cathy Mason now be listed as our new registered agent. Can I hear a vote?

MR. BYRD: We can do it by acclamation if it suits you. We don't have any objection to that.

MR. TALL: Okay. And this just came about just as an explanation when I was trying to gather up the corporate records. The Secretary of State told me that, at least for this corporation, there's no registered agent, just somebody that the Secretary of State or the government contacts when they have some issues. There may even be an argument that if you've got an Achilles

heal, that this gives you any corporate liability protection, maybe you don't have it when you have no registered agent perfected. So, that's the purpose for that. By acclamation, then?

ALL: (Indicate affirmatively.)

MR. TALL: Okay. Great.

MR. MASON SR.: Corporate Records, attached are copies of corporate records which we understand to remain following a fire which consumed many ---

MR. TALL: Joe, Have you seen these?

MR. MASON SR.: --- of our records. I propose they be adopted as our official records, even though there is no record of meeting notices, no record of notice of waivers. Also, the records bear the name of Mason Tire and Auto Incorporated and no other, and I believe that the record should have properly been listed as being for Mason Holding Company. I propose a resolution adopting these records as being official, and that they be renamed as being the records of Mason Holding Company.

MR. BYRD: The only objection we have is with

regard to some recent ones in 2006 and 2007 which were not signed by Joe Mason, Jr., and we don't agree with what they reflect, and so as to those, we object.

MR. TALL: Do you have copies of those?

MR. BYRD: Yes, sir. We do. And I assumed that they were from that binder that you have in your hand, but I don't know that.

MR. TALL: Okay.

MR. BYRD: Would you like to look at the two that I'm referring to?

MR. TALL: Let me make copies if you want to see those. (Leaves the room to make copies.)

MR. BYRD: There are two pages, Ms. Mason.

MS. MASON: Oh, two pages, oh, thank you.

MR. TALL: If that's okay, I'm just going to take a moment to review these.

MR. BYRD: Please do, sure.

MR. TALL: (Reviews documents.) Is there no date on one of these?

MR. BYRD: I thought there was a date on both, up in the ---

MS. ST. BLANCHARD: That one. That one.

MR. TALL: Oh, okay. So, May of '07 and May

of '06.

MS. MASON: May 4th.

MR. TALL: And what would be the objection to these two?

MR. BYRD: I don't, I don't believe that those constitute action of the corporation through the shareholders. Joe has not signed those and so we object to it. The other comment I have, with regard to ratification, if the point of ratification is that we're saying that these documents are authentic, and they do represent the decisions that were made at the time, we have no other objections other than the one stated.

MR. TALL: I, and I apologize for being thick, I think you were suggesting that they do not represent the corporate actions or opinions at the meeting.

MR. BYRD: Just the two that you have in your hand.

MR. TALL: Right, yes. But with ---

MR. BYRD: With regard to those two.

MR. TALL: Right, with regard to the other ---

MR. BYRD: Right, that -- If we understand ratification to be that those documents are

authentic, ---
MR. TALL: Yes.
MR. BYRD: That they reflect the action taken at that time, ---
MR. TALL: Yes.
MR. BYRD: We have no objection.
MR. TALL: Well, are we missing that, and that the action taken in accordance with those minutes was, is ratified to be the corporate actions, or is that ---
MR. BYRD: We, we do not agree with that.
MR. TALL: Okay.
MR. BYRD: And if that's the consent you're looking for from Joe Mason, Jr., he withholds it.
MR. TALL: Okay. All right. Let me see if I can just state the subtle distinction, in my own opinion that it's subtle, that, in terms of being historical documents, that meetings took place, people were there, issues were discussed, if we're arguing that these, or through this motion, suggesting that these records become authenticated, that they are the actual records of what took place. That's one thing. But if corporate action

was taken pursuant to the terms of the agreement, excuse me, to the minutes that are there, and that there were proper meetings to allow those actions to take place, you object to those.

MR. BYRD: Yes.

MR. TALL: Okay. And would you state the reason for objections?

MR. BYRD: We don't ratify some of the conduct that has flowed from those documents. We disagree with some of the actions that have been taken from time to time, and don't want to be seen as ratifying them. And I can't be any more specific than that without going into some detail, and I think it would serve no useful purpose. I mean, ultimately I think we're going to get to those issues.

MR. TALL: Sure.

MR. BYRD: And obviously, Joe Mason, Jr., owns 25 percent, only, of the stock, and so he would state his objection to the ratification and that's all he can do.

MR. TALL: Okay. But that the meeting took place and certain things were discussed as it relates to the two different minutes that

I'm holding here that you've raised an objection to, you'd say that these do not get the, I'm going to call it, the more limited ratification that you're proposing.

MR. BYRD: That's correct.

MR. TALL: --- you're withholding that from these two?

MR. BYRD: Correct.

MR. TALL: Okay. So, I would -- I'd be happy, Mr. Mason, if you'd allow me to state a resolution with making that subtle distinction and offer that for the vote if that, if you permit.

MR. MASON SR.: That's fine.

MR. TALL: Okay. The resolution is that the corporate record book, which includes minutes of meetings, which we do not have, for example, a hearing notice or a waiver of notice for those meetings to take place. The resolution is to recognize ---

(Phone rings)

MR. TALL: This may be Mr. Levine, excuse me just a moment.

***** OFF THE RECORD *****

(ON THE RECORD.)
MR. TALL: On an issue we discussed earlier, we've just gotten from the corporation accountant in Florida, faxed copies of 2006 K-1 forms for Mr. Mason, Sr. and for Cathy St. Blanchard -- did I say your name properly?
MS. ST. BLANCHARD: Uh-huh (affirmative response).
MR. TALL: So, perhaps, what has been sent previously was a, a ---
MR. BYRD: Just an oversight.
MR. TALL: Sure, an oversight. Okay. The resolution as it relates to records would state as follows, at least the first one, which is that the records that are in the corporate minutes book, with the exception of minutes held for May 4, 2006, and the other date, I see May 2007, but not a day on it.
MS. ST. BLANCHARD: No, no date.
MR. TALL: Okay. But it says May 2007, May 4, 2006, both of which do not have Joe Mason, Jr.'s signature on those, with the exception of those two, the other meeting minutes that

are in the corporate record book be recognized as being minutes of Mason holding Company, Inc., and that they do reflect meetings which were held and matters that were discussed at meetings at those dates.

(Knock at door.)

MR. TALL: Any objection to the resolution?

MR. BYRD: No, and we can accept that by acclamation as far as Joe, Jr. is concerned.

MR. TALL: Okay. And I would just propose also that with regard to the two meeting minutes where Joe, Jr. has an objection to those, this is May of '07 and May 4, 2006, that a similar resolution be offered, there may be an objection to it or it may not get the full vote, but the similar resolution is that these two minutes which were objected to, also reflect that the parties listed in the minutes were present and that the matters discussed were the matters discussed at those two meetings. And if that's not to be accepted by acclamation, I'd ask for a vote.

MR. BYRD: Okay. And Joe, Jr. does object to those and does not agree to accept by

acclamation.

MR. TALL: Okay. Mr. Mason, Sr., do you have a vote as it relates to these two?

MR. MASON SR.: Yes, for it.

MR. TALL: In favor ---

MS. MASON: Yes.

MR. TALL: Ms. Mason? Ms. St. Blanchard?

MS. ST. BLANCHARD: Yes.

MR. TALL: So, three votes and Joe Mason, Jr. votes against that resolution. Do I have that correctly?

MR. BYRD: Yes.

MR. TALL: We have another agenda item?

MR. MASON SR.: Yes, new accounting. I'm sure everyone's familiar with our tax problems and we all agree we need to correct it as soon as possible. I have, with your consent, Irwin Levine, our corporate PA to amend the corporate and individual tax returns at once. After receiving the amended returns, we will contact a local CPA to inspect for accuracy.

I had an opportunity to meet with a local accountant, by the name of Tim Duncan. He has a well-established local firm and has

had experience with family business and conflicts that sometimes arise in family businesses. I also understand that in this building Mr. Lewis and Mr. Cooper have a practice. I like the idea of having our key accountant to be someone who is local. I encourage Joe, Jr. and his counsel to consider Mr. Duncan and the Morgan Lewis, Ray Cooper Firms. If there is a sense we need to do something today, I vote for Tim Duncan's Firm. My understanding is that any new accountant is going to want Irwin's product for review, and I've heard that Irwin is within a few days of completing his work. Can we vote on that?

MR. BYRD: We have absolutely no objection to, to either of them, really, but because I've worked with Tim Duncan and seen his work product, I would prefer to use him. That's not to say anything negative about the other firm, because I don't know anything negative about them, but that's the only reason I would prefer to use Tim Duncan for the company, so, if that's agreeable to everyone else, it's certainly agreeable to us.

MR. MASON SR.: Everybody agree?
MS. MASON: Yes.
MS. ST. BLANCHARD: Yes.
MR. BYRD: I have a high regard for him and he has an excellent reputation.
MR: MASON SR.: Election of officers and directors.
MR. TALL: Can I interrupt for a moment?
MR. MASON SR.: Sure.
MR. TALL: The suggestion, again, as we've gotten things more clarified, and these are just some records that we're seeing even just recently. As it relates to corporate directors, it looks like Mason Tire and Auto is the only one, because it's not this, is a name for this corporation called statutory close, and even that can have a corporate director, but it looks as though the management agreement that was in place or popular over with Mr. Kelaher's office indicates there are no directors for any of those corporations. So, if there's an election of directors, it would be for Mason Tire and Auto. Do you have a proposal for the directors ---
MR. MASON SR.: Oh, I'm sorry.

MR. TALL: --- of Mason Tire and Auto? Would that be the -- Who would be the directors? Do you have ---

MR. MASON SR.: Oh, I'm sorry. I'm sorry. I haven't got to that point. Okay. I was going to recommend that all four be directors.

MR. BYRD: We have no objection to that.

MR. TALL: And then I -- Just if, if I can clarify that the resolution that we had previously about the records, the records that, the minutes that we have right now say that they're all Mason Tire and Auto, Inc. I think there was a proposal, I'm not sure if I got it straight, but ---

MR. BYRD: You did. That it ---

MR. TALL: It's Mason Holding Company.

MR. BYRD: Right, yes, sir. You did. That was part of your motion.

MR. MASON SR.: Let's remember, we are a small family business, trying to grow and be profitable, trying to compensate three families, 50 employees and their families. In order to do this, we must always work together. It takes hard work from all

participants in order to achieve our goals. Remember that together we will stand and divided we will fail. It has been some time since we've had a review of office -- officer status, if ever, but I feel that we need to do this each year from now on. I propose, as I said before, that all four of us serve as directors, and that I serve as president. Catherine and Joe, Jr. serve as vice presidents, and Cathy serve as secretary/treasurer. Joe, Jr., as vice president, you will neither have your work nor your benefit and compensations changed. We respect your hard work in the past and hopefully remains. Can we have a vote on that?

MR. BYRD: Is it subject to discussion?

MR. TALL: Sure.

MR. BYRD: Okay. Without being argumentative, if that's possible, and I will try to be. What we came to this meeting today with a hope that we could resolve the differences and the corporation could continue, could continue to flourish, and we could resolve differences. And we still have that hope.

Now, if the proposal is for Joe, Jr. to be vice president, and Mr. Mason, Sr. to be president, those titles give Joe, Jr. reason for pause only because he doesn't understand what, nor do I, what the ramifications of that are. But if that simply means that things will continue with his sister and him being coequal in decision making, subject to arbitration by Mr. Mason, Sr., which is really what's been going on for some time, and has recently cause some problems, that's unworkable to Joe, Jr. That, I mean, he just can't be in a situation where his sister makes decisions that counterman his decisions, and then Joe, Jr. has only the alternative to go to his father, who then tries to resolve them, but frequently is unable to do that and Joe's sister perceives, as she determines is in her best interest, and maybe has determined is in the best interest of the company. Now, if that's the proposal as we go forward, that, that's unacceptable to Joe, Jr. He can't live within that kind of environment, and we're both sorry about that, because we

believe that the company has done well and would continue to do well if Joe had some very specific authority which can't be countermanded by his sister, and if you can work something out like that that would be acceptable to the rest of the family, then Joe, Jr. would welcome the opportunity and would try to work within that. But if she's a coequal, and makes decisions, including his decisions, that are night in agreement with his, then that's just an unacceptable proposition, and don't believe we've accomplished anything, but continue in the discord that exists now.

MR. TALL: Okay. And I'm happy to offer some response, and I'm authorized by Mr. Mason, Sr. and Ms. Mason to do so. If the comments just made were a plea for resolution for working out something that will be practical for the business, I think we can say that that would be approved by acclamation. The characterization of past business history, which is that Joe, Jr. and his sister are coequals in making decisions about the business, I'm not sure we have had any

corporate structure that supports that. Everybody's got a one quarter vote and significant decisions in corporate life seem to be something that could be brought into a corporate meeting and voted upon, and I don't believe that Ms. Mason or Mr. Mason, Sr. would agree that what has happened, they've simply allowed their daughter to vote coequal with their son. Or, if there are situations where, because they have 50 percent of the vote and they put it behind the decisions of their daughter, that may not be a coequal situation, that may be a 75 percent vote versus a 25 percent vote. In any event, whatever the family members wish to do with the business, they have Mr. Mason, Sr. and Ms. Mason agreeing to cooperate in trying to find a resolution. As it relates to what would happen, in the event that one person is the president and one person is not, I think that there is some history of corporations that a president has some inherent powers that someone who's not president does not have, so, to the extent that there have been

proposals to make decisions, and the question is, is that something for the board to vote on or is that something within the orbit of the president, that he has inherent authority to do certain things, I think there's going to be a little clarification when Mr. Mason, Sr. takes the position of president, if that's the election today. But, I don't think anybody should take, from this meeting, whatever the vote happens to be, that Mr. Mason, Sr. and Ms. Mason are voting for deadlock or voting for conflict or interested in perpetuating a continuing deadlock or problem, I think the intent that they both have is to try and seek resolutions. And no matter who the officer is, I think everyone has a duty to make the business as best -- as good as it can be.

MR. BYRD: Well, I hope that'll work out.

MR. TALL: I agree. Any further discussion?

MS. MASON: No.

MR. TALL: All right, well ---

MS. MASON: Can we vote?

MR. MASON SR.: I'd like to vote on the election.

MR. TALL: And the slate of candidates that

you've proposed?
MR. MASON SR.: Yes.
MR. TALL: And you're voting in -- How do you vote?
MS. MASON: Yes.
MR. MASON SR.: I vote, well, in favor or yes.
MR. TALL: Okay. Ms Mason?
MS. ST. BLANCHARD: In favor.
MR. BYRD: And we oppose it, and would propose, as an alternative slate, that Mr. Joe Mason, Jr. continue to serve as president of the company.
MR. TALL: Any discussion regarding that, further discussion?
MR. BYRD: No further discussion.
MR. MASON SR.: I don't understand, how can he . . .
MS. MASON: Like if ---
MR. TALL: There's an alternative resolution in addition to the one that's just been voted upon. It's asking you to reconsider, so. There's a motion to reconsider and to, instead of you, Mr. Joe, Mason, Sr. being president, Joe, Jr. being president. We can call the vote on that alternative

resolution.

MR. MASON SR.: And when do we do that?

MR. TALL: Right now. In essence asking you to reconsider the vote you just gave a few minutes ago.

MR. MASON SR.: Oh, I see. I see. You want me to reconsider the vote that I just made?

MR. TALL: Yes, sir.

MR. MASON SR.: Okay. I'd rather not. I'd rather leave it the way it is.

MR. TALL: Ms. Mason?

MS. MASON: No, the way it is.

MS. ST. BLANCHARD: The way it was suggested.

MR. TALL: And I presume Mr. Mason, Jr. would vote in favor of that resolution?

MR. BYRD: That's correct.

MR. TALL: Okay. I think that takes care of all the agenda items that we had for the meeting, and would propose to entertain a resolution that the meeting be completed.

MR. MASON SR.: Oh, okay, yes, adjournment of the meeting.

MR. TALL: Ms. Mason?

MS. MASON: Second it.

MR. BYRD: And we have no objection to that.

I would just ask what the intentions are, if any have been made, about some delineation of responsibilities and authorities. Is Mr. Mason, Sr. going to address that through you, with you, with Joe, or are they just going to fly by the seat of their pants to see how it goes, or what?

MR. TALL: I would ---

MR. MASON SR.: I can sit down there with Junior and get some resolutions, he and I, on what needs to be done. And hopefully the two of us can agree on these things. I, just like I said earlier, I have no intention of deleting his salary or reducing his salary or anything like that. He's done a fantastic job in the position he's in. But there are some things that I need to look in to. And I think there's some things he and I need to look into. I have -- I want him to do the same he's been doing, ---

MR. BYRD: And ---

MR. MASON SR.: --- but with my being there.

MR. BYRD: Excuse me, I didn't mean to interrupt.

MR. MASON SR.: That's all right.

MR. BYRD: And would you propose to do that, maybe, this afternoon or after this meeting or when do you propose to do that?

MR. TALL: He'll probably take some time to give thought to ---

MR. MASON SR.: Can you give me a couple of days? I'd appreciate it.

MR. BYRD: And in the meantime, how do you expect things to proceed?

MR. TALL: If Mr. Mason, Jr. wants to continue in the role of manager as he has been, I guess I would say that until there are instructions otherwise, ---

MS. MASON: Yeah.

MR. TALL: That the specific ways in which ways would change would be addressed at a later time, and we'll leave that up to the president.

MR. MASON SR.: Yeah, I, I'm trying to figure out how to word this because I, I'm not familiar with these things. I want him to do the work, like he's been doing, that nothing will change. The only thing that will change, as of right now, since we've had the vote, is that I don't except you or, the --

as president. You would be working as vice president, even though you will be doing the work as president. If anything were to come up before you and I had this conference or this meeting, I would expect you to let me know what's going on.

MS. MASON: And the directors and the officers.

MR. MASON SR.: Well, I don't know if we can go that far, but ---

MS. MASON: Well, then ---

MR. MASON, SR.: --- but at least I know where we stand and what we're doing. Certain things that may come up, whether it be banking or whatever, I don't want the ability to be on your hands right now. I want it to be on mine. That's partially what I'm saying, ---

MR. BYRD: I think ---

MR. MASON SR.: --- without -- I don't know.

MS. MASON: I don't think we should ---

MR. TALL: I think there's a reasonable period of time and, and ---

MS. MASON: Yeah, and we're not comfortable right now.

MR. TALL: --- these folks, all right, these

folks will work this out.
MS. MASON: We're not comfortable with this, right now.
MR. BYRD: You're not comfortable with what, Ms. Mason?
MS. ST. BLANCHARD: Discussing it.
MS. MASON: With what you're asking us to discuss now.
MR. TALL: I'd say that ---
MR. BYRD: Well, your husband just discussed it.
MR. MASON SR.: Well, I'm going to do it with him.
MS. MASON: Okay.
MR. BYRD: I mean, we -- Joe is being asked to go back to the business and continue to do the things that he's been doing in the form I'll refer to as general manager.
MR. TALL: Let me suggest this, because I think we've taken agenda items, and at this point, I'd say we go off the record to handle the agenda items that are here.
MR. BYRD: Well ---
MR. TALL: If you're proposing what are the consequences of this vote, I, I, I think that's a whole other matter, and maybe folks

will speak more freely without having to consider that every word they speak is going to be recorded for posterity.

MR. BYRD: Well, let me just ask this question, you don't even have to respond to it, ---

MR. TALL: Sure.

MR. BYRD: But, you've asked, actually, Mr. Mason, Sr., you've asked Joe to continue with his responsibilities, and I'll refer to it as general manager, because I understand that there are actually managers of the stores which are kind of under somebody, him or you, or someone else, so, I'm talking about actually doing the things he's been doing, except those things that Mr. Tall has maybe referred to as the inherent authority of the president or even specific authority, but here we don't even have bylaws or anything else, so, we have to refer to the statute ---

MR. TALL: Well, we have a shareholder management agreement for Mason Holding Company.

MR. BYRD: Right, which is inconsistent, a

little bit, with what we're doing, but that's okay. I don't want to fuss about or argue about that. But, there are some things that you wouldn't want him to do, change salaries of you and his sister, or go to the bank and borrow money, or things like that that you'd like for him to talk about, and generally things that he's not discussed with you, you're not interested in, but if there are things that you specifically want to talk to him about, and want him to talk to you about, just tell him. You don't have to say it to me now. Just tell him.

MR. MASON SR.: I talk to you right now.

MR. TALL: Well, wait, wait ---

MR. MASON SR.: I would like to know what is going on, period.

MR. TALL: But I also want to interject here if I may, Mr. Mason. You did say that you want a couple of days to ---

MS. MASON: That's right. We're not comfortable with this, discussing this now.

MR. TALL: --- go through these, so, that, we don't consider that to be unreasonable. Now, if that gives a period of uncertainty,

it's not our intent to rock a boat or make anyone uncomfortable. And short of giving a whole laundry list of things right now, which Mr. Mason Sr. says he's not comfortable doing, it's to leave things in something of status quo. If that's uncomfortable, I think you'll have Mr. Mason, Sr. respond to whatever somebody might say, here is some specific guidance that I haven't gotten that I want to get.

MR. BYRD: Well, let me say this, subject to my discussion with Joe, Jr., I'm going to recommend to him that he do that. And I would just invite his father as president of the company to communicate with him any way he deems appropriate if he's dissatisfied with anything he observes before they have that meeting. Okay? He'll try to comply with his father's wishes, and he'll operate like that for some reasonable period of time. You used that term. And we'll just see where it goes, and hopefully we'll head toward some sort of resolution. And again,

---

MR. TALL: No objection.

MR. BYRD: --- that is what we want. I think everybody's best interest is served, but, and I don't need a response from you, Mr. Mason.

MR. TALL: Thank you, Ms. Court Reporter.

(The Special Meeting Concluded at 1:53 p.m.)

CERTIFICATE

This is to certify that the foregoing transcript of the SPECIAL MEETING OF THE SHAREHOLDERS OF MASON HOLDING COMPANY, INC., consisting of THIRTY-FIVE (35) pages is a true and correct transcript of the said meeting. The meeting was reported by method of stenomask with backup.

I further certify that I am neither employed by nor related to any of the parties in this matter; nor do I have any interest, financial or otherwise, in the outcome of the same.

IN WITNESS WHEREOF I have hereunto set my hand and seal this 5th day of DECEMBER, 2007.

Alice S. Nelson
Verbatim Court Reporter
Notary in and for the
State of South Carolina
My Commission Expires: 7-26-16

COPY

DUNCAN, FARMER, MUNDEN, McILRATH & COBB, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

1004 29TH AVENUE NORTH, SUITE A
MYRTLE BEACH, SOUTH CAROLINA 29577
(843) 448-2019

November 7, 2007

Mr. Irwin Levine
5769 North Andrews Way
Fort Lauderdale, Florida 33309

Re: Mason Tire & Auto Service, Inc.

Dear Irwin:
I am in the process of gathering historical tax information for the five corporations of the Mason family. Could you please provide me the following information.

1. Detailed depreciation schedules for the year ended December 31, 2006 for each corporation.

2. Copies of your adjusted trial balance and income statement for the year ended December 31, 2006 along with all year end adjusting journal entries for each corporation.

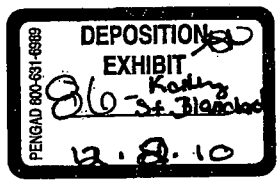
3. A schedule of shareholder basis for each shareholder in the Mason Holding Company, Inc.

4. Explain why the Subchapter S tax return for the Holding Company allocated all the income to the minority shareholders.

Your assistance on getting this to me before December 1st will be greatly appreciated.

Sincerely,

D. Tim Duncan, CPA



DUNCAN, FARMER, MUNDEN, McILRATH & COBB, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

1004 29TH AVENUE NORTH, SUITE A
MYRTLE BEACH, SOUTH CAROLINA 29577
(843) 448-2019

November 7, 2007

Mr. Joe Mason Sr., President
Mason Tire & Auto Service
750 Highway 17 North
Surfside Beach, South Carolina 29575

Dear Joe,

I want to thank you for engaging our firm to assist you and provide the types of accounting services your family and company desires.

As a result of the meetings I have had with you, Joe Jr. and Kathy, many issues have been discussed and as a result of these meetings I request you provide me the following information.

1. Copies of corporate income tax returns for Mason Holding Company, Inc. for the years 1998 - 2005.

2. Copies of all gift tax returns filed by Joseph and Katherine Mason Sr. along with attachments showing how gifts were valued.

3. A description of buildings and land ownership for each location and copies of lease agreements for those on leased property.

4. Copies of management agreements between the Holding Company and each corporation operating as Mason Tire Service Centers.

5. Copies of corporate income tax returns for the four subsidiary companies for the years 2003 - 2005.

In addition to the above request, it is my understanding Clifford H. Tall, attorney, will be responsible for ordering new corporate kits for each entity. Upon receipt of these kits he will meet with you and bring the stock certificates up to date.

Attached to this correspondence is a letter to your former accountant requesting additional tax information. If he calls you about my request I would appreciate letting him know the urgency of my request.

PENGAD 800-631-6989
DEPOSITION EXHIBIT
87 - Kathy St. Blanchard
12-2-10

Upon receipt of the above items and review by Cliff Tall, Wayne Byrd and myself, we will need to get together to address any issues that require attention. My goal is to gather this information before December 1st so we can plan 2008.

I would suggest no more gifts of stock in the Holding Company be made until we can assess where we are for tax planning purposes.

Once again we appreciate you giving us the opportunity to provide accounting services and help you with other matters as they arise.

Sincerely

D. Tim Duncan, CPA

cc: Clifford H. Tall, Esq.
Wayne Byrd, Esq.

DUNCAN, FARMER, MUNDEN, McILRATH & COBB, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

1004 29TH AVENUE NORTH, SUITE A
MYRTLE BEACH, SOUTH CAROLINA 29577
(843) 448-2019

November 27, 2007

Mr. Joe Mason, Sr.
Mason Tire & Auto Service
750 Highway 17 North
Surfside Beach, SC 29575

Dear Joe;

Thank you for your telephone call today informing me you will be using Levine - Thomas & Associates, LLC for the preparation of the 2007 corporate and individual income tax returns. If we can be of service in the future please give me a call.

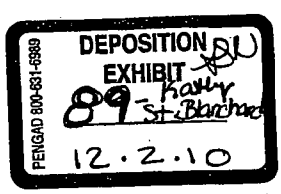
Sincerely,

D. Tim Duncan, CPA

cc: Turner Padget Graham
Wayne Byrd
2441 North Oak Street
Founders Centre, Suite 301
Myrtle Beach, SC 29577

Clifford H. Tall, Atty.
4702 Oleander Drive
Myrtle Beach, SC 29577

Thompson & Henry, P.A.
Jack Thomas
1314 Professional Drive
Myrtle Beach, SC 29577



November 29th, 2007

Dear Jay,

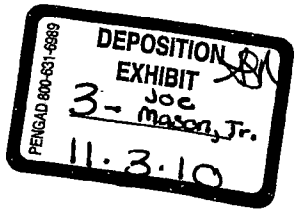
As Vice-President your job duties will remain the same as they have for the past twenty five years. The only exception will be check signing and transferring of funds, you are no longer responsible for those duties. Any journal tickets created by you must have the Presidents signature on them.

You will perform your job duties with accountability and quality job performance in a professional matter to all officers and employees of Mason Tire. This is a quality I expect from all officers of Mason Tire, nothing less will be tolerated.

Again, if you feel you cannot conduct yourself in such a matter as stated before in the letter you received from your mother and myself you will go on a permanent leave of absence until you can prove otherwise.

Sincerely,

Joseph E. Mason, Sr.,
President



November 29th, 2007

NOTICE OF MEETING OF MASON TIRE COMPANY, INC., ETC., CORPS., SHARHOLDERS AND OFFICERS

PURSUANT OT THE TERMS OF 33-2-105 AND 33-8-220 OF THE SOUTH CAROLINA CODE OF LAWS, JOSEPH E. MASON, SR., PRESIDENT HEREBY GIVES NOTICE OF HIS INTENTION TO CALL AND CONDUCT A MEETING OF ALL SHARHOLDERS AND OFFICERS OF THE ABOVE DESCRIBED CORPORATIONS TO BE HELD AT THE DATE, TIME AND LOCATION SET FORTH BELOW AND TO ADDRESS THE AGENDA ITEMS LISTED BELOW. ALL SHARHOLDERS AND OFFICERS ARE INVITED TO ATTEND.

DATE OF MEETING: DECEMBER 7TH, 2007 FRIDAY

TIME OF MEETING: 5:30 PM

LOCATION OF MEETING: 750 HWY 17 NORTH
SURFSIDE BEACH, SC

C. St. Blanchard P

ok

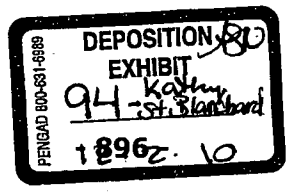
CM

AGENDA ITEMS:

1. MAILING OF AMENDED TAX RETURNS
2. CORPORATE EXPENSES, PROGRAM
3. CORPORATE GAS USAGE, PROGRAM
4. STOCKHOLDERS DIVIDENTS, 'S' CORP.
5. ATTORNEY FEES, CORPORATE
6. SALARIES FOR OFFICERS
7. NEW HIRE PACKS/VACATION
8. COMPANY HOLIDAY SCHEDULE & HOLIDAY PARTY

OPEN FOR NEW BUSINESS

JOSEPH E. MASON, SR.,
PRESIDENT
SHAREHOLDER OF MORE THAN 10% OF CORPORATION SHARE & OFFICER
LAST MEETING: OCTOBER 16TH, 2007

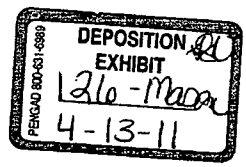


Due to your recent unacceptable attitude, job performance and lack of accountability to officers, employees and the overall welfare of Mason Tire you are being warned that your objectionable behavior will not be tolerated in the work place.

Accept this letter as my final reprimand before I relieve you from your position. If you feel your conduct is beyond your control and you cannot take necessary actions to correct the above, a leave of absence is my next course of action.

Sincerely,

Joseph E. Mason, Sr.
President



PLTF000055

December 3, 2007

Mr. Joseph E. Mason, Sr.
President
750 Highway 17 North
Surfside Beach, SC 29575

Dear Dad:

I acknowledge receipt of your undated "reprimand" which was delivered to me on November 29, 2007. You refer to this document as a "final reprimand." Regardless of your characterization, I have never received any previous reprimand of any sort. Quite to the contrary, I have acted as President of the Corporation since it was formed twenty (25) years ago until I was removed as President on October 24, 2007. Even though I was demoted from President to Vice President, you openly admitted and professed that I had done an excellent job operating and growing the company.

We both know that my demotion on October 24, 2007, as well as this so called "reprimand" is intended to be punitive for my efforts to do the right things in running the company. In this memorandum, you give me absolutely no meaningful criticism to which I can respond, or on which I can act. Please provide specific conduct or actions which you consider unacceptable. Please provide me specific examples of unacceptable attitude in my job performance, as well as alleged lack of accountability to affairs, employees, and overall welfare of Mason Tire. Upon receipt of such information, rest assured, I will take immediate action to correct any inappropriate conduct. Although, I requested this in our meeting last week, you were unable or unwilling to provide it to me. For me to correct what you have addressed only in an abstract way, I must be provided with specifics. Therefore, I respectfully request you provide this information to me.

I am unaware of any action or inaction, conduct, or attitude which would fall within your characterization. I am at a loss to know what you are talking about without a meaningful explanation. Please provide this to me in writing so there is no risk of misunderstanding.

Sincerely,

Joseph E. Mason, Jr.

PLTF000056

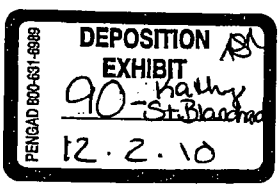
SALE OF MASON HOLDING COMPANY STOCK

This is to ackknowledge a meeting held on December 20th, 2007 with the following in attendance:

Joseph E. Mason, Sr.
Catherine L. Mason
Joseph E. Mason, Jr.
Catherine J. St. Blanchard
Irwin Levine

I, Joseph E. Mason, Jr., have agreeded to the sell his 25% interest in Mason Holding Company for the sum of 1,000,000.00 over the next ten years. The stock will be held in escrow until final payment has been received.

_____
Joseph E. Mason, Jr.



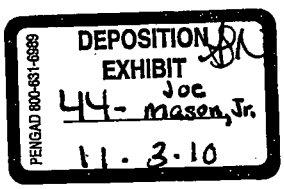
-----Original Message-----
From: Steve Allison <SA@jahoc.com>
To: sporten@aol.com
Sent: Mon, 2 Feb 2009 3:02 pm
Subject: Offer Statement

Joe,

In December of 2007 I offered Joe Mason Sr. $3,000,000.00 to purchase all the assets and liabilities of Mason Holding Company. If you need any further details regarding my offer to buy, I will be more than glad to discuss it with you and your attorney at that time.

Sincerely,

Steve Allison
President
Atlantic Coast Enterprises, LLC. (ACE)
1001 NW 62nd Street
Suite 418
Fort Lauderdale, FL 33309
(954) 267-9244
Fax: (203) 523-0499
email: sa@jahoc.com
www.lubestars.com



July 30, 2008

Mr. Joseph E. Mason, Sr.
President
Mason Tire & Auto Service, Inc.
750 Highway 17 North
Surfside Beach, SC 29575

Re: Mason Tire & Auto Service, Inc.

Dear Dad:

You are well aware of the actions I took on behalf of the company in 2007. It has been well documented by correspondence and proceedings. As a result, the company and its other officers and directors have retaliated against me in numerous and pervasive ways. First, I was removed as President of the company. Thereafter, all authority with regard to company finances was terminated. My authority to manage at all levels has been eliminated, or undermined to such an extent that my authority has been effectively eliminated.

The environment that you and the other officers and directors have created for me has become intolerable. Your retaliation and demeaning treatment of me have held me up to ridicule and embarrassment among the managers and other employees of the company. My self respect has been destroyed.

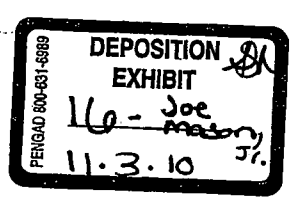
Your most recent actions in overruling my decision to terminate a dishonest employee is just another example of your retaliation toward me. All of the managers are aware of this event. They now know that I have no authority to manage the business affairs of the company.

Repeatedly, I have brought to your attention countless egregious situations that you have not corrected but have allowed to persist. Not only have you dismissed my concerns but routinely, gone against them, and further compromised the security and the foundation of Mason Tire.

By your actions and conduct, I have been ridiculed and demeaned and relegated to a menial position with the company. You have constructively discharged me from my job, my authority, and my responsibilities. I know longer have the authority or ability to meet the responsibilities of effectively managing this company. I hereby acknowledge the constructive discharge and inform you that I will depart the company two (2) weeks from today.

Respectfully submitted,

Joseph E. Mason, Jr.



TO:
MR JOE MASON JR.

FROM
IRWIN LEVINE

RE TAXES 2008

I HAD MISPLACED YOUR FAX, BUT DO RECALL THAT YOU NEED CERTAIN INFO FROM ME.

WILL BE GLAD TO FURNISH YOU THIS INFO, HOWEVER THIS IS COSTLY AND THEREFORE THE DEPRECIATION SCHEDULE AND ADD'L WORK THAT SHOULD HAVE BILLED TO YOU BUT BECAUSE OF OUR "PAST" RELATIONSHIP WAS NOT - NEEDS AT LEAST TO BE CORRECTED; THUS, FOR MY TIME TO FIND AND POINT OUT THE DEPRECIATION SCHEDULE (CONSISTING OF 7 ITEMS) MY BILL IS - - -

P.S. JUST TO LET [redacted] YOU KNOW THAT CERTAIN STATEMENT MADE PERTAINING TO ME WILL REMAIN WITH ME UNTIL SUCH TIME I FEEL ITS APPROPIATE TO ACT

Dear Mr. Levine 01/25/09

I am in receipt of your hand written note regarding what you contend are past fees due you or your firm.

Since you never billed me or the S&M LLC previously for these fees and only do so now as I ask for a copy of our detailed depreciation schedule, I must assume that this fee of $850 is only being requested due to my request for the last year's detail depreciation schedule.

I know that CPA's are ethically bound to not refuse a request for documentation or tax returns issued by them due to unpaid fees. So your refusal to provide the depreciation schedule for S&M, LLC indicates to me that you must not be a CPA licensed to practice in either the state of Florida, South Carolina or any other state. So then I understand that the ethics requirements of Certified Public Accountants must not apply to you.

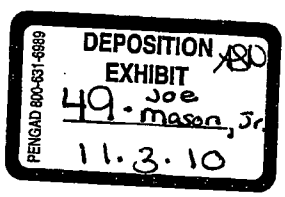
I also understand that you are a resident of Florida and so you cannot be a Public Accountant licensed by the state of South Carolina.

(This determination however gives me pause. That is because if I remember correctly, you have prepared for Mason Tire for their submission to unrelated third parties, financial statements. Under SC statues, my understanding is that only CPA's or with modification of a report letter, Public Accountants, may issue financial reports for companies in SC. So I now need to see what the impact maybe on me personally of your issuing reports to others for Mason Tire.)

But since you are not a CPA nor a Public Accountant in South Carolina, I can only file a complaint regarding your refusal to provide me with S&M LLC's detail depreciation schedule with the Internal Revenue Service's Office of Professional Responsibility.

I do not want to take that action and do not feel $850 that you quoted is proper for supplying the detailed depreciation schedule from your files. So I respectfully request again, please furnish the firm of Richard Heath, CPA, CVA PC with a copy of S&M, LLC's detail depreciation schedule for the year ended December 31, 2007. Their address is as follows, if you so desire you could fax it to them.

Richard Heath, CPA, CVA, PC
1971 Glenn's Bay Rd
Surfside Beach, SC 29575
(843) 650-4422 (fax)



Thank you in advance for your supplying the detailed depreciation schedule for S&M, LLC as of yearend December 31, 2007.

Joe Mason, Jr.

Mr Mason Jr.

Being an equal bastard does not make it right. Everything in the long run will be equal

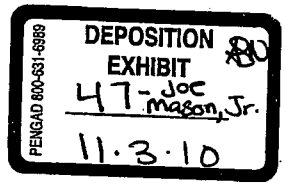
your depreciation schedule 2007

&

your K-1 for 2007

Jason Lee

If you need additional please clear with Catherine St. Blanard



Form 4562

JOSEPH E MASON, JR. & ERICA K MASON

Sch E - SINGLE FAMILY HOME

Depreciation and Amortization Report

Tax Year 2007

➤ Keep for your records

2007 [redacted]6182

Asset Description	Code	Date in Service	Cost (net of land)	Land	Business Use %	Section 179	Special Depreciation Allowance	Depreciable Basis	Life	Method/ Convention	Prior Depreciation	Current Depreciation
DEPRECIATION												
MINITURE		05/15/07	6,578		100.00			6,578	5.0	200DB/HY		1,316
DISHWASHER-GRILL-DISHES		07/01/07	4,996		100.00			4,996	5.0	200DB/HY		999
SUBTOTAL CURRENT YEAR			11,574	0		0	0	11,574			0	2,315
AUTO	L	04/15/06			16.98							
HOME		04/17/06	176,637	50,000	100.00			176,637	27.5	SL/MM	4,550	6,423
FURNITURE VARIOUS		04/17/06	2,700		100.00			2,700	5.0	200DB/HY	540	864
APPLIANCES		04/17/06	4,800		100.00			4,800	5.0	200DB/HY	960	1,536
MAJOR IMPROVEMENTS		06/15/06	31,212		100.00			31,212	27.5	SL/MM	615	1,135
ELECTRONIC APPLIANCES		06/15/06	1,760		100.00			1,760	5.0	200DB/HY	352	563
SUBTOTAL PRIOR YEAR			217,109	50,000		0	0	217,109			7,017	10,521
TOTALS			228,683	50,000		0	0	228,683			7,017	12,836

Code: S = Sold, A = Auto, L = Listed, H = Home Office

FDIV3601 08/17/07

Feb 26 09 10:09a Steve Allison 84 52-5824 p.3

PLTF000346

- 907 -

671108

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2008

For calendar year 2008, or tax year beginning _____, 2008 ending _____

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0130

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

► See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
58-2356923

B Corporation's name, address, city, state, and ZIP code
MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH, SC 29575

C IRS Center where corporation filed return
Cincinnati, OH 45999-0013

Part II Information About the Shareholder

D Shareholder's identifying number
[redacted]6182

E Shareholder's name, address, city, state, and ZIP code
JOSEPH E MASON JR
[redacted]
MYRTLE BEACH, SC [redacted]

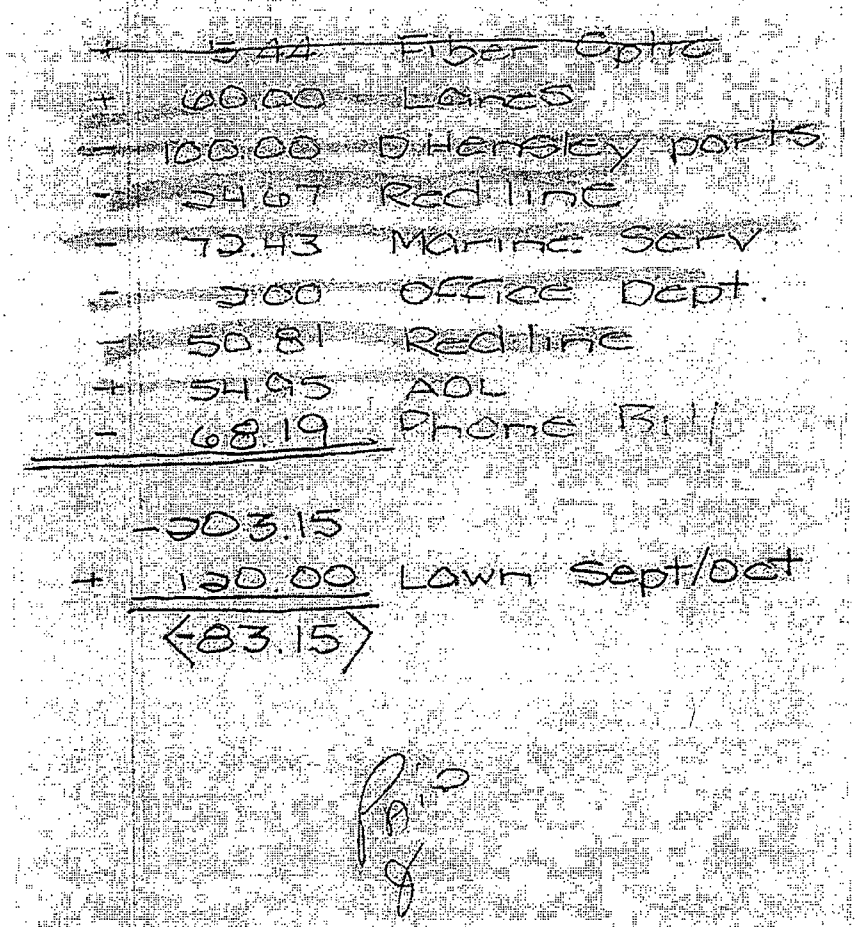
F Shareholder's percentage of stock ownership for tax year ..... 30.00000 %

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

1	Ordinary business income (loss) -8,915.	13	Credits
2	Net rental real estate income (loss) 6,886.		
3	Other net rental income (loss)		
4	Interest income 2,688.		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items A 38.
11	Section 179 deduction	16	Items affecting shareholder basis C 4,357.
12	Other deductions A 78.		
		17	Other information A 2,688.

*See attached statement for additional information.

FOR IRS USE ONLY



+ 15.44 Fiber Optic
+ 60.00 Lanes
+ 100.00 D.Hensley parts
- 54.67 Red line
- 72.43 Marine Serv
- 3.60 Office Dept.
- 50.81 Red line
+ 54.95 AOL
- 68.19 Phone Bill

-203.15
+ 120.00 Lawn Sept/Oct
<83.15>

DEPOSITION EXHIBIT 92 - St. Blanche
12.2.10
PENGAD 800-631-6989

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

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

► Instructions are separate. See Instructions for Paperwork Reduction Act Notice.

OMB No. 1545-0123

2003

A Check if a:
1 Consolidated return (attach Form 851) ☐
2 Personal holding company (attach Schedule PH) ☐
3 Personal service corp (as defined in Regs section 1.441-3(c) — see instructions) ☐

Use IRS label. Otherwise, print or type.

Name: MASON TIRE & AUTO SERVICE, INC.

Number, street, and room or suite number (If a P.O. box, see instructions.): C/O J. MASON P.O. BOX 15728

City or town: SURFSIDE BEACH State: SC ZIP Code: 29587

B Employer identification number: 57-0801371

C Date incorporated: 06/03/85

D Total assets (see instructions): $ 1,113,968.

E Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change

INCOME	1a	Gross receipts or sales: 2,368,954.	b Less returns & allowances:	c Balance ►	1c 2,368,954.
	2	Cost of goods sold (Schedule A, line 8)			2 1,163,642.
	3	Gross profit. Subtract line 2 from line 1c			3 1,205,312.
	4	Dividends (Schedule C, line 19)			4
	5	Interest			5 3,932.
	6	Gross rents			6
	7	Gross royalties			7
	8	Capital gain net income (attach Schedule D (Form 1120))			8
	9	Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)			9
	10	Other income (see instructions — attach schedule)			10
	11	Total income. Add lines 3 through 10		►	11 1,209,244.
DEDUCTIONS (SEE INSTRUCTIONS FOR LIMITATIONS ON DEDUCTIONS)	12	Compensation of officers (Schedule E, line 4)			12 10,400.
	13	Salaries and wages (less employment credits)			13 499,535.
	14	Repairs and maintenance			14 26,271.
	15	Bad debts			15 1,856.
	16	Rents			16 97,615.
	17	Taxes and licenses			17 58,757.
	18	Interest			18 21,384.
	19	Charitable contributions (see instructions for 10% limitation)			19 370.
	20	Depreciation (attach Form 4562)	20 30,371.		
	21	Less depreciation claimed on Schedule A and elsewhere on return	21a		21b 30,371.
	22	Depletion			22
	23	Advertising			23 1,921.
	24	Pension, profit-sharing, etc, plans			24 2,667.
	25	Employee benefit programs			25 18,117.
	26	Other deductions (attach schedule) See Other Deductions Statement			26 414,458.
	27	Total deductions. Add lines 12 through 26		►	27 1,183,722.
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11			28 25,522.
	29	Less: a Net operating loss (NOL) deduction (see instructions)	29a		
		b Special deductions (Schedule C, line 20)	29b		29c
TAX AND PAYMENTS	30	Taxable income. Subtract line 29c from line 28			30 25,522.
	31	Total tax (Schedule J, line 11)			31 6,077.
	32	Payments: a 2002 overpayment credited to 2003	32a 6,384.		
		b 2003 estimated tax payments	32b 5,616.		
		c Less 2003 refund applied for on Form 4466	32c	d Bal ► 32d 12,000.	
		e Tax deposited with Form 7004		32e	
		f Credit for tax paid on undistributed capital gains (attach Form 2439)		32f	
		g Credit for federal tax on fuels (attach Form 4136). See instructions		32g	32h 12,000.
	33	Estimated tax penalty (see instructions). Check if Form 2220 is attached ► ☐			33
	34	Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed			34
	35	Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid			35 5,923.
	36	Enter amount of line 35 you want: Credited to 2004 estimated tax ►	Refunded ►		36 5,923.

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 inst) ☐ Yes ☐ No

Paid Preparer's Use Only

Preparer's signature ► — Date — Check if self-employed ☐ — Preparer's SSN or PTIN [redacted]8030

Firm's Name (or yours if self-employed), address, and ZIP Code: ► RRR PRO. SERVICES, INC. D/B/A IRWIN LEVINE & ASSOC.
5769 N. ANDREWS WAY
FT LAUDERDALE FL 33309

EIN 75-2993273

Phone No.

BAA CPCA0212 08/29/03 Form 1120 (2003)

DEPOSITION EXHIBIT 108-Levine 12-3-14
VENGAD 800-631-6989

Levine Resp. to D's 1st RPD
00001

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	29,497.
2	Purchases	2	1,268,497.
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	1,297,994.
7	Inventory at end of year	7	134,352.
8	**Cost of goods sold.** Subtract line 7 from line 6. Enter here and on line 2, page 1	8	1,163,642.

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 is 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? If 'Yes,' attach explanation ☐ Yes ☒ No

Schedule C Dividends and Special Deductions (see instructions)

		(a) Dividends received	(b) Percentage	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)		70	
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)		80	
3	Dividends on debt-financed stock of domestic and foreign corporations (section 246A)			
4	Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction		70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction		80	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))		100	
9	**Total.** Add lines 1 through 8. See instructions for limitation			
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11	Dividends from certain FSCs that are subject to the 100% deduction (sec 245(c)(1))		100	
12	Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3))		100	
13	Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11			
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15	Foreign dividend gross-up (section 78)			
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d))			
17	Other dividends			
18	Deduction for dividends paid on certain preferred stock of public utilities			
19	Total dividends. Add lines 1 through 17. Enter here and on line 4, page 1 ►			
20	**Total special deductions.** Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1 ►			

Schedule E Compensation of Officers (see instructions for line 12)

Note: *Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are $500,000 or more.*

1 (a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned (d) Common	(e) Preferred	(f) Amount of compensation
JOE MASON SR	[redacted]0934	15.0%	0.0%	0.0%	10,400.
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
2 Total compensation of officers					10,400.
3 Compensation of officers claimed on Schedule A and elsewhere on return					
4 Subtract line 3 from line 2. Enter the result here and on line 12, page 1					10,400.

Levine Resp. to D's 1st RPD
00002

Schedule J Tax Computation (see instructions)

1	Check if the corporation is a member of a controlled group (see sections 1561 and 1563) ► [X] **Important:** Members of a controlled group, see instructions.		
2a	If the box on line 1 is checked, enter the corporation's share of the $50,000, $25,000, & $9,925,000 taxable income brackets (in that order): (1) $ 12,500. (2) $ 2,500. (3) $ 10,521.		
b	Enter the corporation's share of: (1) Additional 5% tax (not more than $11,750) $ (2) Additional 3% tax (not more than $100,000) $		
3	Income tax. Check if a qualified personal service corporation under section 448(d)(2) (see instructions) ► [ ]	3	6,077.
4	Alternative minimum tax (attach Form 4626)	4	
5	Add lines 3 and 4	5	6,077.
6a	Foreign tax credit (attach Form 1118) 6a		
b	Possessions tax credit (attach Form 5735) 6b		
c	Check: [ ] Nonconventional source fuel credit [ ] QEV credit (attach Form 8834) 6c		
d	General business credit. Check box(es) and indicate which forms are attached. [ ] Form 3800 [ ] Form(s) (specify) ► 6d		
e	Credit for prior year minimum tax (attach Form 8827) 6e		
f	Qualified zone academy bond credit (attach Form 8860) 6f		
7	**Total credits.** Add lines 6a through 6f	7	
8	Subtract line 7 from line 5	8	6,077.
9	Personal holding company tax (attach Schedule PH (Form 1120))	9	
10	Other taxes. Check if from: [ ] Form 4255 [ ] Form 8611 [ ] Form 8697 [ ] Form 8866 [ ] Other (attach schedule)	10	
11	**Total tax.** Add lines 8 through 10. Enter here and on line 31, page 1	11	6,077.

Schedule K Other Information (see instructions)

		Yes	No
1	Check method of accounting: a [ ] Cash b [X] Accrual c [ ] Other (specify) ►		
2	See the instructions and enter the: a Business activity code no. ► 141300 b Business activity ► AUTOMOTIVE c Product or service ► TIRES & REPAIRS		
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 and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.		X
4	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If 'Yes,' enter name and EIN of the parent corporation ►		X
5	At the end of the tax year, did any individual, partnership, corporation, estate or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) If 'Yes,' attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter % owned ► 100.00 See Ques 5 Stmt	X	
6	During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) If 'Yes,' file **Form 5452,** Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on **Form 851,** Affiliations Schedule, for each subsidiary.		X
7	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation? If 'Yes,' enter: (a) Percentage owned ► and (b) Owner's country ►		X
c	The corporation may have to file **Form 5472,** Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached ►		
8	Check this box if the corporation issued publicly offered debt instruments with original issue discount ► [ ] If checked, the corporation may have to file **Form 8281,** Information Return for Publicly Offered Original Issue Discount Instruments.		
9	Enter the amount of tax-exempt interest received or accrued during the tax year ► $		
10	Enter the number of shareholders at the end of the tax year (if 75 or fewer) ►		
11	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here ► [ ] If the corporation is filing a consolidated return, the statement required by Temporary Regulations section 1.1502-21(b)(3)(i) or (ii) must be attached or the election will not be valid.		
12	Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) ► $		
13	Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than $250,000? If 'Yes,' the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ► $		X

Note: If the corporation, at any time during the tax year, 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.

Note: *The corporation is not required to complete Schedules L, M-1 and M-2 if Question 13 on Schedule K is answered 'Yes.'*

Schedule L Balance Sheets per Books	Beginning of tax year		End of tax year	
Assets	(a)	(b)	(c)	(d)
1 Cash		133,563.		337,368.
2a Trade notes and accounts receivable	320,266.		519,832.	
b Less allowance for bad debts		320,266.		519,832.
3 Inventories		29,497.		134,352.
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach schedule) Ln.6 Stmt		16,530.		44,794.
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	350,057.		350,692.	
b Less accumulated depreciation	242,753.	107,304.	273,120.	77,572.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	344.			
b Less accumulated amortization	172.	172.		
14 Other assets (attach schedule) Ln.14 Stmt		67.		50.
15 Total assets		607,399.		1,113,968.
Liabilities and Shareholders' Equity				
16 Accounts payable		193,663.		266,501.
17 Mortgages, notes, bonds payable in less than 1 year		26,000.		12,500.
18 Other current liabilities (attach sch) Ln.18 Stmt		9,147.		12,769.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		57,056.		483,110.
21 Other liabilities (attach schedule)				
22 Capital stock: a Preferred stock				
b Common stock	55,000.	55,000.	55,000.	55,000.
23 Additional paid-in capital				
24 Retained earnings — Approp (att sch)				
25 Retained earnings — Unappropriated		266,533.		284,088.
26 Adjmnt to shareholders' equity (att sch)				
27 Less cost of treasury stock				
28 Total liabilities and shareholders' equity		607,399.		1,113,968.

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

1 Net income (loss) per books	17,555.	7 Income recorded on books this year not included on this return (itemize): Tax-exempt interest $	
2 Federal income tax per books	6,077.		
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):		8 Deductions on this return not charged against book income this year (itemize): a Depreciation $ b Charitable contribns $	
5 Expenses recorded on books this year not deducted on this return (itemize): a Depreciation $ b Charitable contributions $ c Travel & entertainment $ 1,890.	1,890.	9 Add lines 7 and 8	
6 Add lines 1 through 5	25,522.	10 Income (line 28, page 1) — line 6 less line 9	25,522.

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	266,533.	5 Distributions a Cash	
2 Net income (loss) per books	17,555.	b Stock c Property	
3 Other increases (itemize):		6 Other decreases (itemize):	
4 Add lines 1, 2, and 3	284,088.	7 Add lines 5 and 6	
		8 Balance at end of year (line 4 less line 7)	284,088.

Levine Resp. to D's 1st RPD
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Form **4562**

Department of the Treasury
Internal Revenue Service

Depreciation and Amortization
(Including Information on Listed Property)
► See separate instructions.
► Attach to your tax return.

OMB No. 1545-0172

2003

67

Name(s) shown on return
MASON TIRE & AUTO SERVICE, INC.

Identifying number
57-0801371

Business or activity to which this form relates
Form 1120 Line 20

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

1	Maximum amount. See instructions for a higher limit for certain businesses	1	$100,000.
2	Total cost of section 179 property placed in service (see instructions)	2	636.
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	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	100,000.

6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost
COMPUTER EQUIPMENT	636.	636.

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	636.
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	636.
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 (see instrs)	11	26,158.
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	636.
13	Carryover of disallowed deduction to 2004. Add lines 9 and 10, less line 12 ►	13	0

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	0.
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	13,877.
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 ► ☐		

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	
			27.5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C — Assets Placed in Service During 2003 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	15,858.
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions	22	30,371.
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? [X] Yes [ ] No 24b If 'Yes,' is the evidence written? [ ] Yes [X] No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						25		
26 Property used more than 50% in a qualified business use (see instructions):								
SERVICE TRUCKS	02/18/99	100.00	26,759.	26,759.	5.00	200DB/HY	1,775.	
SERVICE TRUCK	08/15/98	100.00	16,180.	16,180.	5.00	200DB/HY	1,775.	
See Additional Listed Property Statement							12,308.	
27 Property used 50% or less in a qualified business use (see instructions):								
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1						28	15,858.	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1							29	

Section B – Information on Use of Vehicles

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

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

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

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

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	X	
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	X	
39 Do you treat all use of vehicles by employees as personal use?		X
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?		X
41 Do you meet the requirements concerning qualified automobile demonstration use? (see instructions)		X

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 (see instructions):					
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	

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Controlled Group Tax Calculation Statement 2003

► Attach to return

Name	Employer Identification Number
MASON TIRE & AUTO SERVICE, INC.	57-0801371

			(a) Filing Member	(b) Entire Controlled Group
1	Taxable income from line 30, page 1, Form 1120	1	25,522.	94,818.
2	Line 1 or share of $50,000 taxable income bracket, whichever is less	2	12,500.	50,000.
3	Subtract line 2 from line 1	3	13,022.	44,818.
4	Line 3 or share of $25,000 taxable income bracket, whichever is less	4	2,500.	25,000.
5	Subtract line 4 from line 3	5	10,522.	19,818.
6	Line 5 or share of $9,925,000 taxable income bracket, whichever is less	6	10,521.	19,818.
7	Subtract line 6 from line 5	7	1.	0.
8	Multiply line 2 by 15%	8	1,875.	7,500.
9	Multiply line 4 by 25%	9	625.	6,250.
10	Multiply line 6 by 34%	10	3,577.	6,738.
11	Multiply line 7 by 35%	11	0.	0.
12	If a controlled group taxable income exceeds $100,000, enter smaller of: (a) 5% of the excess over $100,000 or (b) $11,750 (see line I below)	12		
13	If a controlled group taxable income exceeds $15,000,000 enter smaller of: (a) 3% of the excess over $15,000,000 or (b) $100,000 (see line N below)	13		
14	Income tax. Add lines 8 through 13. Enter here and on line 3, Schedule J, Form 1120	14	6,077.	20,488.

Calculation of Additional 5% tax (see line 12)

A	Income taxed at 15% rate (line 2 above)	A		
B	Tax rate difference (34% - 15%)	B	19%	19%
C	Tax difference (line A multiplied by line B)	C		
D	Income taxed at 25% (line 4)	D		
E	Tax rate difference (34% - 25%)	E	9%	9%
F	Tax difference (line D multiplied by line E)	F		
G	Total tax difference (line C plus line F)	G		
H	Percentage of additional tax paid by the entire group (line 12(b) divided by line G(b))	H		%
I	Total additional 5% tax (line G multiplied by line H)	I		

Calculation of Additional 3% tax (see line 13)

J	Income taxed at 34% rate (line 2 + 4 + 6)	J		
K	Tax rate difference (35% - 34%)	K	1%	1%
L	Tax difference (line J multiplied by line K)	L		
M	Percentage of additional tax paid by the entire group (line 13(b) divided by line L(b))	M		%
N	Total additional 3% tax (line L multiplied by line M)	N		

CPCW8801 10/15/03

Levine Resp. to D's 1st RPD
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Consent to Apportionment Plan by Members of a Controlled Group

► Attach to Return

2003

Name: MASON TIRE & AUTO SERVICE, INC.

Employer Identification Number: 57-0801371

In accordance with regulations issued under IRC Sections 38, 55, 179 and 1561, the component members of the controlled group listed below consent to the following apportionment plan for the tax year that includes December 31, 2003:

Name of Corporation Address Identification Number Tax Year Ending	Taxable Income Brackets (Section 1561)	Amount	Alternative Minimum Tax Exemption (Section 55)	Section 179 Expense Limitation	General Business Credit Limitation (Section 38)
MASON TIRE & AUTO SERVICE, INC. C/O J. MASON P.O. BOX 15728 SURFSIDE BEACH, SC 29587 57-0801371 12/31/03	15% bracket 25% bracket 34% bracket	12,500. 2,500. 10,521.	10,000.	636.	
J & O TIRE & AUTO SERVICE INC. C/O J MASON P.O.BOX 15724 SURFSIDE BEACH SC 29587 57-0919487	15% bracket 25% bracket 34% bracket	17,500. 7,500. 2,620.	10,000.	657.	0.
M & S TIRE COMPANY INC OCEAN HWY PAWLEYS ISLAND 58-2356919	15% bracket 25% bracket 34% bracket	15,000. 10,000. 5,483.	10,000.	4,629.	0.
K. & J TIRE INC. C/O J MASON P.O. BOX 15724 SURFSIDE BEACH SC 29587 57-1083113	15% bracket 25% bracket 34% bracket	5,000. 5,000. 1,194.	10,000.	6,760.	0.
	15% bracket 25% bracket 34% bracket	Amount			

Signatures of Duly Authorized Persons

Signature _____ Name JOSEPH MASON JR
Title PRESIDENT
Company MASON TIRE & AUTO SERVICE INC

Signature _____ Name JOSEPH MASON JR.
Title PRESIDENT
Company J & O TIRE & AUTO SERVICE INC.

Signature _____ Name JOSEPH MASON JR.
Title PRESIDENT
Company M&S TIRE COMPANY INC.

Signature _____ Name J. MASON JR.
Title PRESIDENT
Company K. & J. TIRE INC.

Signature _____ Name _____
Title _____
Company _____

IRS Center where the original of this statement is filed ..... _____

CPCW8701 10/15/03

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00008

Miscellaneous Statement

BASIS OF FEDERAL INCOME TAXES-CONTROLLED GR	ALLOC AMT	TAX AMOUNT
GROUP SHARE OF 50,000. @ 15%		
GROUP SHARE OF 25,000. @ 25%		
GROUP SHARE OF 25,000. @ 34%		
GROUP SHARE IN EXCESS OF 100,000. @ 39%		
Total		

Form 1120, Page 1, Line 26
Other Deductions Statement

Accounting	8,573.
Amortization	172.
Automobile and truck expense	17,044.
Dues and subscriptions	3,716.
Equipment rent	417.
Insurance	53,268.
Laundry and cleaning	3,987.
Meals and entertainment (50%)	1,891.
Miscellaneous	405.
Office expense	11,035.
Security	492.
Telephone	7,032.
Travel	871.
Utilities	9,673.
WARRANTY SERVICE EXPENSES	62.
GARAGE & SHOP EXPENSES	13,987.
PROFESSIONAL DEVELOPMENT	89.
OUTSIDE COMPUTER SERVICES	6,502.
CHECK CLEARING EXPENSES	3,296.
ADMINISTRATIVE EXPENSES	270,000.
UNIFORM CLEANING EXPENSES	1,946.
Total	414,458.

Form 1120, Page 4, Schedule L, Line 6
Ln 6 Stmt

Other Current Assets:	Beginning of tax year	End of tax year
PREPAID INSURANCE	4,606.	37,045.
PREPAID STATE INCOME TAXES	1,953.	1,826.
EXCISE TAXES	3,587.	0.
PREPAID FEDERAL INCOME TAXES	6,384.	5,923.
Total	16,530.	44,794.

Form 1120, Page 4, Schedule L, Line 14
Ln 14 Stmt

Other Assets:	Beginning of tax year	End of tax year
MISCELLANEOUS ASSETS	67.	50.
Total	67.	50.

Form 1120, Page 4, Schedule L, Line 18
Ln 18 Stmt

Other Current Liabilities:	Beginning of tax year	End of tax year
LICENSES & TAXES PAYABLE	1,370.	2,195.
ACCURED TAXES	0.	1,444.
UNIFORM DEPOSITS	3,221.	3,501.
SALES TAXES PAYABLE	4,556.	5,629.
Total	9,147.	12,769.

Form 1120, Page 4, Schedule L, Line 21
Ln 21 Stmt

Other Liabilities:	Beginning of tax year	End of tax year
DUE HOLDING CORP		
Total		

Form 1120, Page 4, Schedule L, Line 24
Ln 24 Stmt

Retained Earnings – Appropriated:	Beginning of tax year	End of tax year
Total		

Form 1120, Sch K, Corporation Ownership Information
Ques 5 Stmt

Name: MASON HOLDING CO. INC.
ID No. 58-2356923

Form 4562, line 26
Additional Listed Property Statement

(a) Type of property	(b) Date placed in service	(c) Business/ investmnt use %	(d) Cost or other basis	(e) Basis for depreciation	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
SERVICE TRUCK	08/16/00	100.00	16,660.	16,660.	5.00	200DB/HY	1,775.	
FORD SERVICE TRUCK	05/31/01	100.00	27,784.	21,784.	5.00	200DB/HY	4,357.	
CHEV SERVICE TRUCK	09/30/02	100.00	30,850.	30,850.	5.00	SL/HY	6,176.	
Total							12,308.	

STATE OF SOUTH CAROLINA

'C' CORPORATION INCOME TAX RETURN

SC 1120
(Rev 8/26/03)
3091

Return is due on or before the 15th day of the 3rd month following the close of the taxable year.

SC FILE No. 20124494-7
INCOME TAX PERIOD ENDING 12/31/03
LICENSE FEE PERIOD ENDING 12/31/04
FEDERAL EMPLOYER ID NO. 57-0801371

NAME MASON TIRE & AUTO SERVICE, INC.
MAILING ADDRESS C/O J. MASON P.O. BOX 15728

CITY SURFSIDE BEACH
STATE SC ZIP CODE 29587
Change of ..... ☐ Address ☐ Accounting period

Mail this return to: SCDOR, Corporation Return, Columbia, SC 29214-0100

Check if ..... ► ☐ Consolidated Return

Total Gross Receipts. ► 2,368,954.

Total cost of depreciable personal property in SC. ► 350,692.

If Filing a Final Return, See Instructions for Further Information. ► Reorganized ☐ Dissolved ☐ Merged ☐ Withdrawn ☐

PART I COMPUTATION OF INCOME TAX LIABILITY

1	Federal Taxable Income per Federal Form 1120 or 1120A	1	25,522.
2	Net Adjustment from line 12, Schedule A and B	2	557.
3	Total Net Income as Reconciled (line 1 plus or minus line 2)	3	26,079.
4	If Multi-state Corporation, enter amount from line 6, Schedule G; otherwise, enter amount from line 3	4	26,079.
5	LESS: South Carolina net operating loss carryover, if applicable	5	
6	South Carolina Net Income subject to tax (line 4 less line 5)	6	26,079.
7	TAX: Multiply amount on line 6 by .05 (5.0%)	7	1,304.
8	Less tax deferred on income from foreign trade receipts (see instructions)	8	
9	Balance (line 7 less line 8)	9	1,304.
10	Credit Carryover (line 7, Schedule C) ► _____ Non-refundable credits (line 5, Schedule C)	10	0.
11	Balance of tax (line 9 less line 10). Enter the difference but not less than zero	11	1,304.
12	Interest on DISC-deferred tax liability _____; or Foreign Trade Deferred Tax Liability _____	12	
13	Total tax and/or interest (add lines 11 and 12)	13	1,304.
14	Payments: (a) Tax Withheld (see instrs) ► _____ (b) Paid by Declaration ► 3,200. (c) Paid with Tentative Return ► _____ (d) Credit from Line 29b ► _____		
15	Total Payments (add lines 14a through 14d)	15	3,200.
16	Balance of Tax and/or Interest Due (line 13 less line 15)	16	0.
17	Interest Due ► _____ Penalty Due ► _____ Enter Total	17	
18	**TOTAL INCOME TAX,** Interest and Penalty Due (add lines 16 and 17) ..... BALANCE DUE	18	0.
19	**OVERPAYMENT** (line 15 less line 13) 1,896. To be applied as follows: (a) Estimated Tax ► 1,800. (b) License Fee ► 70. (c) Refunded ►		26.

PART II COMPUTATION OF LICENSE FEE

20	Total Capital And Paid in Surplus (Multi-State Corporations See Schedule E)	20	55,000.
21	FEE DUE– Line 20 x .001, plus $15.00 **(Fee cannot be less than $25.00 per taxpayer)**	21	70.
22	LESS: Applicable Credits against License Fee (attach SC1120-TC)	22	
23	Balance (line 21 less line 22)	23	70.
24	Payments: (a) Paid with Tentative Return ► _____ (b) Credit from line 19b ► 70.		
25	Total Payments (add line 24(a) and (b))	25	70.
26	Balance of Fee Due (line 23 less line 25)	26	0.
27	Interest Due ► _____ Penalty Due ► _____ (See penalty & interest instructions.) Enter Total	27	
28	**TOTAL LICENSE FEE,** Interest and Penalty Due (add lines 26 and 27) ..... BALANCE DUE	28	0.
29	**OVERPAYMENT** (line 25 less line 23) _____ To be applied as follows: (a) Estimated Tax ► _____ (b) Income Tax ► _____ (c) Refunded ►		
30	**GRAND TOTAL: INCOME TAX and LICENSE FEE DUE (add lines 18 and 28)** ..... EFT ☐	30	0.

Please Sign Here

I, the undersigned, a principal officer of the corporation for which this return is made declare that this return, including accompanying Annual Report, statements and schedules, has been examined by me and is to the best of my knowledge and belief, a true and complete return.

► _____ Signature of officer | Date | ► _____ Title | (803) 238-3339 Telephone Number

I authorize the Director of the Department of Revenue or delegate to discuss this return, attachments and related tax matters with the preparer. Yes ☐ No ☐

Preparer's Printed Name

Paid Preparer's Use Only

Preparer's signature ► | Date | Check if self-employed ► ☐ | Preparer's telephone number

Firm's name (or yours if self-employed) and address ► RRR PRO. SERVICES, INC. D/B/A IRWIN LEVINE & ASSOC.
5769 N. ANDREWS WAY
FT LAUDERDALE FL

EIN ► 75-2993273
ZIP Code ► 33309

SCCA0112 12/02/03

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SCHEDULE A AND B ADDITIONS TO FEDERAL NET INCOME

1	Taxes on or Measured By Income	1	1,304.	
2	Federal Net Operating Loss	2		
3		3		
4		4		
5	Other Additions (attach schedule)	5		
6	Total Additions (add lines 1 through 5)			1,304.

DEDUCTIONS FROM FEDERAL NET INCOME

7	Interest On Obligations Of The U.S.	7		
8	Bonus Depreciation Adjustment	8	747.	
9		9		
10	Other Deductions (attach schedule)	10		
11	Total Deductions (add lines 7 through 10)			747.
12	Net Adjustment (line 6 less line 11). Also enter on line 2, Part I, SC1120			557.

SCHEDULE C SUMMARY OF CREDITS (FROM SC1120-TC)

1	Credit Carryover From Previous Year's SC1120, Sch C (NOTE: Should agree to SC1120-TC Column A, line 22)	1	
2	Enter Total Credits from SC1120-TC, Column B, line 22. **SC1120-TC must be attached to return**	2	
3	Total Credits (add lines 1 and 2)	3	
4	Tax (line 9, Part I, SC1120)	4	
5	Lesser of line 3 or 4 (enter on line 10, Part I, SC1120) (NOTE: Should agree to SC1120-TC, Column C, line 22)	5	
6	Enter Credits Lost Due to Statute (NOTE: Should agree to SC1120-TC, Column D, line 22)	6	
7	Credit Carryover (line 3 less lines 5 and 6) (NOTE: Should agree to SC1120-TC, Column E, line 22)	7	

SCHEDULE D ANNUAL REPORT TO BE COMPLETED BY ALL CORPORATIONS

1 Name MASON TIRE & AUTO SERVICE, INC.

2 Incorporated under the laws of the State of SC

3 Location of the Registered Office of the Corporation in the State of South Carolina is U.S. HIGHWAY 17N
In the City of SURFSIDE Registered Agent at such address is J MASON JR.

4 Location of principal office (street address) US HWY 17N SURFSIDE
Nature of principal business in SC AUTOMOTIVE

5 The total number of **authorized** shares of capital stock, itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
55,000	COM	1

6 The total number of **issued and outstanding** shares of capital stock itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
55,000	COM	1

7 The names and business addresses of the directors (or individuals functioning as directors) and principal officers in the Corporation are:
(If additional space is necessary, attach separate schedule.)

NAME	BUSINESS ADDRESS AND OFFICE
JOSEPH E. MASON SR.	SURFSIDE SC
See Directors Statement	

8 Date Incorporated 06/03/85 Date commenced business in the State of South Carolina was 06/03/85

9 Date of this report 12/31/03 Federal EIN 57-0801371

10 If Foreign Corporation, the date qualified to do business in the State of South Carolina is

11 Was the name of the Corporation changed during the year? No Give old name

12 The Corporation's books are in the care of AS ABOVE
Located at (street address) AS ABOVE

13 If filing consolidated, complete and attach Schedule J for each Corporation included in the consolidation.

14 The total amount of stated capital per balance sheet is:

A	Total paid in Capital Stock (cannot be a negative amount)	$ 55,000.
B	Total paid in Capital Surplus (cannot be a negative amount)	$
C	Total amount of stated Capital (cannot be a negative amount)	$ 55,000.

Street	City	State
Audit Location: 750 HWY 17 N	SURFSIDE	SC

Audit Contact: JOSEPH MASON JR. Telephone Number: (803) 238-3339

County or Counties in SC Where Property is Located: HORRY

SCCA0112 12/02/03

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Form **1120** — Department of the Treasury, Internal Revenue Service (77)

U.S. Corporation Income Tax Return

For calendar year 2006 or tax year beginning _____, 2006, ending _____, _____

► See separate instructions.

OMB No. 1545-0123

2006

A Check if:
1 Consolidated return (attach Form 851) ☐
2 Personal holding company (attach Schedule PH) ☐
3 Personal service corp (see instructions) ☐
4 Schedule M-3 required (attach Sch M-3) ☐

Use IRS label. Otherwise, print or type.

Name: MASON TIRE & AUTO SERVICE, INC.

Number, street, and room or suite number. If a P.O. box, see instructions.: 750 HWY 17N

City or town: SURFSIDE BEACH — State: SC — ZIP code: 29575

B Employer identification number: 57-0801371

C Date incorporated: 06/03/1985

D Total assets (see instructions): $ 1,465,146.

E Check if: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change

INCOME	1a Gross receipts or sales: 2,527,810. b Less returns & allowances: _____ c Balance ►		1c	2,527,810.
	2 Cost of goods sold (Schedule A, line 8)		2	1,238,989.
	3 Gross profit. Subtract line 2 from line 1c		3	1,288,821.
	4 Dividends (Schedule C, line 19)		4	
	5 Interest		5	
	6 Gross rents		6	
	7 Gross royalties		7	
	8 Capital gain net income (attach Schedule D (Form 1120))		8	
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)		9	
	10 Other income (see instructions — attach schedule)		10	
	11 Total income. Add lines 3 through 10 ►		11	1,288,821.
DEDUCTIONS (SEE INSTRUCTIONS FOR LIMITATIONS ON DEDUCTIONS)	12 Compensation of officers (Schedule E, line 4)		12	
	13 Salaries and wages (less employment credits)		13	560,125.
	14 Repairs and maintenance		14	15,871.
	15 Bad debts		15	7,463.
	16 Rents		16	92,208.
	17 Taxes and licenses		17	63,311.
	18 Interest		18	677.
	19 Charitable contributions		19	1,185.
	20 Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)		20	18,067.
	21 Depletion		21	
	22 Advertising		22	3,297.
	23 Pension, profit-sharing, etc, plans		23	
	24 Employee benefit programs		24	19,557.
	25 Domestic production activities deduction (attach Form 8903)		25	
	26 Other deductions (attach schedule) .See Other Deductions Statement		26	433,847.
	27 Total deductions. Add lines 12 through 26 ►		27	1,215,608.
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11		28	73,213.
	29 Less: a Net operating loss deduction (see instructions) 29a			
	b Special deductions (Schedule C, line 20) 29b		29c	
TAX AND PAYMENTS	30 Taxable income. Subtract line 29c from line 28 (see instructions)		30	73,213.
	31 Total tax (Schedule J, line 10)		31	22,548.
	32a 2005 overpayment credited to 2006 32a			
	b 2006 estimated tax payments 32b			
	c 2006 refund applied for on Form 4466 32c ►	32d 15,000.		
	e Tax deposited with Form 7004	32e		
	f Credits: (1) Form 2439 _____ (2) Form 4136 _____	32f		
	g Credit for federal telephone excise tax paid (attach Form 8913)	32g 612.	32h	15,612.
	33 Estimated tax penalty (see instructions). Check if Form 2220 is attached ► ☐		33	
	34 Amount owed. If line 32h is smaller than the total of lines 31 and 33, enter amount owed		34	6,936.
	35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid		35	
	36 Enter amount from line 35 you want: Credited to 2007 estimated tax ► _____ Refunded ►		36	

TAX PAYER'S COPY

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 instructions)? ☐ Yes ☐ No

Paid Preparer's Use Only

Preparer's signature: [signature] Date: 02/17/07 Check if self-employed ☐ Preparer's SSN or PTIN: [redacted]8030

Firm's Name (or yours if self-employed), address, and ZIP code: LEVINE-THOMAS & ASSOCIATES LLC, 5767 N ANDREWS WAY, FT. LAUDERDALE FL 33309

EIN 56-2515367

Phone no.

BAA For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. CPCA0212 07/13/06 Form 1120 (2006)

PENGAD 800-631-6989

DEPOSITION EXHIBIT 112-Levine 12-3-10

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Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	65,550.
2	Purchases	2	1,336,622.
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	1,402,172.
7	Inventory at end of year	7	163,183.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	1,238,989.

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost

(ii) ☒ Lower of cost or market

(iii) ☐ Other (Specify method used and attach explanation.) ►

b Check if there was a writedown of subnormal goods ► ☐

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 is 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? If 'Yes,' attach explanation ☐ Yes ☒ No

Schedule C Dividends and Special Deductions (see instructions)

		(a) Dividends received	(b) Percentage	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)		70	
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		80	
3	Dividends on debt-financed stock of domestic and foreign corporations			
4	Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs		70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs		80	
8	Dividends from wholly owned foreign subsidiaries		100	
9	Total. Add lines 1 through 8. See instructions for limitation			
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11	Dividends from affiliated group members		100	
12	Dividends from certain FSCs		100	
13	Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12			
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15	Foreign dividend gross-up			
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3			
17	Other dividends			
18	Deduction for dividends paid on certain preferred stock of public utilities			
19	Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4			
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b ►			

TAX PAYER'S COPY

Schedule E Compensation of Officers (see instructions for page 1, line 12)

Note: *Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are $500,000 or more.*

1 (a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned (d) Common	(e) Preferred	(f) Amount of compensation
JOE MASON SR	[redacted]-0934	15.0 %	0.0 %	0.0 %	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
2 Total compensation of officers					
3 Compensation of officers claimed on Schedule A and elsewhere on return					
4 Subtract line 3 from line 2. Enter the result here and on page 1, line 12					

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00045

Schedule J Tax Computation (see instructions)

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120)) ► [X]		
2	Income tax. Check if a qualified personal service corporation (see instructions) ► [ ]	2	22,548.
3	Alternative minimum tax (attach Form 4626)	3	
4	Add lines 2 and 3	4	22,548.
5a	Foreign tax credit (attach Form 1118) 5a		
b	Qualified electric vehicle credit (attach Form 8834) 5b		
c	General business credit. Check applicable box(es): [ ] Form 3800 [ ] Form 6478 [ ] Form 8835, Section B [ ] Form 8844 5c		
d	Credit for prior year minimum tax (attach Form 8827) 5d		
e	Bond credits from: [ ] Form 8860 [ ] Form 8912 5e		
6	Total credits. Add lines 5a through 5e	6	
7	Subtract line 6 from line 4	7	22,548.
8	Personal holding company tax (attach Schedule PH (Form 1120))	8	
9	Other taxes. Check if from: [ ] Form 4255 [ ] Form 8611 [ ] Form 8697 [ ] Form 8866 [ ] Form 8902 [ ] Other (att schedule)	9	
10	Total tax. Add lines 7 through 9. Enter here and on page 1, line 31	10	22,548.

Schedule K Other Information (see instructions)

		Yes	No
1	Check accounting method: a [✓] Cash b [X] Accrual c [ ] Other (specify) ►		
2	See the instructions and enter the: a Business activity code no. ► 141300 b Business activity ► AUTOMOTIVE c Product or service ► TIRES & REPAIRS		
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).)		X
	If 'Yes,' attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.		
4	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?		X
	If 'Yes,' enter name and EIN of the parent corporation ►		
5	At the end of the tax year, did any individual, partnership, corporation, estate or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).)	X	
	If 'Yes,' attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter % owned ► 100.00 See Ques 5 Stmt		
6	During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.)		X
	If 'Yes,' file Form 5452, Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.		

		Yes	No
7	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation?		X
	If 'Yes,' enter: (a) Percentage owned ► and (b) Owner's country ►		
c	The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached ►		
8	Check this box if the corporation issued publicly offered debt instruments with original issue discount ► [ ]		
	If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
9	Enter the amount of tax-exempt interest received or accrued during the tax year ► $		
10	Enter the number of shareholders at the end of the tax year (if 100 or fewer) ►		
11	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here ► [ ]		
	If the corporation is filing a consolidated return, the statement required by Temporary Regulations section 1.1502-21T(b)(3) must be attached or the election will not be valid.		
12	Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) ► $		
13	Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than $250,000?		X
	If 'Yes,' the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ► $		

Note: If the corporation, at any time during the tax year, 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.

CPCA0234 09/07/06

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00046

Schedule L Balance Sheets per Books

Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1 Cash		770,708.		940,356.
2a Trade notes and accounts receivable	120,650.		140,076.	
b Less allowance for bad debts		120,650.		140,076.
3 Inventories		65,550.		163,183.
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach schedule) Ln. 6. Stmt		1,362.		2,910.
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	381,685.		364,236.	
b Less accumulated depreciation	323,893.	57,792.	327,652.	36,584.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization				
14 Other assets (attach schedule) Ln. 14. Stmt		145,253.		182,037.
15 Total assets		1,161,315.		1,465,146.
Liabilities and Shareholders' Equity				
16 Accounts payable		217,940.		219,523.
17 Mortgages, notes, bonds payable in less than 1 year		26,110.		11,345.
18 Other current liabilities (attach sch) Ln. 18. Stmt		43,524.		19,048.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		456,653.		747,222.
21 Other liabilities (attach schedule)				
22 Capital stock: a Preferred stock				
b Common stock	55,000.	55,000.	55,000.	55,000.
23 Additional paid-in capital				
24 Retained earnings — Approp (att sch)				
25 Retained earnings — Unappropriated		362,088.		413,008.
26 Adjmnt to shareholders' equity (att sch)				
27 Less cost of treasury stock				
28 Total liabilities and shareholders' equity		1,161,315.		1,465,146.

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

Note: Schedule M-3 required instead of Schedule M-1 if total assets are $10 million or more — see instructions

1 Net income (loss) per books	50,920.	7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax per books	22,548.	Tax-exempt interest $	
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):			
See Ln 4 Stmt 1.	1.	8 Deductions on this return not charged against book income this year (itemize):	
5 Expenses recorded on books this year not deducted on this return (itemize):		a Depreciation	
a Depreciation $		b Charitable contributions $	
b Charitable contributions $		See Ln 8 Stmt 612.	
c Travel & entertainment $ 356.			612.
	356.	9 Add lines 7 and 8	612.
6 Add lines 1 through 5	73,825.	10 Income (page 1, line 28) — line 6 less line 9	73,213.

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	362,088.	5 Distributions a Cash	
2 Net income (loss) per books	50,920.	b Stock c Property	
3 Other increases (itemize):		6 Other decreases (itemize):	
		7 Add lines 5 and 6	
4 Add lines 1, 2, and 3	413,008.	8 Balance at end of year (line 4 less line 7)	413,008.

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Form **4562**

Department of the Treasury
Internal Revenue Service

Depreciation and Amortization
(Including Information on Listed Property)

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

OMB No. 1545-0172

2006

Attachment Sequence No. 67

Name(s) shown on return

MASON TIRE & AUTO SERVICE, INC.

Identifying number

57-0801371

Business or activity to which this form relates

Form 1120 Line 20

Part I Election To Expense Certain Property Under Section 179

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

1	Maximum amount. See the instructions for a higher limit for certain businesses ..... 113,554.	1	XXXXXXXXXX
2	Total cost of section 179 property placed in service (see instructions)	2	5,554.
3	Threshold cost of section 179 property before reduction in limitation ..... 435,554.	3	XXXXXXXXXX
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	5,554.

6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost
TIRE CHANGER	5,554.	5,554.

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	5,554.
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	5,554.
10	Carryover of disallowed deduction from line 13 of your 2005 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs) ...	11	5,554.
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	5,554.
13	Carryover of disallowed deduction to 2007. Add lines 9 and 10, less line 12 ..... ► 13	0.	

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

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

14	Special allowance for qualified New York Liberty or Gulf Opportunity Zone property (other than listed property) placed in service during the tax year (see instructions)	14	0.
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

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

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2006	17	1,624.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ..... ► ☐		

Section B — Assets Placed in Service During 2006 Tax Year Using the General Depreciation System

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

Section C — Assets Placed in Service During 2006 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	10,889.
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions	22	18,067.
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		

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

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

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

24a Do you have evidence to support the business/investment use claimed? [X] Yes [ ] No 24b If 'Yes,' is the evidence written? [ ] Yes [X] 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 allowance for qualified New York Liberty or Gulf Opportunity Zone property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)					25			
26 Property used more than 50% in a qualified business use:								
SERVICE TRUCKS	02/18/99	100.00	26,759.	26,759.	5.00	200DB/HY	1,875.	
SERVICE TRUCK	08/16/00	100.00	16,660.	16,660.	5.00	200DB/HY	225.	
See Additional Listed Property Statement							8,789.	
27 Property used 50% or less in a qualified business use:								
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1					28		10,889.	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1					29			

Section B – Information on Use of Vehicles

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

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
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												
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
34 Was the vehicle available for personal use during off-duty hours?		X		X	X							
35 Was the vehicle used primarily by a more than 5% owner or related person?		X	X		X							
36 Is another vehicle available for personal use?		X	X		X							

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

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

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	X	
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners	X	
39 Do you treat all use of vehicles by employees as personal use?		X
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?		X
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		X

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

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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 2006 tax year (see instructions):					
43 Amortization of costs that began before your 2006 tax year				43	
44 Total. Add amounts in column (f). See instructions for where to report				44	

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Form **8913**

Department of the Treasury
Internal Revenue Service

Credit for Federal Telephone Excise Tax Paid

► See the separate instructions.
► Attach to your income tax return.

OMB No. 1545-2051

2006

Attachment Sequence No. 63

Name(s) shown on your income tax return: MASON TIRE & AUTO SERVICE, INC.

Identifying number: 57-0801371

Enter the federal telephone excise tax billed during each period as listed in column (a) of lines 1-14 below.

By filing this form, you are certifying that you (1) have not received from your service provider a credit or refund of the tax paid on long distance service or bundled service billed after February 28, 2003, and before August 1, 2006, and (2) will not ask your provider for a credit or refund or have withdrawn any request submitted to the provider for a credit or refund.

Caution. See the instructions for explanations of the services that qualify for a credit or refund of the federal telephone excise tax.

(a) Bills dated during:	Amount of federal excise tax on long distance or bundled service only: (b) Long distance service	(c) Bundled service	(d) Tax credit or refund (add columns (b) and (c))	(e) Interest (see instructions)
1 March, April, and May 2003	$	$	$ 27.	$ 6.
2 June, July, and August 2003			35.	7.
3 September, October, and November 2003			38.	7.
4 December 2003; January and February 2004			41.	7.
5 March, April, and May 2004			35.	6.
6 June, July, and August 2004			38.	6.
7 September, October, and November 2004			46.	7.
8 December 2004; January and February 2005			57.	8.
9 March, April, and May 2005			51.	6.
10 June, July, and August 2005			46.	5.
11 September, October, and November 2005			38.	3.
12 December 2005; January and February 2006			29.	2.
13 March, April, and May 2006			32.	2.
14 June and July 2006			26.	1.
15 Add lines 1 - 14 in columns (d) and (e)			539.	$ 73.
16 Total credit or refund requested. Add columns (d) and (e) on line 15. Enter here and on Form 1040, line 71; Form 1040A, line 42; Form 1040EZ, line 9; Form 1040EZ-T, line 1a; Form 1040NR, line 69; Form 1040NR-EZ, line 21; Form 1120, line 32g; Form 1120-A, line 28g; Form 1120S, line 23d; Form 1041, line 24f; Form 1041-N, line 17; Form 1065, line 23; Form 990-T, line 44f; or the proper line of other returns ►				$ 612.

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BAA For Paperwork Reduction Act Notice, see the instructions.

Form 8913 (2006)

FDIZ4501 12/08/06

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Controlled Group Tax Calculation Statement 2006

► Attach to return

Name	Employer Identification Number
MASON TIRE & AUTO SERVICE, INC.	57-0801371

			(a) Filing Member	(b) Entire Controlled Group
1	Taxable income from line 30, page 1, Form 1120	1	73,213.	168,105.
2	Line 1 or share of $50,000 taxable income bracket, whichever is less	2	15,000.	50,000.
3	Subtract line 2 from line 1	3	58,213.	118,105.
4	Line 3 or share of $25,000 taxable income bracket, whichever is less	4	5,000.	25,000.
5	Subtract line 4 from line 3	5	53,213.	93,105.
6	Line 5 or share of $9,925,000 taxable income bracket, whichever is less	6	53,213.	93,105.
7	Subtract line 6 from line 5	7	0.	0.
8	Multiply line 2 by 15%	8	2,250.	7,500.
9	Multiply line 4 by 25%	9	1,250.	6,250.
10	Multiply line 6 by 34%	10	18,092.	31,656.
11	Multiply line 7 by 35%	11	0.	0.
12	If a controlled group taxable income exceeds $100,000, enter smaller of: (a) 5% of the excess over $100,000 or (b) $11,750 (see line I below)	12	956.	3,405.
13	If a controlled group taxable income exceeds $15,000,000 enter smaller of: (a) 3% of the excess over $15,000,000 or (b) $100,000 (see line N below)	13		
14	Income tax. Add lines 8 through 13. Enter here and on line 3, Schedule J, Form 1120	14	22,548.	48,811.

Calculation of Additional 5% tax (see line 12)

A	Income taxed at 15% rate (line 2 above)	A	15,000.	50,000.
B	Tax rate difference (34% - 15%)	B	19%	19%
C	Tax difference (line A multiplied by line B)	C	2,850.	9,500.
D	Income taxed at 25% (line 4)	D	5,000.	25,000.
E	Tax rate difference (34% - 25%)	E	9%	9%
F	Tax difference (line D multiplied by line E)	F	450.	2,250.
G	Total tax difference (line C plus line F)	G	3,300.	11,750.
H	Percentage of additional tax paid by the entire group (line 12(b) divided by line G(b))	H		28.9787 %
I	Total additional 5% tax (line G multiplied by line H)	I	956.	3,405.

Calculation of Additional 3% tax (see line 13)

J	Income taxed at 34% rate (line 2 + 4 + 6)	J		
K	Tax rate difference (35% - 34%)	K	1%	1%
L	Tax difference (line J multiplied by line K)	L		
M	Percentage of additional tax paid by the entire group (line 13(b) divided by line L(b))	M		%
N	Total additional 3% tax (line L multiplied by line M)	N		

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CPCW8801 10/05/06

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Consent to Apportionment Plan by Members of a Controlled Group

► Attach to Return

2006

Name: MASON TIRE & AUTO SERVICE, INC.

Employer Identification Number: 57-0801371

In accordance with regulations issued under IRC Sections 38, 55, 179 and 1561, the component members of the controlled group listed below consent to the following apportionment plan for the tax year that includes December 31, 2006:

Name of Corporation Address Identification Number Tax Year Ending	Taxable Income Brackets (Section 1561)		Alternative Minimum Tax Exemption (Section 55)	Section 179 Expense Limitation	General Business Credit Limitation (Section 38)
MASON TIRE & AUTO SERVICE, INC.		Amount			
750 HWY 17N	15% bracket	15,000.			
SURFSIDE BEACH, SC 29575	25% bracket	5,000.			
57-0801371 12/31/06	34% bracket	53,214.	15,000.	5,553.	
J & O TIRE & AUTO SERVICE INC.		Amount			
C/O J MASON P.O.BOX 15724	15% bracket	0.			
SURFSIDE BEACH SC 29587	25% bracket	0.			
57-0919487	34% bracket	14,421.	5,000.	6,751.	0.
		Amount			
M & S TIRE COMPANY INC	15% bracket	5,000.			
OCEAN HWY PAWLEYS ISLAND	25% bracket	5,000.			
58-2356919	34% bracket	17,866.	10,000.	0.	0.
K. & J TIRE INC.		Amount			
C/O J MASON P.O. BOX 15724	15% bracket	30,000.			
SURFSIDE BEACH SC 29587	25% bracket	15,000.			
57-1083113	34% bracket	7,604.	10,000.	0.	0.
		Amount			
	15% bracket				
	25% bracket				
	34% bracket				

Signatures of Duly Authorized Persons

Signature _____ Name JOSEPH MASON JR
Title PRESIDENT
Company MASON TIRE & AUTO SERVICE INC

Signature _____ Name JOSEPH MASON JR.
Title PRESIDENT
Company J & O TIRE & AUTO SERVICE INC.

Signature _____ Name JOSEPH MASON JR.
Title PRESIDENT
Company M&S TIRE COMPANY INC.

Signature _____ Name J. MASON JR.
Title PRESIDENT
Company K. & J. TIRE INC.

Signature _____ Name
Title
Company

IRS Center where the original of this statement is filed .... Atlanta, GA 39901-0012

CPCW8701 10/06/06

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Form 1120, Page 1, Line 26
Other Deductions Statement

Automobile and truck expense	33,402.
Dues and subscriptions	3,446.
Equipment rent	27,745.
Insurance	46,706.
Legal and professional	4,605.
Meals and entertainment (50%)	357.
Miscellaneous	1,544.
Office expense	23,371.
Security	613.
Supplies	2,924.
Telephone	7,035.
Travel	1,043.
Utilities	11,257.
WARRANTY SERVICE EXPENSES	626.
GARAGE & SHOP EXPENSES	35,341.
PROFESSIONAL DEVELOPMENT	388.
OUTSIDE COMPUTER SERVICES	5,874.
CHECK CLEARING EXPENSES	4,095.
ADMINISTRATIVE EXPENSES	180,000.
UNIFORM CLEANING EXPENSES	7,475.
FRANCHISE FEES	12,000.
DIRECTOR FEES	24,000.
Total	433,847.

Form 1120, Page 4, Schedule L, Line 6
Ln 6 Stmt

Other Current Assets:	Beginning of tax year	End of tax year
PREPAID INSURANCE	5,398.	3,963.
DEFERRED BOOK CHARGES	-4,036.	-1,500.
PREPAID STATE INCOME TAXES		447.
Total	1,362.	2,910.

Form 1120, Page 4, Schedule L, Line 14
Ln 14 Stmt

Other Assets:	Beginning of tax year	End of tax year
MISCELLANEOUS ASSETS	63	-600.
DUE FROM AFFILIATED COMPANIES	144,615.	177,637.
DEPOSIT 544 PROPERTY		5,000.
Total	145,253.	182,037.

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Form 1120, Page 4, Schedule L, Line 18
Ln 18 Stmt

Other Current Liabilities:	Beginning of tax year	End of tax year
ACCRUED EXPENSES	28,029.	2,021.
ACCURED TAXES	1,270.	1,166.
UNIFORM DEPOSITS	3,747.	3,028.
SALES TAXES PAYABLE	5,617.	5,896.
FEDERAL INCOME TAXES PAYABLE	4,760.	6,937.
STATE INCOME TAXES PAYABLE	101.	0.
Total	43,524.	19,048.

Form 1120, Page 4, Schedule L, Line 24
Ln 24 Stmt

Retained Earnings – Appropriated:	Beginning of tax year	End of tax year
Total		

Form 1120, Sch K, Corporation Ownership Information
Ques 5 Stmt

Name	ID No.
MASON HOLDING CO. INC.	58-2356923

Form 1120, Page 4, Schedule M-1, Line 4
Ln 4 Stmt

ROUNDING	1.
Total	1.

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Form 1120, Page 4, Schedule M-1, Line 8
Ln 8 Stmt

FEDERAL TELEPHONE EXCISE TAX REFUND	612.
Total	612.

Form 4562, line 26
Additional Listed Property Statement

(a) Type of property	(b) Date placed in service	(c) Business/ investmnt use %	(d) Cost or other basis	(e) Basis for depreciation	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
FORD SERVICE TRUCK	05/31/01	100.00	27,784.	21,784.	5.00	200DB/HY	0.	
CHEV TRUCK-GMAC -2	11/15/04	100.00	35,428.	24,800.	5.00	SL/HY	4,960.	
GMAC YUKON 07	03/31/06	100.00	19,144.	19,144.	5.00	200DB/HY	3,829.	
Total							8,789.	

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State of South Carolina

'C' CORPORATION INCOME TAX RETURN

Return is due on or before the 15th day of the 3rd month following the close of the taxable year.

Mail return to: SC DEPARTMENT OF REVENUE, Corporation Return, Columbia SC 29214-0100

SC 1120 (Rev 8/22/06) 3091

SC FILE # 20124494-7
INCOME TAX PERIOD ENDING 12/31/06
LICENSE FEE PERIOD ENDING 12/31/07
FEDERAL EMPLOYER ID # 57-0801371
NAME MASON TIRE & AUTO SERVICE, INC.
MAILING ADDRESS 750 HWY 17N
CITY SURFSIDE BEACH
STATE SC ZIP CODE 29575
Change of ☐ Address ☐ Accounting period

A COMPLETE COPY OF FEDERAL RETURN MUST BE ATTACHED TO THIS RETURN.

County or Counties in SC Where Property is Located: HORRY

City: SURFSIDE — Audit Location — State: SC

Audit Contact: JOSEPH MASON JR. — Telephone Number: (803) 238-3339

Check if ☐ Amended Return ► ☐ Consolidated Return

Total Gross Receipts. ► 2,527,810.

Total cost of depreciable personal property in SC. ► 191,791.

If Filing a Final Return, See Instructions for Further Information. ► ☐ Merged ☐ Reorganized ☐ Dissolved ☐ Withdrawn

PART I COMPUTATION OF INCOME TAX LIABILITY

1	Federal Taxable Income per Federal Form 1120 or 1120A	1	73,213.
2	Net Adjustment from line 12, Schedule A and B	2	-3,564.
3	Total Net Income as Reconciled (line 1 plus or minus line 2)	3	69,649.
4	If Multi-state Corporation, enter amount from line 6, Schedule G; otherwise, enter amount from line 3	4	69,649.
5	LESS: South Carolina net operating loss carryover, if applicable	5	
6	South Carolina Net Income subject to tax (line 4 less line 5)	6	69,649.
7	TAX: Multiply amount on line 6 by .05 (5.0%)	7	3,482.
8	Less tax deferred on income from foreign trade receipts (see instructions)	8	
9	Balance (line 7 less line 8)	9	3,482.
10	Credit Carryover (line 7, Schedule C) ► _____ Non-refundable credits (line 5, Schedule C) ►	10	
11	Balance of tax (line 9 less line 10). Enter the difference but not less than zero	11	3,482.
12	Interest on DISC-deferred tax liability _____; or Foreign Trade Deferred Tax Liability _____	12	
13	Total tax and/or interest (add lines 11 and 12)	13	3,482.
14	Pmts: (a) Tax Withheld (see instrs) ► _____ (b) Paid by Declaration ► 4,000.		
	(c) Paid with Tentative Return ► _____ (d) Credit from Line 29b ► _____		
	Refundable Credits: (e) Ammonia Additive ► _____ (f) Milk Credit ► _____		
15	Total Payments and Refundable Credits (add lines 14a through 14f)	15	4,000.
16	Balance of Tax and/or Interest Due (line 13 less line 15) ►	16	0.
17	Interest Due ► _____ Penalty Due ► _____ Enter Total ►	17	
18	TOTAL INCOME TAX, Interest and Penalty Due (add lines 16 and 17) ..... BALANCE DUE	18	0.
19	OVERPAYMENT (line 15 less line 13) 518. To be applied as follows:		
	(a) Estimated Tax ► 447. (b) License Fee ► 70. (c) REFUNDED ►		1.

PART II COMPUTATION OF LICENSE FEE

20	Total Capital And Paid in Surplus (Multi-State Corporations See Schedule E) ►	20	55,000.
21	FEE DUE– Line 20 x .001, plus $15.00 (Fee cannot be less than $25.00 per taxpayer)	21	70.
22	LESS: Applicable Credits against License Fee (attach SC1120-TC)	22	
23	Balance (line 21 less line 22)	23	70.
24	Payments: (a) Paid with Tentative Return ► _____ (b) Credit from line 19b ► 70.		
25	Total Payments (add line 24(a) and (b))	25	70.
26	Balance of Fee Due (line 23 less line 25)	26	0.
27	Interest Due ► _____ Penalty Due ► _____ (See penalty & interest instructions.) Enter Total ►	27	
28	TOTAL LICENSE FEE, Interest and Penalty Due (add lines 26 and 27) ..... BALANCE DUE	28	0.
29	OVERPAYMENT (line 25 less line 23) _____ To be applied as follows:		
	(a) Estimated Tax ► _____ (b) Income Tax ► _____ (c) REFUNDED ►		
30	GRAND TOTAL: INCOME TAX and LICENSE FEE DUE (add lines 18 and 28) ..... EFT ☐ ►	30	0.

TAXPAYER'S COPY

Please Sign Here

I, the undersigned, a principal officer of the corporation for which this return is made declare that this return, including accompanying Annual Report, statements and schedules, has been examined by me and is to the best of my knowledge and belief, a true and complete return.

► _____ Signature of officer — Date — ► _____ Title — (803) 238-3339 Telephone Number

I authorize the Director of the Department of Revenue or delegate to discuss this return, attachments and related tax matters with the preparer. Yes ☐ No ☐

Preparer's Printed Name

Paid Preparer's Use Only

Preparer's signature: Date 02/17/07 — Check if self-employed ☐ — Preparer's telephone number

Firm's name (or yours if self-employed) and address: LEVINE-THOMAS & ASSOCIATES LLC
5767 N ANDREWS WAY
FT. LAUDERDALE FL

EIN ► 56-2515367

ZIP Code ► 33309

SCCA0112 10/26/06

Levine Resp. to D's 1st RPD
00056

SCHEDULE A AND B ADDITIONS TO FEDERAL TAXABLE INCOME

1	Taxes on or Measured By Income	1	3,499.	
2	Federal Net Operating Loss	2		
3		3		
4		4		
5	Other Additions (attach schedule)	5		
6	Total Additions (add lines 1 through 5)			6 3,499.

DEDUCTIONS FROM FEDERAL TAXABLE INCOME

7	Interest On Obligations Of The U.S.	7		
8	Bonus Depreciation Adjustment	8	7,063.	
9		9		
10	Other Deductions (attach schedule)	10		
11	Total Deductions (add lines 7 through 10)			11 7,063.
12	Net Adjustment (line 6 less line 11). Also enter on line 2, Part 1, SC1120			12 -3,564.

SCHEDULE C SUMMARY OF CREDITS (FROM SC1120-TC)

1	Credit Carryover From Previous Year's SC1120, Schedule C (NOTE: Should agree to SC1120-TC Column A, line 39)	1	
2	Enter Total Credits from SC1120-TC, Column B, line 39. SC1120-TC must be attached to return	2	
3	Total Credits (add lines 1 and 2)	3	
4	Tax (line 9, Part 1, SC1120)	4	
5	Lesser of line 3 or 4 (enter on line 10, Part 1, SC1120) (NOTE: Should agree to SC1120-TC, Column C, line 39)	5	
6	Enter Credits Lost Due to Statute (NOTE: Should agree to SC1120-TC, Column D, line 39)	6	
7	Credit Carryover (line 3 less lines 5 and 6) (NOTE: Should agree to SC1120-TC, Column E, line 39)	7	

SCHEDULE D ANNUAL REPORT TO BE COMPLETED BY ALL CORPORATIONS

1 Name ..... MASON TIRE & AUTO SERVICE, INC.

2 Incorporated under the laws of the State of SC

3 Location of the Registered Office of the Corporation in the State of South Carolina is U.S. HIGHWAY 17N
In the City of SURFSIDE Registered Agent at such address is J MASON JR.

4 Location of principal office (street address) US HWY 17N SURFSIDE
Nature of principal business in SC AUTOMOTIVE

5 The total number of authorized shares of capital stock, itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
55,000	COM	1

6 The total number of issued and outstanding shares of capital stock itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
55,000	COM	1

7 The names and business addresses of the directors (or individuals functioning as directors) and principal officers in the Corporation are: (If additional space is necessary, attach separate schedule.)

NAME	BUSINESS ADDRESS AND OFFICE
JOSEPH E MASON JR	SURFSIDE SC
CATHERINE ST BLANCHARD	SURFSIDE SC

TAX PAYER'S COPY

8 Date Incorporated 06/03/85 Date commenced business in the State of South Carolina was 06/03/85

9 Date of this report 12/31/06 Federal ID 57-0801371

10 If Foreign Corporation, the date qualified to do business in the State of South Carolina is .....

11 Was the name of the Corporation changed during the year? No Give old name

12 The Corporation's books are in the care of AS ABOVE
Located at (street address) AS ABOVE

13 If filing consolidated, complete and attach Schedule J for each Corporation included in the consolidation.

14 The total amount of stated capital per balance sheet is:

A	Total paid in Capital Stock (cannot be a negative amount)	$ 55,000.
B	Total paid in Capital Surplus (cannot be a negative amount)	$
C	Total amount of stated Capital (cannot be a negative amount)	$ 55,000.

SCCA0112 10/26/06

Levine Resp. to D's 1st RPD
00057

Job Creation/Growth Depreciation/Disposition Adjustments 2006

Name as Shown on Return	EIN
MASON TIRE & AUTO SERVICE, INC.	57-0801371

Main Activity Form 1120	(A) JCWAA and JGTRRA Depr Adj	(B) Other Adjustments	(C) Total Adjustment (Column A + Column B)
	-7,063.		-7,063.

Section 179 Adjustment	(A) Adjustment Amount	(B) Other Adjustments	(C) Total Adjustment (Column A + Column B)
	0.		0.

Sale of Assets (Includes recapture for Form 6252)

Description of Asset Sold	(A) Date Acquired	(B) Date Sold	(C) Federal Accum Depreciation	(D) State Accum Depreciation	(E) Other Adj	(F) Gain/Loss Adjustment (Col D-C+E)

Form 6252 Current Year Installment Gain Adjustment

Description of Asset Sold	Date Acquired / Date Sold	Current Yr Payment	Gross Profit Percentage	Gain/Loss	Other Adj	Gain/Loss Adjustment
		Federal	Federal	Federal		
		State	State	State		

TAXPAYER'S COPY

Total Gain/Loss Adjustment .....

WJOBDISP.SCR 12/06/06

TAXPAYER'S COPY

Form **1120X**
(Rev December 2001)

Department of the Treasury
Internal Revenue Service

Amended U.S. Corporation Income Tax Return

OMB No. 1545-0132

For tax year ending ▶ 12/03
(Enter month and year.)

Please Type or Print

Name: MASON TIRE & AUTO SERVICE, INC.

Employer identification number: 57-0801371

Number, street, and room or suite number (If a P.O. box, see instructions.): C/O J. MASON P.O. BOX 15728

City or town: SURFSIDE BEACH

State: SC ZIP Code: 29587

Telephone number (optional):

Enter name and address used on original return (If same as above, write 'Same.')

"SAME"

Internal Revenue Service Center where original return was filed ▶ Cincinnati, OH 45999-0012

Fill in Applicable Items and Use Part II to Explain Any Changes

Part I Income and Deductions (see instructions)		(a) As originally reported or as previously adjusted	(b) Net change — increase or (decrease) — explain in Part II	(c) Correct amount
1 Total income (Form 1120 or 1120-A, line 11)	1	1,209,244.	458,000.	1,667,244.
2 Total deductions (total of lines 27 and 29c, Form 1120, or lines 23 and 25c, Form 1120-A)	2	1,183,722.	4,649.	1,188,371.
3 Taxable income. Subtract line 2 from line 1	3	25,522.	453,351.	478,873.
4 Tax (Form 1120, line 31, or Form 1120-A, line 27)	4	6,077.	165,788.	171,865.
Payments and Credits (see instructions)				
5a Overpayment in prior year allowed as a credit	5a	6,384.	0.	6,384.
b Estimated tax payments	b	5,616.	0.	5,616.
c Refund applied for on Form 4466	c			
d Subtract line 5c from the sum of lines 5a and 5b	d	12,000.	0.	12,000.
e Tax deposited with Form 7004	e			
f Credit from Form 2439	f			
g Credit for Federal tax on fuels	g			
6 Tax deposited or paid with (or after) the filing of the original return			6	
7 Add lines 5d through 6, column (c)			7	12,000.
8 Overpayment, if any, as shown on original return or as later adjusted			8	5,923.
9 Subtract line 8 from line 7			9	6,077.
Tax Due or Overpayment (see instructions)				
10 Tax due. Subtract line 9 from line 4, column (c). If paying by check, make it payable to the 'United States Treasury.' ▶			10	165,788.
11 Overpayment. Subtract line 4, column (c), from line 9 ▶			11	
12 Enter the amount of line 11 you want: Credited to estimated tax ▶ Refunded ▶			12	

Sign Here

Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return 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

Paid Preparer's Use Only

Preparer's signature: [signature] Date: 11/02/07 Check if self-employed ☐ Preparer's SSN or PTIN: [redacted]8030

Firm's name (or yours if self-employed), address, and ZIP Code: ▶ RRR PRO SERVICES, INC. D/B/A IRWIN LEVINE & ASSOC. EIN 75-2993273
5769 N. ANDREWS WAY
FT LAUDERDALE FL 33309

Phone no.

BAA For Paperwork Reduction Act Notice, see separate instructions. CPCA0712 07/22/02 Form 1120X (Rev 12-2001)

DEPOSITION EXHIBIT 107-Levine 12-3-10
PENGAD 800-631-6989

Levine Resp. to D's 1st RPD
00315

Part II **Explanation of Changes to Items in Part I** (Enter the line number from page 1 for the items you are changing, and give the reason for each change. Show any computation in detail. Also, see **What to Attach** in the instructions.)

If the change is due to a net operating loss carryback, a capital loss carryback, or a general business credit carryback, see **Carryback Claims** in the instructions, and check here ..... ► ☐

ADDITION TO INCOME:	INVENTORY VALUATION.....	440000.-
	USED TIRE SALES-NET.....	-18000
	TOTAL INCOME.....	458000
LESS DEDUCTIONS:		
	STATE INCOME TAXES ADDITIONS.....	23861
	CORRECTION IN ALLOCATING PERSONAL EXPENSES	-12212
	INSURANCE	- 7000
	TOTAL NET EXPENSES...	4649
NET ADJUSTMENT.....		453351

STATE OF SOUTH CAROLINA
'C' CORPORATION INCOME TAX RETURN

SC 1120
(Rev 8/26/03)
3091

Return is due on or before the 15th day of the 3rd month following the close of the taxable year.

SC FILE No. 20124494-7
INCOME TAX PERIOD ENDING 12/31/03
LICENSE FEE PERIOD ENDING 12/31/04
FEDERAL EMPLOYER ID NO. 57-0801371

NAME MASON TIRE & AUTO SERVICE, INC.
MAILING ADDRESS C/O J. MASON P.O. BOX 15728
CITY SURFSIDE BEACH
STATE SC ZIP CODE 29587
Change of ..... ☐ Address ☐ Accounting period
Mail this return to: SCDOR, Corporation Return, Columbia, SC 29214-0100

Check if ..... ► ☐ Consolidated Return
Total Gross Receipts. ► 2,386,954.
Total cost of depreciable personal property in SC. ► 350,692.
If Filing a Final Return, See Instructions for Further Information. ► Reorganized ☐ Dissolved ☐ Merged ☐ Withdrawn ☐

PART I COMPUTATION OF INCOME TAX LIABILITY

1	Federal Taxable Income per Federal Form 1120 or 1120A	1	453,351.
2	Net Adjustment from line 12, Schedule A and B	2	23,861.
3	Total Net Income as Reconciled (line 1 plus or minus line 2)	3	477,212.
4	If Multi-state Corporation, enter amount from line 6, Schedule G; otherwise, enter amount from line 3	4	477,212.
5	LESS: South Carolina net operating loss carryover, if applicable	5	
6	South Carolina Net Income subject to tax (line 4 less line 5)	6	477,212.
7	TAX: Multiply amount on line 6 by .05 (5.0%)	7	23,861.
8	Less tax deferred on income from foreign trade receipts (see instructions)	8	
9	Balance (line 7 less line 8)	9	23,861.
10	Credit Carryover (line 7, Schedule C) ► _____ Non-refundable credits (line 5, Schedule C) ►	10	0.
11	Balance of tax (line 9 less line 10). Enter the difference but not less than zero	11	23,861.
12	Interest on DISC-deferred tax liability _____; or Foreign Trade Deferred Tax Liability _____	12	
13	Total tax and/or interest (add lines 11 and 12)	13	23,861.
14	Payments: (a) Tax Withheld (see instrs) ► _____ (b) Paid by Declaration ► 0.		
	(c) Paid with Tentative Return ► _____ (d) Credit from Line 29b ► _____		
15	Total Payments (add lines 14a through 14d)	15	0.
16	Balance of Tax and/or Interest Due (line 13 less line 15) ►	16	23,861.
17	Interest Due ► _____ Penalty Due ► _____ Enter Total ►	17	
18	**TOTAL INCOME TAX**, Interest and Penalty Due (add lines 16 and 17) ..... **BALANCE DUE**	18	23,861.
19	**OVERPAYMENT** (line 15 less line 13) _____ To be applied as follows:		
	(a) Estimated Tax ► _____ (b) License Fee ► _____ (c) Refunded ►		

PART II COMPUTATION OF LICENSE FEE

20	Total Capital And Paid in Surplus (Multi-State Corporations See Schedule E) ►	20	0.
21	FEE DUE– Line 20 x .001, plus $15.00 **(Fee cannot be less than $25.00 per taxpayer)**	21	0.
22	LESS: Applicable Credits against License Fee (attach SC1120-TC)	22	
23	Balance (line 21 less line 22)	23	0.
24	Payments: (a) Paid with Tentative Return ► _____ (b) Credit from line 19b ► _____		
25	Total Payments (add line 24(a) and (b))	25	
26	Balance of Fee Due (line 23 less line 25) ►	26	0.
27	Interest Due ► _____ Penalty Due ► _____ (See penalty & interest instructions.) Enter Total ►	27	
28	**TOTAL LICENSE FEE**, Interest and Penalty Due (add lines 26 and 27) ..... **BALANCE DUE**	28	0.
29	**OVERPAYMENT** (line 25 less line 23) _____ To be applied as follows:		
	(a) Estimated Tax ► _____ (b) Income Tax ► _____ (c) Refunded ►		
30	**GRAND TOTAL: INCOME TAX and LICENSE FEE DUE (add lines 18 and 28)** ..... EFT ☐ ►	30	23,861.

Please Sign Here

I, the undersigned, a principal officer of the corporation for which this return is made declare that this return, including accompanying Annual Report, statements and schedules, has been examined by me and is to the best of my knowledge and belief, a true and complete return.

► _____ Signature of officer ► _____ Date ► _____ Title (803) 238-3339 Telephone Number

I authorize the Director of the Department of Revenue or delegate to discuss this return, attachments and related tax matters with the preparer. Yes ☐ No ☐

Preparer's Printed Name

Paid Preparer's Use Only

Preparer's signature [signature] Date 11/01/07 Check if self-employed ☐ Preparer's telephone number

Firm's name (or yours if self-employed) and address ► RRR PRO SERVICES, INC. D/B/A IRWIN LEVINE & ASSOC.
5769 N. ANDREWS WAY
FT LAUDERDALE FL

EIN ► 75-2993273
ZIP Code ► 33309

SCCA0112 12/02/03

Levine Resp. to D's 1st RPD
00317

SCHEDULE A AND B ADDITIONS TO FEDERAL NET INCOME

1	Taxes on or Measured By Income	1	23,861.	
2	Federal Net Operating Loss	2		
3		3		
4		4		
5	Other Additions (attach schedule)	5		
6	Total Additions (add lines 1 through 5)			6 23,861.

DEDUCTIONS FROM FEDERAL NET INCOME

7	Interest On Obligations Of The U.S.	7		
8		8		
9		9		
10	Other Deductions (attach schedule)	10		
11	Total Deductions (add lines 7 through 10)			11
12	Net Adjustment (line 6 less line 11). Also enter on line 2, Part I, SC1120			12 23,861.

SCHEDULE C SUMMARY OF CREDITS (FROM SC1120-TC)

1	Credit Carryover From Previous Year's SC1120, Sch C (NOTE: Should agree to SC1120-TC Column A, line 22)	1	
2	Enter Total Credits from SC1120-TC, Column B, line 22. **SC1120-TC must be attached to return**	2	
3	Total Credits (add lines 1 and 2)	3	
4	Tax (line 9, Part I, SC1120)	4	
5	Lesser of line 3 or 4 (enter on line 10, Part I, SC1120) (NOTE: Should agree to SC1120-TC, Column C, line 22)	5	
6	Enter Credits Lost Due to Statute (NOTE: Should agree to SC1120-TC, Column D, line 22)	6	
7	Credit Carryover (line 3 less lines 5 and 6) (NOTE: Should agree to SC1120-TC, Column E, line 22)	7	

SCHEDULE D ANNUAL REPORT TO BE COMPLETED BY ALL CORPORATIONS

1 Name MASON TIRE & AUTO SERVICE, INC.

2 Incorporated under the laws of the State of SC

3 Location of the Registered Office of the Corporation in the State of South Carolina is U.S. HIGHWAY 17N
In the City of SURFSIDE Registered Agent at such address is J MASON SR

4 Location of principal office (street address) US HWY 17N SURFSIDE
Nature of principal business in SC AUTOMOTIVE

5 The total number of **authorized** shares of capital stock, itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
55,000	COM	1

6 The total number of **issued** and **outstanding** shares of capital stock itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
55,000	COM	1

7 The names and business addresses of the directors (or individuals functioning as directors) and principal officers in the Corporation are:
(If additional space is necessary, attach separate schedule.)

NAME	BUSINESS ADDRESS AND OFFICE
JOSEPH E. MASON SR.	SURFSIDE SC
See Directors Statement	

8 Date Incorporated 06/03/85 Date commenced business in the State of South Carolina was 06/03/85

9 Date of this report 10/31/07 Federal EIN 57-0801371

10 If Foreign Corporation, the date qualified to do business in the State of South Carolina is

11 Was the name of the Corporation changed during the year? No Give old name

12 The Corporation's books are in the care of JOSEPH E MASON SR.
Located at (street address) AS ABOVE

13 If filing consolidated, complete and attach Schedule J for each Corporation included in the consolidation.

14 The total amount of stated capital per balance sheet is:
A Total paid in Capital Stock (cannot be a negative amount) $ 55,000.
B Total paid in Capital Surplus (cannot be a negative amount) $
C Total amount of stated Capital (cannot be a negative amount) $ 55,000.

Street	City	State
Audit Location: 750 HWY 17 N	SURFSIDE	SC

Audit Contact: JOSEPH MASON SR. Telephone Number: (803) 238-3339

County or Counties in SC Where Property is Located: HORRY

SCCA0112 12/02/03

Levine Resp. to D's 1st RPD
00318

Form SC1120, Page 2, Schedule D, Line 7
Directors Statement

Name	Business Address and Office
JOSEPH E MASON JR	SURFSIDE SC
CATHERINE ST BLANCHARD	SURFSIDE SC
CATHERINE MASON	SURFSIDE SC

AMENDED

State of South Carolina

'C' CORPORATION INCOME TAX RETURN

INT

Return is due on or before the 15th day of the 3rd month following the close of the taxable year.

Mail return to: SC DEPARTMENT OF REVENUE, Corporation Return, Columbia SC 29214-0100

SC 1120 (Rev 8/22/06) 3091

A COMPLETE COPY OF FEDERAL RETURN MUST BE ATTACHED TO THIS RETURN.

SC FILE # 20124494-7
INCOME TAX PERIOD ENDING 12/31/06
LICENSE FEE PERIOD ENDING 12/31/07
FEDERAL EMPLOYER ID # 57-0801371
NAME MASON TIRE & AUTO SERVICE, INC.
MAILING ADDRESS 750 HWY 17N
CITY SURFSIDE BEACH
STATE SC ZIP CODE 29575
Change of ☐ Address ☐ Accounting period

County or Counties in SC Where Property Is Located: HORRY
City (Audit Location): SURFSIDE
State: SC
Audit Contact: JOSEPH MASON JR.
Telephone Number: (803) 238-3339
Check if ☒ Amended Return ☐ Consolidated Return
Total Gross Receipts.
Total cost of depreciable personal property in SC.
If Filing a Final Return, See Instructions for Further Information. ☐ Merged ☐ Reorganized ☐ Dissolved ☐ Withdrawn

PART I COMPUTATION OF INCOME TAX LIABILITY

1	Federal Taxable Income per Federal Form 1120 or 1120A	1	131,700.
2	Net Adjustment from line 12, Schedule A and B	2	6,932.
3	Total Net Income as Reconciled (line 1 plus or minus line 2)	3	138,632.
4	If Multi-state Corporation, enter amount from line 6, Schedule G; otherwise, enter amount from line 3	4	138,632.
5	LESS: South Carolina net operating loss carryover, if applicable	5	
6	South Carolina Net Income subject to tax (line 4 less line 5)	6	138,632.
7	TAX: Multiply amount on line 6 by .05 (5.0%)	7	6,932.
8	Less tax deferred on income from foreign trade receipts (see instructions)	8	
9	Balance (line 7 less line 8)	9	6,932.
10	Credit Carryover (line 7, Schedule C) ____ Non-refundable credits (line 5, Schedule C)	10	
11	Balance of tax (line 9 less line 10). Enter the difference but not less than zero	11	6,932.
12	Interest on DISC-deferred tax liability ____; or Foreign Trade Deferred Tax Liability ____	12	
13	Total tax and/or interest (add lines 11 and 12)	13	6,932.
14	Pmts: (a) Tax Withheld (see instrs) ____ (b) Paid by Declaration 0.		
	(c) Paid with Tentative Return ____ (d) Credit from Line 29b ____		
	Refundable Credits: (e) Ammonia Additive ____ (f) Milk Credit ____		
15	Total Payments and Refundable Credits (add lines 14a through 14f)	15	0.
16	Balance of Tax and/or Interest Due (line 13 less line 15)	16	6,932.
17	Interest Due ____ Penalty Due ____ Enter Total	17	
18	TOTAL INCOME TAX, Interest and Penalty Due (add lines 16 and 17) BALANCE DUE	18	6,932.
19	OVERPAYMENT (line 15 less line 13) ____ To be applied as follows: (a) Estimated Tax ____ (b) License Fee ____ (c) REFUNDED		

PART II COMPUTATION OF LICENSE FEE

20	Total Capital And Paid in Surplus (Multi-State Corporations See Schedule E)	20	55,000.
21	FEE DUE– Line 20 x .001, plus $15.00 (Fee cannot be less than $25.00 per taxpayer)	21	
22	LESS: Applicable Credits against License Fee (attach SC1120-TC)	22	
23	Balance (line 21 less line 22)	23	
24	Payments: (a) Paid with Tentative Return ____ (b) Credit from line 19b ____		
25	Total Payments (add line 24(a) and (b))	25	
26	Balance of Fee Due (line 23 less line 25)	26	
27	Interest Due ____ Penalty Due ____ (See penalty & interest instructions.) Enter Total	27	
28	TOTAL LICENSE FEE, Interest and Penalty Due (add lines 26 and 27) BALANCE DUE	28	
29	OVERPAYMENT (line 25 less line 23) ____ To be applied as follows: (a) Estimated Tax ____ (b) Income Tax ____ (c) REFUNDED EFT ☐	30	6,932.

30 GRAND TOTAL INCOME TAX and LICENSE FEE DUE (add lines 18 and 28)

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

Signature of officer ____ Date ____ Title ____ (803) 238-3339 Telephone Number

I authorize the Director of the Department of Revenue or delegate to discuss this return, attachments and related tax matters with the preparer. Yes ☐ No ☐

Preparer's Printed Name ____ Date 11/02/07 Check if self-employed ☐ Preparer's telephone number ____

Paid Preparer's Use Only

Preparer's signature ____ EIN 56-2515367

Firm's name (or yours if self-employed) and address: LEVINE-THOMAS & ASSOCIATES LLC, 5767 N ANDREWS WAY, FT. LAUDERDALE FL ZIP Code 33309

SCCA0112 10/26/06

Levine Resp. to D's 1st RPD
00320

AMENDED

Form SC1120 MASON TIRE & AUTO SERVICE, INC. 57-0801371 Page 2

SCHEDULE A AND B — ADDITIONS TO FEDERAL TAXABLE INCOME

1	Taxes on or Measured By Income	1	6,932.	
2	Federal Net Operating Loss	2		
3		3		
4		4		
5	Other Additions (attach schedule)	5		
6	Total Additions (add lines 1 through 5)			6 6,932.

DEDUCTIONS FROM FEDERAL TAXABLE INCOME

7	Interest On Obligations Of The U.S.	7		
8		8		
9		9		
10	Other Deductions (attach schedule)	10		
11	Total Deductions (add lines 7 through 10)			11
12	Net Adjustment (line 6 less line 11). Also enter on line 2, Part 1, SC1120			12 6,932.

SCHEDULE C — SUMMARY OF CREDITS (FROM SC1120-TC)

1	Credit Carryover From Previous Year's SC1120, Schedule C (NOTE: Should agree to SC1120-TC Column A, line 39)	1	
2	Enter Total Credits from SC1120-TC, Column B, line 39. SC1120-TC must be attached to return	2	
3	Total Credits (add lines 1 and 2)	3	
4	Tax (line 9, Part 1, SC1120)	4	
5	Lesser of line 3 or 4 (enter on line 10, Part 1, SC1120) (NOTE: Should agree to SC1120-TC, Column C, line 39)	5	
6	Enter Credits Lost Due to Statute (NOTE: Should agree to SC1120-TC, Column D, line 39)	6	
7	Credit Carryover (line 3 less lines 5 and 6) (NOTE: Should agree to SC1120-TC, Column E, line 39)	7	

SCHEDULE D — ANNUAL REPORT TO BE COMPLETED BY ALL CORPORATIONS

1 Name ..... MASON TIRE & AUTO SERVICE, INC.

2 Incorporated under the laws of the State of SC

3 Location of the Registered Office of the Corporation in the State of South Carolina is U.S. HIGHWAY 17N
In the City of SURFSIDE Registered Agent at such address is J MASON SR.

4 Location of principal office (street address) US HWY 17N SURFSIDE
Nature of principal business in SC AUTOMOTIVE

5 The total number of authorized shares of capital stock, itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
55,000	COM	1

6 The total number of issued and outstanding shares of capital stock itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
55,000	COM	1

7 The names and business addresses of the directors (or individuals functioning as directors) and principal officers in the Corporation are: (If additional space is necessary, attach separate schedule.)

NAME	BUSINESS ADDRESS AND OFFICE
JOSEPH E MASON SR	SURFSIDE SC
CATHERINE ST BLANCHARD	SURFSIDE SC
JOSEPH MASON JR	SURFSIDE SC
CATHERINE MASON	SURFSIDE SC

8 Date Incorporated 06/03/85 Date commenced business in the State of South Carolina was 06/03/85

9 Date of this report 12/31/06 Federal EIN 57-0801371

10 If Foreign Corporation, the date qualified to do business in the State of South Carolina is .....

11 Was the name of the Corporation changed during the year? NO Give old name

12 The Corporation's books are in the care of JOSEPH MASON SR.
Located at (street address) AS ABOVE

13 If filing consolidated, complete and attach Schedule J for each Corporation included in the consolidation.

14 The total amount of stated capital per balance sheet is:

A	Total paid in Capital Stock (cannot be a negative amount)	$ 55,000.
B	Total paid in Capital Surplus (cannot be a negative amount)	$
C	Total amount of stated Capital (cannot be a negative amount)	$ 55,000.

SCCA0112 10/26/06

Levine Resp. to D's 1st RPD
00321

Form **1120X**
(Rev December 2004)

Department of the Treasury
Internal Revenue Service

Amended U.S. Corporation Income Tax Return

OMB No. 1545-0132

For tax year ending ▶ 12/04
(Enter month and year.)

Please Type or Print	Name	Employer identification number
	MASON TIRE & AUTO SERVICE, INC.	57-0801371
	Number, street, and room or suite number (If a P.O. box, see instructions.)	
	750 HWY 17N	
	City or town / state / ZIP code	Telephone number (optional)
	SURFSIDE BEACH SC 29575	

Enter name and address used on original return (If same as above, write 'Same.')

"SAME"

Internal Revenue Service Center where original return was filed ▶ Cincinnati, OH 45999-0012

Fill in applicable items and use Part II (on page 2) to explain any changes

Part I Income and Deductions (see instructions)		(a) As originally reported or as previously adjusted	(b) Net change — increase or (decrease) — explain in Part II	(c) Correct amount
1 Total income (Form 1120 or 1120-A, line 11)	1	1,199,245.	117,514.	1,316,759.
2 Total deductions (total of lines 27 and 29c, Form 1120, or lines 23 and 25c, Form 1120-A)	2	1,151,534.	-14,920.	1,136,614.
3 Taxable income. Subtract line 2 from line 1	3	47,711.	132,434.	180,145.
4 Tax (Form 1120, line 31, or Form 1120-A, line 27)	4	10,348.	51,695.	62,043.
Payments and Credits (see instructions)				
5a Overpayment in prior year allowed as a credit	5a			
b Estimated tax payments	5b	6,645.	0.	6,645.
c Refund applied for on Form 4466	5c			
d Subtract line 5c from the sum of lines 5a and 5b	5d	6,645.	0.	6,645.
e Tax deposited with Form 7004	5e			
f Credit from Form 2439	5f			
g Credit for Federal tax on fuels	5g			
6 Tax deposited or paid with (or after) the filing of the original return	6			3,703.
7 Add lines 5d through 6, column (c)	7			10,348.
8 Overpayment, if any, as shown on original return or as later adjusted	8			
9 Subtract line 8 from line 7	9			10,348.
Tax Due or Overpayment (see instructions)				
10 Tax due. Subtract line 9 from line 4, column (c). If paying by check, make it payable to the 'United States Treasury' ▶	10			51,695.
11 Overpayment. Subtract line 4, column (c), from line 9 ▶	11			
12 Enter the amount of line 11 you want: Credited to estimated tax ▶ Refunded ▶	12			

Sign Here

Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return 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

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed	Preparer's SSN or PTIN
[signature]	11/02/07	☐	[redacted]8030

Firm's name (or yours if self-employed), address, and ZIP code ▶ RRR PRO SERVICES, INC. D/B/A I. LEVINE & ASSOC.
5769 N. ANDREWS WAY
FT LAUDERDALE FL 33309

EIN 75-2993273
Phone no.

BAA For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Form 1120X (Rev 12-2004)

CPCA0712 01/13/05

PENGAD 800-631-6989

DEPOSITION EXHIBIT
109-Levine
12-3-10

Levine Resp. to D's 1st RPD
00330

Part II **Explanation of Changes to Items in Part I** (Enter the line number from page 1 for the items you are changing, and give the reason for each change. Show any computation in detail. Also, see What To Attach in the instructions.)

If the change is due to a net operating loss carryback, a capital loss carryback, or a general business credit carryback, see Carryback Claims in the instructions, and check here ► ☐

ADDITIONS TO INCOME:	
INVENTORY VALUATION	100000.
USED TIRE SALES	17514
TOTAL INCOME	117514
LESS DEDUCTIONS:	
STATE INCOME TAXES ADDITIONS	6970
CORRECTION IN ALLOCATING PERSONAL EXPENSES	-14890
INSURANCE	-7000
TOTAL DEDUCTIONS	-14920
NET ADJUSTMENT	132434

Form **1120X**
(Rev December 2004)

Department of the Treasury
Internal Revenue Service

Amended U.S. Corporation Income Tax Return

OMB No. 1545-0132

For tax year ending ▶ 12/05
(Enter month and year.)

Please Type or Print

Name: MASON TIRE & AUTO SERVICE, INC.

Employer identification number: 57-0801371

Number, street, and room or suite number (If a P.O. box, see instructions.): 750 HWY 17N

City or town: SURFSIDE BEACH

State: SC ZIP code: 29575

Telephone number (optional):

Enter name and address used on original return (if same as above, write 'Same.')

"SAME"

Internal Revenue Service Center where original return was filed ▶ Cincinnati, OH 45999-0012

Fill in applicable items and use Part II (on page 2) to explain any changes

Part I Income and Deductions (see instructions)		(a) As originally reported or as previously adjusted	(b) Net change – increase or (decrease) – explain in Part II	(c) Correct amount
1 Total income (Form 1120 or 1120-A, line 11)	1	1,169,947.	106,559.	1,276,506.
2 Total deductions (total of lines 27 and 29c, Form 1120, or lines 23 and 25c, Form 1120-A)	2	1,110,146.	-17,578.	1,092,568.
3 Taxable income. Subtract line 2 from line 1	3	59,801.	124,137.	183,938.
4 Tax (Form 1120, line 31, or Form 1120-A, line 27)	4	14,760.	48,415.	63,175.
Payments and Credits (see instructions)				
5a Overpayment in prior year allowed as a credit	5a			
b Estimated tax payments	5b	10,000.	0.	10,000.
c Refund applied for on Form 4466	5c			
d Subtract line 5c from the sum of lines 5a and 5b	5d	10,000.	0.	10,000.
e Tax deposited with Form 7004	5e			
f Credit from Form 2439	5f			
g Credit for Federal tax on fuels	5g			
6 Tax deposited or paid with (or after) the filing of the original return	6			4,760.
7 Add lines 5d through 6, column (c)	7			14,760.
8 Overpayment, if any, as shown on original return or as later adjusted	8			
9 Subtract line 8 from line 7	9			14,760.
Tax Due or Overpayment (see instructions)				
10 Tax due. Subtract line 9 from line 4, column (c). If paying by check, make it payable to the 'United States Treasury' ▶	10			48,415.
11 Overpayment. Subtract line 4, column (c), from line 9 ▶	11			
12 Enter the amount of line 11 you want: Credited to estimated tax ▶ Refunded ▶	12			

Sign Here

Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return 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

Paid Preparer's Use Only

Preparer's signature: [signature] Date: 11/02/07 Check if self-employed ☐ Preparer's SSN or PTIN: [redacted]8030

Firm's name (or yours if self-employed), address, and ZIP code: ▶ LEVINE-THOMAS & ASSOCIATES LLC
5767 N ANDREWS WAY
FORT LAUDERDALE FL 33309

EIN 56-2515367

Phone no.

BAA For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. CPOA0712 01/13/05

Form 1120X (Rev 12-2004)

PENGAD 800-631-6989

DEPOSITION EXHIBIT
118 - Levine
12-3-10

Levine Resp. to D's 1st RPD
00326

Part II Explanation of Changes to Items in Part I (Enter the line number from page 1 for the items you are changing, and give the reason for each change. Show any computation in detail. Also, see What To Attach in the instructions.)

If the change is due to a net operating loss carryback, a capital loss carryback, or a general business credit carryback, see Carryback Claims in the instructions, and check here ..... ► ☐

ADDITIONS TO INCOME:

INVENTORY VALUATION	100000.
USED TIRE SALES	6559
TOTAL INCOME	106559

LESS DEDUCTIONS:

STATE INCOME TAXES ADDITIONS	6534
CORRECTION IN ALLOCATING PERSONAL EXPENSES	-17112
INSURANCE	-7000
TOTAL DEDUCTIONS	-17578

NET ADJUSTMENT 124137

AMENDED

STATE OF SOUTH CAROLINA
'C' CORPORATION INCOME TAX RETURN
Return is due on or before the 15th day of the 3rd month following the close of the taxable year.

Mail this return to:
SC DEPARTMENT OF REVENUE
Corporation Return
Columbia, SC 29214-0100

SC 1120
(Rev 8/10/04)
3091

A COMPLETE COPY OF FEDERAL RETURN MUST BE ATTACHED TO THIS RETURN.

SC FILE No. 20124494-7
INCOME TAX PERIOD ENDING 12/31/04
LICENSE FEE PERIOD ENDING 12/31/05
FEDERAL EMPLOYER ID NO. 57-0801371

NAME MASON TIRE & AUTO SERVICE, INC.
MAILING ADDRESS 750 HWY 17N
CITY SURFSIDE BEACH
STATE SC ZIP CODE 29575
Change of ..... ☐ Address ☐ Accounting period

County or Counties in SC Where Property is Located: HORRY
City (Audit Location): SURFSIDE
State: SC
Audit Contact: JOSEPH MASON SR.
Telephone Number: (803) 238-3339
Check if ..... ► ☐ Consolidated Return
Total Gross Receipts: ► 2,308,687.
Total cost of depreciable personal property in SC: ► 193,308.
If Filing a Final Return, See Instructions for Further Information. Merged ☐ Withdrawn ☐
► Reorganized ☐ Dissolved ☐

PART I COMPUTATION OF INCOME TAX LIABILITY

1	Federal Taxable Income per Federal Form 1120 or 1120A	1	132,434.
2	Net Adjustment from line 12, Schedule A and B	2	6,970.
3	Total Net Income as Reconciled (line 1 plus or minus line 2)	3	139,404.
4	If Multi-state Corporation, enter amount from line 6, Schedule G; otherwise, enter amount from line 3	4	139,404.
5	LESS: South Carolina net operating loss carryover, if applicable	5	
6	South Carolina Net Income subject to tax (line 4 less line 5)	6	139,404.
7	TAX: Multiply amount on line 6 by .05 (5.0%)	7	6,970.
8	Less tax deferred on income from foreign trade receipts (see instructions)	8	
9	Balance (line 7 less line 8)	9	6,970.
10	Credit Carryover (line 7, Schedule C) ► ____ Non-refundable credits (line 5, Schedule C)	10	
11	Balance of tax (line 9 less line 10). Enter the difference but not less than zero	11	6,970.
12	Interest on DISC-deferred tax liability ____; or Foreign Trade Deferred Tax Liability ____	12	
13	Total tax and/or interest (add lines 11 and 12)	13	6,970.
14	Payments: (a) Tax Withheld (see instrs) ► ____ (b) Paid by Declaration ► ____ (c) Paid with Tentative Return ► ____ (d) Credit from Line 29b ► ____	15	
15	Total Payments (add lines 14a through 14d)	16	6,970.
16	Balance of Tax and/or Interest Due (line 13 less line 15)	17	
17	Interest Due ► ____ Penalty Due ► ____ Enter Total	18	6,970.
18	TOTAL INCOME TAX, Interest and Penalty Due (add lines 16 and 17) ..... BALANCE DUE		
19	OVERPAYMENT (line 15 less line 13) ____ To be applied as follows: (a) Estimated Tax ► ____ (b) License Fee ► ____ (c) Refunded ►	20	

PART II COMPUTATION OF LICENSE FEE

20	Total Capital And Paid in Surplus (Multi-State Corporations See Schedule E)	21	
21	FEE DUE– Line 20 x .001, plus $15.00 (Fee cannot be less than $25.00 per taxpayer)	22	
22	LESS: Applicable Credits against License Fee (attach SC1120-TC)	23	
23	Balance (line 21 less line 22)	25	
24	Payments: (a) Paid with Tentative Return ____ (b) Credit from line 19b ► ____	26	
25	Total Payments (add line 24(a) and (b))	27	
26	Balance of Fee Due (line 23 less line 25)	28	
27	Interest Due ► ____ Penalty Due ► ____ (See penalty & interest instructions.) Enter Total ..... BALANCE DUE		
28	TOTAL LICENSE FEE, Interest and Penalty Due (add lines 26 and 27)		
29	OVERPAYMENT (line 25 less line 23) ____ To be applied as follows: (a) Estimated Tax ► ____ (b) Income Tax ► ____ (c) Refunded ► ____ EFT ☐	30	6,970.
30	GRAND TOTAL: INCOME TAX and LICENSE FEE DUE (add lines 18 and 28)		

Sign Here: I, the undersigned, a principal officer of the corporation for which this return is made declare that this return, including accompanying Annual Report, statements and schedules, has been examined by me and is to the best of my knowledge and belief, a true and complete return.

► Signature of officer ____ Date ____ Title ____ (803) 238-3339 Telephone Number

I authorize the Director of the Department of Revenue or delegate to discuss this return, attachments and related tax matters with the preparer. Yes ☐ No ☐

Preparer's Printed Name ____ Preparer's telephone number ____

Paid Preparer's Use Only — Preparer's signature: Helen M. Levine — Date: 11/02/07 — Check if self-employed ☐ — EIN ► 75-2993273

Firm's name (or yours if self-employed) and address: ► RRR PRO SERVICES INC. D/B/A I. LEVINE & ASSOC.
5769 N. ANDREWS WAY FT LAUDERDALE FL ZIP Code ► 33309

SCCA0112 10/04/04

Levine Resp. to D's 1st RPD
00328

"AMENDED"

Form SC1120 MASON TIRE & AUTO SERVICE, INC. 57-0801371

SCHEDULE A AND B ADDITIONS TO FEDERAL TAXABLE INCOME

1	Taxes on or Measured By Income	1	6,970.	
2	Federal Net Operating Loss	2		
3		3		
4		4		
5	Other Additions (attach schedule)	5		
6	Total Additions (add lines 1 through 5)			6,970.

DEDUCTIONS FROM FEDERAL TAXABLE INCOME

7	Interest On Obligations Of The U.S.	7		
8		8		
9		9		
10	Other Deductions (attach schedule)	10		
11	Total Deductions (add lines 7 through 10)		11	
12	Net Adjustment (line 6 less line 11). Also enter on line 2, Part I, SC1120		12	6,970.

SCHEDULE C SUMMARY OF CREDITS (FROM SC1120-TC)

1	Credit Carryover From Previous Year's SC1120, Sch C (NOTE: Should agree to SC1120-TC Column A, line 25)	1	
2	Enter Total Credits from SC1120-TC, Column B, line 25. SC1120-TC must be attached to return	2	
3	Total Credits (add lines 1 and 2)	3	
4	Tax (line 9, Part I, SC1120)	4	
5	Lesser of line 3 or 4 (enter on line 10, Part I, SC1120) (NOTE: Should agree to SC1120-TC, Column C, line 25)	5	
6	Enter Credits Lost Due to Statute (NOTE: Should agree to SC1120-TC, Column D, line 25)	6	
7	Credit Carryover (line 3 less lines 5 and 6) (NOTE: Should agree to SC1120-TC, Column E, line 25)	7	

SCHEDULE D ANNUAL REPORT TO BE COMPLETED BY ALL CORPORATIONS

1 Name MASON TIRE & AUTO SERVICE, INC.

2 Incorporated under the laws of the State of SC

3 Location of the Registered Office of the Corporation in the State of South Carolina is U.S. HIGHWAY 17N
In the City of SURFSIDE Registered Agent at such address is J MASON SR.

4 Location of principal office (street address) US HWY 17N SURFSIDE
Nature of principal business in SC AUTOMOTIVE

5 The total number of authorized shares of capital stock, itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
55,000	COM	1

6 The total number of issued and outstanding shares of capital stock itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
55,000	COM	1

7 The names and business addresses of the directors (or individuals functioning as directors) and principal officers in the Corporation are: (If additional space is necessary, attach separate schedule.)

NAME	BUSINESS ADDRESS AND OFFICE
JOSEPH E. MASON SR.	SURFSIDE SC
JOSEPH E MASON JR	SURFSIDE SC
OZZY ST BLANCHARD	SURFSIDE SC

8 Date Incorporated 06/03/85 Date commenced business in the State of South Carolina was 06/03/85

9 Date of this report 12/31/04 Federal EIN 57-0801371

10 If Foreign Corporation, the date qualified to do business in the State of South Carolina is

11 Was the name of the Corporation changed during the year? No Give old name

12 The Corporation's books are in the care of JOSEPH E MASON SR
Located at (street address) AS ABOVE

13 If filing consolidated, complete and attach Schedule J for each Corporation included in the consolidation.

14 The total amount of stated capital per balance sheet is:

A	Total paid in Capital Stock (cannot be a negative amount)	$ 55,000.
B	Total paid in Capital Surplus (cannot be a negative amount)	$
C	Total amount of stated Capital (cannot be a negative amount)	$ 55,000.

SCCA0112 10/04/04

Levine Resp. to D's 1st RPD
00329

Form **1120X**
(Rev December 2004)
Department of the Treasury
Internal Revenue Service

Amended U.S. Corporation Income Tax Return

OMB No. 1545-0132

For tax year ending ▶ 12/05
(Enter month and year.)

Please Type or Print

Name: MASON TIRE & AUTO SERVICE, INC.
Employer identification number: 57-0801371

Number, street, and room or suite number (If a P.O. box, see instructions.): 750 HWY 17N

City or town: SURFSIDE BEACH
State: SC ZIP code: 29575

Telephone number (optional):

Enter name and address used on original return (if same as above, write 'Same.')

"SAME"

Internal Revenue Service Center where original return was filed ▶ Cincinnati, OH 45999-0012

Fill in applicable items and use Part II (on page 2) to explain any changes

Part I Income and Deductions (see instructions)		(a) As originally reported or as previously adjusted	(b) Net change — increase or (decrease) — explain in Part II	(c) Correct amount
1 Total income (Form 1120 or 1120-A, line 11)	1	1,288,821.	114,163.	1,402,984.
2 Total deductions (total of lines 27 and 29c, Form 1120, or lines 23 and 25c, Form 1120-A)	2	1,215,608.	-17,537.	1,198,071.
3 Taxable income. Subtract line 2 from line 1	3	73,213.	131,700.	204,913.
4 Tax (Form 1120, line 31, or Form 1120-A, line 27)	4	22,548.	51,408.	73,956.
Payments and Credits (see instructions)				
5a Overpayment in prior year allowed as a credit	5a			
b Estimated tax payments	5b	15,000.	0.	15,000.
c Refund applied for on Form 4466	5c			
d Subtract line 5c from the sum of lines 5a and 5b	5d	15,000.	0.	15,000.
e Tax deposited with Form 7004	5e			
f Credit from Form 2439	5f			
g Credit for Federal tax on fuels	5g	612.	0.	612.
6 Tax deposited or paid with (or after) the filing of the original return	6			6,936.
7 Add lines 5d through 6, column (c)	7			22,548.
8 Overpayment, if any, as shown on original return or as later adjusted	8			
9 Subtract line 8 from line 7	9			22,548.
Tax Due or Overpayment (see instructions)				
10 Tax due. Subtract line 9 from line 4; column (c). If paying by check, make it payable to the 'United States Treasury' ▶	10			51,408.
11 Overpayment. Subtract line 4, column (c), from line 9 ▶	11			
12 Enter the amount of line 11 you want: Credited to estimated tax ▶ Refunded ▶	12			

Sign Here

Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return 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

Paid Preparer's Use Only

Preparer's signature: [signature] Date: 11/02/07 Check if self-employed ☐ Preparer's SSN or PTIN: [redacted]-8030

Firm's name (or yours if self-employed), address, and ZIP code: ▶ LEVINE-THOMAS & ASSOCIATES LLC, 5767 N ANDREWS WAY, FT. LAUDERDALE FL 33309

EIN 56-2515367

Phone no.

BAA For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

CPCA0712 01/13/05

Form 1120X (Rev 12-2004)

PENGAD 800-631-6989

DEPOSITION EXHIBIT 980
113- Levine
12-3-10

Levine Resp. to D's 1st RPD
00322

Part II **Explanation of Changes to Items in Part I** (Enter the line number from page 1 for the items you are changing, and give the reason for each change. Show any computation in detail. Also, see **What To Attach** in the instructions.)

If the change is due to a net operating loss carryback, a capital loss carryback, or a general business credit carryback, see **Carryback Claims** in the instructions, and check here ..... ► ☐

ADDITIONS TO INCOME:

INVENTORY VALUATION	100000
USED TIRE SALES	14163
TOTAL INCOME	114163

LESS DEDUCTIONS:

STATE INCOME TAXES ADDITIONS	6932
CORRECTIONS IN ALLOCATING PERSONAL EXPENSES	-17469
INSURANCE	-7000
TOTAL DEDUCTIONS	-17537

NET ADJUSTMENT 131700

AMENDED

State of South Carolina

'C' CORPORATION INCOME TAX RETURN

INT

Return is due on or before the 15th day of the 3rd month following the close of the taxable year.

Mail return to: SC DEPARTMENT OF REVENUE, Corporation Return, Columbia SC 29214-0100

SC 1120 (Rev 8/18/05) 3091

SC FILE # 20124494-7
INCOME TAX PERIOD ENDING 12/31/05
LICENSE FEE PERIOD ENDING 12/31/06
FEDERAL EMPLOYER ID # 57-0801371
NAME MASON TIRE & AUTO SERVICE, INC.
MAILING ADDRESS 750 HWY 17N
CITY SURFSIDE BEACH
STATE SC ZIP CODE 29575
Change of [X] Address [ ] Accounting period

A COMPLETE COPY OF FEDERAL RETURN MUST BE ATTACHED TO THIS RETURN.

County or Counties in SC Where Property is Located: HORRY
City / Audit Location: SURFSIDE
State: SC
Audit Contact: JOSEPH MASON SR.
Telephone Number: (803) 238-3339
Check if ..... ► [ ] Consolidated Return
Total Gross Receipts: ► 0.
Total cost of depreciable personal property in SC: ►
If Filing a Final Return, See Instructions for Further Information. ► [ ] Merged [ ] Reorganized [ ] Dissolved [ ] Withdrawn

PART I COMPUTATION OF INCOME TAX LIABILITY

1	Federal Taxable Income per Federal Form 1120 or 1120A	1	124,137.
2	Net Adjustment from line 12, Schedule A and B	2	6,534.
3	Total Net Income as Reconciled (line 1 plus or minus line 2)	3	130,671.
4	If Multi-state Corporation, enter amount from line 6, Schedule G; otherwise, enter amount from line 3	4	130,671.
5	LESS: South Carolina net operating loss carryover, if applicable	5	
6	South Carolina Net Income subject to tax (line 4 less line 5)	6	130,671.
7	TAX: Multiply amount on line 6 by .05 (5.0%)	7	6,534.
8	Less tax deferred on income from foreign trade receipts (see instructions)	8	
9	Balance (line 7 less line 8)	9	6,534.
10	Credit Carryover (line 7, Schedule C) ► _____ Non-refundable credits (line 5, Schedule C)	10	
11	Balance of tax (line 9 less line 10). Enter the difference but not less than zero	11	6,534.
12	Interest on DISC-deferred tax liability _____; or Foreign Trade Deferred Tax Liability _____	12	
13	Total tax and/or interest (add lines 11 and 12)	13	6,534.
14	Pmts: (a) Tax Withheld (see instrs) ► _____ (b) Paid by Declaration ► _____		
	(c) Paid with Tentative Return ► _____ (d) Credit from Line 29b ► _____		
	Refundable Credits: (e) Ammonia Additive ► _____ (f) Milk Credit ► _____		
15	Total Payments and Refundable Credits (add lines 14a through 14f)	15	
16	Balance of Tax and/or Interest Due (line 13 less line 15)	16	6,534.
17	Interest Due ► _____ Penalty Due ► _____ Enter Total	17	
18	TOTAL INCOME TAX, Interest and Penalty Due (add lines 16 and 17) ..... BALANCE DUE	18	6,534.
19	OVERPAYMENT (line 15 less line 13) _____ To be applied as follows:		
	(a) Estimated Tax ► _____ (b) License Fee ► _____ (c) Refunded ►		

PART II COMPUTATION OF LICENSE FEE

20	Total Capital And Paid in Surplus (Multi-State Corporations See Schedule E)	20	55,000.
21	FEE DUE– Line 20 x .001, plus $15.00 (Fee cannot be less than $25.00 per taxpayer)	21	
22	LESS: Applicable Credits against License Fee (attach SC1120-TC)	22	
23	Balance (line 21 less line 22)	23	
24	Payments: (a) Paid with Tentative Return ► _____ (b) Credit from line 19b ► _____		
25	Total Payments (add line 24(a) and (b))	25	
26	Balance of Fee Due (line 23 less line 25)	26	
27	Interest Due ► _____ Penalty Due ► _____ (See penalty & interest instructions.) Enter Total	27	
28	TOTAL LICENSE FEE, Interest and Penalty Due (add lines 26 and 27) ..... BALANCE DUE	28	
29	OVERPAYMENT (line 25 less line 23) _____ To be applied as follows:		
	(a) Estimated Tax ► _____ (b) Income Tax ► _____ (c) Refunded ►		
30	GRAND TOTAL: INCOME TAX and LICENSE FEE DUE (add lines 18 and 28) ..... EFT [ ] ►	30	6,534.

I, the undersigned, a principal officer of the corporation for which this return is made declare that this return, including accompanying Annual Report, statements and schedules, has been examined by me and is to the best of my knowledge and belief, a true and complete return.

(803) 238-3339
Telephone Number

Signature of officer | Date | Title

I authorize the Director of the Department of Revenue or delegate to discuss this return, attachments and related tax matters with the preparer. Yes [ ] No [ ]

Preparer's Printed Name

Paid Preparer's Use Only

Preparer's signature | Date 11/02/07 | Check if self-employed [ ] | Preparer's telephone number

Firm's name (or yours if self-employed) and address: LEVINE-THOMAS & ASSOCIATES LLC, 5767 N ANDREWS WAY, FORT LAUDERDALE FL

EIN ► 56-2515367

ZIP Code ► 33309

SCCA0112 10/17/05

Levine Resp. to D's 1st RPD
00324

AMENDED

Form SC1120 MASON TIRE & AUTO SERVICE, INC. 57-0801371 Page 2

SCHEDULE A AND B ADDITIONS TO FEDERAL TAXABLE INCOME

1	Taxes on or Measured By Income	1	6,534.	
2	Federal Net Operating Loss	2		
3		3		
4		4		
5	Other Additions (attach schedule)	5		
6	Total Additions (add lines 1 through 5)			6,534.

DEDUCTIONS FROM FEDERAL TAXABLE INCOME

7	Interest On Obligations Of The U.S.	7		
8		8		
9		9		
10	Other Deductions (attach schedule)	10		
11	Total Deductions (add lines 7 through 10)		11	
12	Net Adjustment (line 6 less line 11). Also enter on line 2, Part 1, SC1120		12	6,534.

SCHEDULE C SUMMARY OF CREDITS (FROM SC1120-TC)

1	Credit Carryover From Previous Year's SC1120, Schedule C (NOTE: Should agree to SC1120-TC Column A, line 27)	1	
2	Enter Total Credits from SC1120-TC, Column B, line 27. SC1120-TC must be attached to return	2	
3	Total Credits (add lines 1 and 2)	3	
4	Tax (line 9, Part 1, SC1120)	4	
5	Lesser of line 3 or 4 (enter on line 10, Part 1, SC1120) (NOTE: Should agree to SC1120-TC, Column C, line 27)	5	
6	Enter Credits Lost Due to Statute (NOTE: Should agree to SC1120-TC, Column D, line 27)	6	
7	Credit Carryover (line 3 less lines 5 and 6) (NOTE: Should agree to SC1120-TC, Column E, line 27)	7	

SCHEDULE D ANNUAL REPORT TO BE COMPLETED BY ALL CORPORATIONS

1 Name ..... MASON TIRE & AUTO SERVICE, INC.

2 Incorporated under the laws of the State of SC

3 Location of the Registered Office of the Corporation in the State of South Carolina is U.S. HIGHWAY 17N
In the City of SURFSIDE Registered Agent at such address is J MASON JR.

4 Location of principal office (street address) US HWY 17N SURFSIDE
Nature of principal business in SC AUTOMOTIVE

5 The total number of authorized shares of capital stock, itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
55,000	COM	1

6 The total number of issued and outstanding shares of capital stock itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
55,000	COM	1

7 The names and business addresses of the directors (or individuals functioning as directors) and principal officers in the Corporation are: (If additional space is necessary, attach separate schedule.)

NAME	BUSINESS ADDRESS AND OFFICE
JOSEPH E MASON SR	SURFSIDE SC
CATHERINE ST BLANCHARD	SURFSIDE SC
JOSEPH E MASON JR	SURFSIDE SC
CATHERINE MASON	SURFSIDE SC

8 Date Incorporated 06/03/85 Date commenced business in the State of South Carolina was 06/03/85

9 Date of this report 12/31/05 Federal EIN 57-0801371

10 If Foreign Corporation, the date qualified to do business in the State of South Carolina is .....

11 Was the name of the Corporation changed during the year? No Give old name

12 The Corporation's books are in the care of JOSEPH E MASON SR
Located at (street address) AS ABOVE

13 If filing consolidated, complete and attach Schedule J for each Corporation included in the consolidation.

14 The total amount of stated capital per balance sheet is:

A	Total paid in Capital Stock (cannot be a negative amount)	$ 55,000.
B	Total paid in Capital Surplus (cannot be a negative amount)	$
C	Total amount of stated Capital (cannot be a negative amount)	$ 55,000.

SCCA0112 10/17/05

Levine Resp. to D's 1st RPD
00325

Form 1120 — U.S. Corporation Income Tax Return

Department of the Treasury, Internal Revenue Service

For calendar year 2007 or tax year beginning _____, 2007, ending _____ — See separate instructions.

OMB No. 1545-0123

2007

A Check if: 1a Consolidated return (attach Form 851) ☐ b Life/nonlife consolidated return ☐ 2 Personal holding co (attach Sch PH) ☐ 3 Personal service corp (see instr) ☐ 4 Schedule M-3 attached ☐

Use IRS label. Otherwise, print or type.

Name: MASON TIRE & AUTO SERVICE, INC. SUBSIDE

B Employer identification number: 57-0801371

Number, street, and room or suite number. If a P.O. box, see instructions.: 750 HWY 17N

C Date incorporated: 06/03/1985

City or town: SURFSIDE BEACH

State: SC ZIP code: 29575

D Total assets (see instructions): $ 1,247,193.

E Check if: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change

INCOME	1a	Gross receipts or sales: 2,444,955.	b Less returns & allowances:	c Balance ►	1c 2,444,955.
	2	Cost of goods sold (Schedule A, line 8)			2 1,148,789.
	3	Gross profit. Subtract line 2 from line 1c			3 1,296,166.
	4	Dividends (Schedule C, line 19)			4
	5	Interest — SEE SUPPORTING STATEMENT ATTACHED			5 7,437.
	6	Gross rents			6
	7	Gross royalties			7
	8	Capital gain net income (attach Schedule D (Form 1120))			8
	9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)			9 -1,319.
	10	Other income (see instructions — attach schedule)			10
	11	Total income. Add lines 3 through 10		►	11 1,302,284.
DEDUCTIONS (See instructions for limitations on deductions.)	12	Compensation of officers (Schedule E, line 4)			12
	13	Salaries and wages (less employment credits)			13 557,873.
	14	Repairs and maintenance			14 24,940.
	15	Bad debts			15 4,968.
	16	Rents			16 86,880.
	17	Taxes and licenses			17 61,804.
	18	Interest			18 1,085.
	19	Charitable contributions			19 1,192.
	20	Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)			20 18,539.
	21	Depletion			21
	22	Advertising			22 6,632.
	23	Pension, profit-sharing, etc, plans			23
	24	Employee benefit programs			24 15,306.
	25	Domestic production activities deduction (attach Form 8903)			25
	26	Other deductions (attach schedule) See Other Deductions Statement			26 437,189.
	27	Total deductions. Add lines 12 through 26		►	27 1,216,408.
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11			28 85,876.
	29	Less: a Net operating loss deduction (see instructions) 29a; b Special deductions (Schedule C, line 20) 29b			29c
TAX AND PAYMENTS	30	Taxable income. Subtract line 29c from line 28 (see instructions)			30 85,876.
	31	Total tax (Schedule J, line 10)			31 23,165.
	32a	2006 overpayment credited to 32a			
	b	2007 estimated tax payments 32b 24,000.			
	c	2007 refund applied for on Form 4466 32c	d Bal ►	32d 24,000.	
	e	Tax deposited with Form 7004		32e	
	f	Credits: (1) Form 2439 (2) Form 4136		32f	
	32g				32g 24,000.
	33	Estimated tax penalty (see instructions). Check if Form 2220 is attached ►			33
	34	Amount owed. If line 32g is smaller than the total of lines 31 and 33, enter amount owed			34
	35	Overpayment. If line 32g is larger than the total of lines 31 and 33, enter amount overpaid			35 835.
	36	Enter amount from line 35 you want: Credited to 2008 estimated tax ► Refunded ►			36 835.

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 instructions)? ☐ Yes ☐ No

Paid Preparer's Use Only

Preparer's signature: [signature] Date: 02/09/08 Check if self-employed ☐ Preparer's SSN or PTIN: [redacted]-8030

Firm's name (or yours if self-employed), address, and ZIP code: LEVINE-THOMAS & ASSOCIATES LLC, 5769 N ANDREWS WAY, FT. LAUDERDALE, FL 33309 EIN 56-2515367 Phone no.

BAA For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. CPCA0212 12/27/07 Form 1120 (2007)

PENGAD 800-631-6989 DEPOSITION EXHIBIT 114 - Levine 12-3-10

Levine Resp. to D's 1st RPD 00059

Schedule A Cost of Goods Sold (see instructions)

1 Inventory at beginning of year	1	163,183.
2 Purchases	2	1,203,068.
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	1,366,251.
7 Inventory at end of year	7	217,462.
8 Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	1,148,789.

9a Check all methods used for valuing closing inventory:
- (i) ☐ Cost
- (ii) ☒ Lower of cost or market
- (iii) ☐ Other (Specify method used and attach explanation.) ►

b Check if there was a writedown of subnormal goods ☐

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 is 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? If 'Yes,' attach explanation ☐ Yes ☒ No

Schedule C Dividends and Special Deductions (see instructions)

	(a) Dividends received	(b) Percentage	(c) Special deductions (a) x (b)
1 Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)		70	
2 Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		80	
3 Dividends on debt-financed stock of domestic and foreign corporations		42	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities		48	
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities		70	
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs		80	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs		100	
8 Dividends from wholly owned foreign subsidiaries			
9 Total. Add lines 1 through 8. See instructions for limitation		100	
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11 Dividends from affiliated group members		100	
12 Dividends from certain FSCs		100	
13 Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12		"	
14 Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15 Foreign dividend gross-up			
16 IC-DISC and former DISC dividends not included on lines 1, 2, or 3			
17 Other dividends			
18 Deduction for dividends paid on certain preferred stock of public utilities			
19 Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4 ►			
20 Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b ►			

Schedule E Compensation of Officers (see instructions for page 1, line 12)

Note: *Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are $500,000 or more.*

1 (a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned (d) Common	(e) Preferred	(f) Amount of compensation
JOE MASON, SR	[redacted]0934	15.0 %	0.0 %	0.0 %	
		%	%	%	
		%	%	%	
		%	%	%	
2 Total compensation of officers					
3 Compensation of officers claimed on Schedule A and elsewhere on return					
4 Subtract line 3 from line 2. Enter the result here and on page 1, line 12					

TAX RETURN COPY

Schedule J Tax Computation (see instructions)

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120)) ►	X	
2	Income tax. Check if a qualified personal service corporation (see instructions) ►		2 23,165.
3	Alternative minimum tax (attach Form 4626) ►		3
4	Add lines 2 and 3		4 23,165.
5a	Foreign tax credit (attach Form 1118)	5a	
b	Credits from Forms 5735 and 8834	5b	
c	General business credit. Check applicable box(es): Form 3800, Form 5884, Form 6478, Form 8835, Section B, Form 8844, Form 8846	5c	
d	Credit for prior year minimum tax (attach Form 8827)	5d	
e	Bond credits from: Form 8860, Form 8912	5e	
6	Total credits. Add lines 5a through 5e		6
7	Subtract line 6 from line 4		7 23,165.
8	Personal holding company tax (attach Schedule PH (Form 1120))		8
9	Other taxes. Check if from: Form 4255, Form 8611, Form 8697, Form 8866, Form 8902, Other (att schedule)		9
10	Total tax. Add lines 7 through 9. Enter here and on page 1, line 31		10 23,165.

Schedule K Other Information (see instructions)

		Yes	No
1	Check accounting method: a Cash, b X Accrual, c Other (specify) ►		
2	See the instructions and enter the: a Business activity code no. ► 141300; b Business activity ► AUTOMOTIVE; c Product or service ► TIRES & REPAIRS		
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 and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deduction of such corporation for the tax year ending with or within your tax year.		X
4	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If 'Yes,' enter name and EIN of the parent corporation ►		X
5	At the end of the tax year, did any individual, partnership, corporation, estate or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) If 'Yes,' attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter % owned ► 100.00 See Ques 5 Stmt	X	
6	During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) If 'Yes,' file Form 5452, Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.		X

		Yes	No
7	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation? If 'Yes,' enter: (a) Percentage owned ► and (b) Owner's country ►		X
c	The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached ►		
8	Check this box if the corporation issued publicly offered debt instruments with original issue discount ► ☐ If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
9	Enter the amount of tax-exempt interest received or accrued during the tax year ► $		
10	Enter the number of shareholders at the end of the tax year (if 100 or fewer) ►		
11	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here ► ☐ If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.		
12	Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) ► $		
13	Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than $250,000? If 'Yes,' the corporation is not required to complete Schedules L, M-1 and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ► $ COPY		X

BAA

Form 1120 (2007)

CPCA0234 07/09/07

Levine Resp. to D's 1st RPD
00061

Schedule L Balance Sheets per Books

Assets	Beginning of tax year (a)	(b)	End of tax year (c)	(d)
1 Cash		940,356.		374,716.
2a Trade notes and accounts receivable	140,076.		105,780.	
b Less allowance for bad debts		140,076.		105,780.
3 Inventories		163,183.		217,462.
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach schedule) Ln. 6 Stmt		2,910.		8,577.
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	364,236.		343,888.	
b Less accumulated depreciation	327,652.	36,584.	324,232.	19,656.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization				
14 Other assets (attach schedule) Ln. 14 Stmt		182,037.		521,002.
15 Total assets		1,465,146.		1,247,193.
Liabilities and Shareholders' Equity				
16 Accounts payable		219,523.		170,871.
17 Mortgages, notes, bonds payable in less than 1 year		11,345.		22,469.
18 Other current liabilities (attach sch) Ln. 18 Stmt		19,048.		13,644.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		747,222.		476,000.
21 Other liabilities (attach schedule) Ln. 21 Stmt				43,383.
22 Capital stock: a Preferred stock				
b Common stock	55,000.	55,000.	55,000.	55,000.
23 Additional paid-in capital				
24 Retained earnings — Approp (att sch)				
25 Retained earnings — Unappropriated		413,008.		465,826.
26 Adjmnt to shareholders' equity (att sch)				
27 Less cost of treasury stock				
28 Total liabilities and shareholders' equity		1,465,146.		1,247,193.

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

Note: Schedule M-3 required instead of Schedule M-1 if total assets are $10 million or more — see instructions

1 Net income (loss) per books	52,832.	7 Income recorded on books this year not included on this return (itemize): Tax-exempt interest $	
2 Federal income tax per books	23,165.		
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):		8 Deductions on this return not charged against book income this year (itemize): a Depreciation $	
5 Expenses recorded on books this year not deducted on this return (itemize): a Depreciation $		b Charitable contributions $	
c Travel & entertainment $ 38.			
See Ln 5 Stmt 9,841.			
6 Add lines 1 through 5	9,879.	9 Add lines 7 and 8	
	85,876.	10 Income (page 1, line 28) — line 6 less line 9	85,876.

TAXPAYER'S COPY

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	413,008.	5 Distributions a Cash	
2 Net income (loss) per books	52,832.	b Stock c Property	
3 Other increases (itemize):		6 Other decreases (itemize): See Ln 6 Stmt 14.	14.
4 Add lines 1, 2, and 3	465,840.	7 Add lines 5 and 6	14.
		8 Balance at end of year (line 4 less line 7)	465,826.

Levine Resp. to D's 1st RPD
00062

SCHEDULE O (Form 1120)
(December 2005)
Department of the Treasury Internal Revenue Service

Consent Plan and Apportionment Schedule for a Controlled Group

► Attach to Form 1120, 1120-C, 1120-F, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, or 1120-RIC.
► See separate instructions.

OMB No. 1545-0123

Name: MASON TIRE & AUTO SERVICE, INC.

Employer identification number: 57-0801371

Part I Apportionment Plan Information

1 Type of controlled group:
- a [ ] Parent-subsidiary group
- b [X] Brother-sister group
- c [ ] Combined group
- d [ ] Life insurance companies only

2 This corporation has been a member of this group:
- a [X] For the entire tax year.
- b [ ] From _____, _____, until _____, _____.

3 This corporation consents to:
- a [X] Adopt an apportionment plan.
- b [ ] Amend the current apportionment plan.
- c [ ] Terminate the current apportionment plan.

4 Check the applicable box, below, concerning the status of the group's apportionment plan (see instructions).
- a [ ] No apportionment plan is in effect and none is being adopted.
- b [ ] An apportionment plan is already in effect. It was adopted for the tax year ending _____, _____, and for all succeeding tax years.
- c [ ] All the members of this group are currently amending a previously adopted plan, which was in effect for the tax year ending _____, _____, and for all succeeding tax years.
- d [X] All the members of this group are adopting an apportionment plan, effective for the current tax year, which ends on 12/31, 2007, and for all succeeding tax years.
- e [ ] The plan was terminated, effective _____, _____, because:
  - (i) [ ] This group ceased to remain in existence during the calendar year ending on the December 31st subsequent to the adoption of the plan.
  - (ii) [ ] A corporation which was a component member of this group on the December 31st of this tax return year is not a component member of this group on the succeeding December 31st.
  - (iii) [ ] A corporation which was not a component member of this group on the December 31st of this tax return year is a component member of this group on the succeeding December 31st.
  - (iv) [ ] All the members of the group have agreed to terminate the previously adopted plan.

5 If all the members of this group are adopting a plan or amending the current plan for a tax year after the due date (including extensions) of the tax return for this corporation, is there at least one year remaining on the statute of limitations from the date this corporation filed its amended return for such tax year for assessing any resulting deficiency? See instructions.
- a [ ] Yes.
  - (i) [ ] The statute of limitations for this year will expire on _____, _____.
  - (ii) [ ] On _____, _____, this corporation entered into an agreement with the Internal Revenue Service to extend the statute of limitations for purposes of assessment until _____, _____.
- b [X] No.

TAX PAYER'S COPY

Part II Taxable Income Apportionment (See instructions)

Caution: *Each total in Part II, column (g) for each component member must agree with Form 1120, page 1, line 30 or the comparable line of such member's tax return.*

	(a) Group member's name and employer identification number		(b) Tax year end (Yr-Mo)	Taxable Income Amount Allocated to Each Bracket				
				(c) 15%	(d) 25%	(e) 34%	(f) 35%	(g) Total (add columns (c) through (f))
1	MASON TIRE & AUTO SERVICE, INC.	57-0801371	12/31/07	32,500.	15,000.	15,000.	23,376.	85,876.
2	J & O TIRE & AUTO SERVICE INC.	57-0919487	12/31/07	12,500.	5,000.	5,000.	4,073.	26,573.
3	M & S TIRE COMPANY INC	58-2356919	12/31/07	0.	0.	0.	6,639.	6,639.
4	K. & J TIRE INC.	57-1083113	12/31/07	5,000.	5,000.	5,000.	5,190.	20,190.
5								
6								
7								
8								
9								
10								
Total				50,000.	25,000.	25,000.	39,278.	139,278.

8AA

Schedule O (Form 1120) (12-2006)

TAX PAYER'S COPY

CPCA1624 10/11/07

Levine Resp. to D's 1st RPD
00064

Schedule O (Form 1120) (12-2006), MASON TIRE & AUTO SERVICE, INC. 57-0801371 Page 3

Part III Income Tax Apportionment (See instructions)

(a) Group member's name	Income Tax Apportionment (b) 15%	(c) 25%	(d) 34%	(e) 35%	(f) 5%	(g) 3%	(h) Total income tax (combine lines (b) through (g))
1 MASON TIRE & AUTO SERVICE, INC.	4,875.	3,750.	5,100.	8,182.	1,258.		23,165.
2 J & O TIRE & AUTO SERVICE INC.	1,875.	1,250.	1,700.	1,426.	472.		6,723.
3 M & S TIRE COMPANY INC	0.	0.	0.	2,324.	0.		2,324.
4 K. & J TIRE INC.	750.	1,250.	1,700.	1,817.	234.		5,751.
5							
6							
7							
8							
9							
10							
Total	7,500.	6,250.	8,500.	13,749.	1,964.		37,963.

BAA

Schedule O (Form 1120) (12-2006)

EXHIBIT 5, PAGE 3

CPCA1524 11/28/06

Levine Resp. to D's 1st RPD
00065

Schedule O (Form 1120) (12-2006): MASON TIRE & AUTO SERVICE, INC.

Part IV Other Apportionments (See instructions)

57-0801371

(a) Group member's name	Other Apportionments (b) Accumulated earnings credit	(c) AMT exemption amount	(d) Phaseout of AMT exemption amount	(e) Penalty for failure to pay estimated tax	(f) Other
1 MASON TIRE & AUTO SERVICE, INC.					
2 J & O TIRE & AUTO SERVICE INC.					
3 M & S TIRE COMPANY INC					
4 K. & J TIRE INC.					
5					
6					
7					
8					
9					
10					
Total					

BAA

Schedule O (Form 1120) (12-2006)

TAXWISE COPY

CPCA1624 11/28/06

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00066

Form 4562

Department of the Treasury
Internal Revenue Service

Depreciation and Amortization
(Including Information on Listed Property)

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

OMB No. 1545-0172

2007

Attachment Sequence No. 67

Name(s) shown on return

MASON TIRE & AUTO SERVICE, INC.

Identifying number

57-0801371

Business or activity to which this form relates

Form 1120 Line 20

Part I Election To Expense Certain Property Under Section 179

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

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	$125,000.
2	Total cost of section 179 property placed in service (see instructions)	2	19,744.
3	Threshold cost of section 179 property before reduction in limitation	3	$500,000.
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	6,411.

6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
	SERVICE EQUIPMENT-07	6,411.	6,411.

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	6,411.
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	6,411.
10	Carryover of disallowed deduction from line 13 of your 2006 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)	11	6,411.
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	6,411.
13	Carryover of disallowed deduction to 2008. Add lines 9 and 10, less line 12 ►	13	0.

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

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

14	Special allowance for qualified New York Liberty or Gulf Opportunity Zone property (other than listed property) and cellulosic biomass ethanol plant property placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

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

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2007	17	1,042.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ► ☐		

Section B — Assets Placed in Service During 2007 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						
h Residential rental property			25 yrs		S/L	
			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 2007 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	11,086.
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions	22	18,539.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Form **4797**

Department of the Treasury
Internal Revenue Service (99)

Sales of Business Property

(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

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

OMB No. 1545-0184

2007

Attachment Sequence No. 27

Name(s) shown on return

MASON TIRE & AUTO SERVICE, INC.

Identifying number

57-0801371

1 Enter the gross proceeds from sales or exchanges reported to you for 2007 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) 1

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

2 (a) Description of property	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
SERVICE TRUCK	02/11/99	07/15/07	3480	21960	26759	-1319

3 Gain, if any, from Form 4684, line 39 3

4 Section 1231 gain from installment sales from Form 6252, line 26 or 37 4

5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824 5

6 Gain, if any, from line 32, from other than casualty or theft 6

7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows ..... 7 -1,319.

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

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

8 Nonrecaptured net section 1231 losses from prior years (see instructions) 8

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

Part II Ordinary Gains and Losses (see instructions)

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

11 Loss, if any, from line 7 ..... 11 -1,319.

12 Gain, if any, from line 7 or amount from line 8, if applicable 12

13 Gain, if any, from line 31 13

14 Net gain or (loss) from Form 4684, lines 31 and 38a 14

15 Ordinary gain from installment sales from Form 6252, line 25 or 36 15

16 Ordinary gain or (loss) from like-kind exchanges from Form 8824 16

17 Combine lines 10 through 16 ..... 17 -1,319.

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

a If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from 'Form 4797, line 18a.' See instructions 18a

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

BAA For Paperwork Reduction Act Notice, see separate instructions. Form 4797 (2007)

FDIZ1001 07/09/07

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Controlled Group Tax Calculation Statement

2007

Name

MASON TIRE & AUTO SERVICE, INC.

▸ Attach to return

Employer Identification Number

57-0801371

		(a) Filing Member	(b) Entire Controlled Group
1 Taxable income from line 30, page 1, Form 1120	1	85,876.	139,278.
2 Line 1 or share of $50,000 taxable income bracket, whichever is less	2	32,500.	50,000.
3 Subtract line 2 from line 1	3	53,376.	89,278.
4 Line 3 or share of $25,000 taxable income bracket, whichever is less	4	15,000.	25,000.
5 Subtract line 4 from line 3	5	38,376.	64,278.
6 Line 5 or share of $9,925,000 taxable income bracket, whichever is less	6	15,000.	64,278.
7 Subtract line 6 from line 5	7	23,376.	0.
8 Multiply line 2 by 15%	8	4,875.	7,500.
9 Multiply line 4 by 25%	9	3,750.	6,250.
10 Multiply line 6 by 34%	10	5,100.	21,855.
11 Multiply line 7 by 35%	11	8,182.	0.
12 If a controlled group taxable income exceeds $100,000, enter smaller of: (a) 5% of the excess over $100,000 or (b) $11,750 (see line I below)	12	1,258.	1,964.
13 If a controlled group taxable income exceeds $15,000,000 enter smaller of: (a) 3% of the excess over $15,000,000 or (b) $100,000 (see line N below)	13		
14 Income tax. Add lines 8 through 13. Enter here and on line 3, Schedule J, Form 1120	14	23,165.	37,569.

Calculation of Additional 5% tax (see line 12)

A Income taxed at 15% rate (line 2 above)	A	32,500.	50,000.
B Tax rate difference (34% - 15%)	B	19%	19%
C Tax difference (line A multiplied by line B)	C	6,175.	9,500.
D Income taxed at 25% (line 4 above)	D	15,000.	25,000.
E Tax rate difference (34% - 25%)	E	9%	9%
F Tax difference (line D multiplied by line E)	F	1,350.	2,250.
G Total tax difference (line C plus line F)	G	7,525.	11,750.
H Percentage of additional tax paid by the entire group (line 12(b) divided by line G(b))	H	16.7149 %	
I Total additional 5% tax (line G multiplied by line H)	I	1,258.	1,964.

Calculation of Additional 3% tax (see line 13)

J Income taxed at 34% rate (line 2 + 4 + 6)	J		
K Tax rate difference (35% - 34%)	K	1%	1%
L Tax difference (line J multiplied by line K)	L		
M Percentage of additional tax paid by the entire group (line 13(b) divided by line L(b))	M		%
N Total additional 3% tax (line L multiplied by line M)	N		

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CPCW8801 10/16/07

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Form 1120, Page 1, Line 26
Other Deductions Statement

AUTOMOBILE AND TRUCK EXPENSE	23,774.
DUES AND SUBSCRIPTIONS	5,326.
EQUIPMENT RENT	41,743.
INSURANCE	38,888.
LEGAL AND PROFESSIONAL	23,489.
MEALS AND ENTERTAINMENT (50%)	38.
MISCELLANEOUS	693.
OFFICE EXPENSE	28,103.
SECURITY	610.
TELEPHONE	7,698.
UTILITIES	11,453.
CLEANING SUPPLIES	2,122.
GARAGE & SHOP EXPENSES	26,689.
PROFESSIONAL DEVELOPMENT	305.
OUTSIDE COMPUTER SERVICES	7,357.
CHECK CLEARING EXPENSES	3,566.
ADMINISTRATIVE EXPENSES	184,903.
UNIFORM CLEANING EXPENSES	3,432.
FRANCHISE FEES	9,000.
DIRECTORS FEES	18,000.
Total	437,189.

Form 1120, Page 4, Schedule L, Line 6
Ln 6 Stmt

Other Current Assets:	Beginning of tax year	End of tax year
PREPAID INSURANCE	3,963.	5,445.
DEFERRED BOOK CHARGES	-1,500.	0.
PREPAID STATE INCOME TAXES	447.	537.
PREPAID FEDERAL INCOME TAXES		835.
DUE FROM 544 STORE		1,760.
Total	2,910.	8,577.

Form 1120, Page 4, Schedule L, Line 14
Ln 14 Stmt

Other Assets:	Beginning of tax year	End of tax year
MISCELLANEOUS ASSETS	-600.	100.
DUE FROM AFFILIATED COMPANIES	177,637.	520,902.
DEPOSIT 544 PROPERTY	5,000.	0.
Total	182,037.	521,002.

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Form 1120, Page 4, Schedule L, Line 18
Ln 18 Stmt

Other Current Liabilities:	Beginning of tax year	End of tax year
ACCRUED EXPENSES	2,021.	1,820.
ACCURED TAXES	1,166.	1,184.
UNIFORM DEPOSITS	3,028.	3,228.
SALES TAXES PAYABLE	5,896.	7,412.
FEDERAL INCOME TAXES PAYABLE	6,937.	0.
Total	19,048.	13,644.

Form 1120, Page 4, Schedule L, Line 21
Ln 21 Stmt

Other Liabilities:	Beginning of tax year	End of tax year
DUE FROM AFFILIATED COMPANIES		43,383.
Total		43,383.

Form 1120, Page 4, Schedule L, Line 24
Ln 24 Stmt

Retained Earnings – Appropriated:	Beginning of tax year	End of tax year
Total		

Form 1120, Schedule K, Corporation Ownership Information
Ques 5 Stmt

Name: MASON HOLDING CO. INC.
ID No.: 58-2356923

Form 1120, Page 4, Schedule M-1, Line 5
Ln 5 Stmt

Officers'/key man life insurance premiums	7,000.
NON DEDUCTIBLE AUTOMOBILE EXENSES	2,841.
Total	9,841.

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Form 1120, Page 4, Schedule M-2, Line 6
Ln 6 Stmt

FEDERAL INCOME TAXES	14.

Form 1120, Page 4, Schedule M-2, Line 6
Ln 6 Stmt

Continued

Total 14.

Form 4562, line 26
Additional Listed Property Statement

(a) Type of property	(b) Date placed in service	(c) Business/ investmnt use %	(d) Cost or other basis	(e) Basis for depreciation	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
CHEV TRUCK-GMAC -2	11/15/04	100.00	35,428.	24,800.	5.00	SL/HY	4,957.	
GMAC YUKON 07	03/31/06	100.00	19,144.	19,144.	5.00	200DB/HY	6,129.	

Total 11,086.

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Supporting Statement of:

Form 1120, pl-2/Interest income

Description	Amount
CORPORATION IS THE NOMINEE FOR INTEREST	
EARNED IN 2007 AS FOLLOWS: THE CORPORATION	
THAT WILL REPORT THIS IS MASON HOLDING	
CO INC FED ID# 58-2356923	
TOTAL INTEREST INCOME UNDER FED ID#57-0801371	30,934.
LESS AMOUNT TO REPORTED BY ABOVE CORP	-23,497.
Total	7,437.

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1030

Mail completed Form SC1120-CDP to:

South Carolina Dept of Revenue
Corporation
Columbia, SC 29214-0006

SCC20212 12/07/07

1030	STATE OF SOUTH CAROLINA DEPARTMENT OF REVENUE CORPORATION DECLARATION OF ESTIMATED INCOME TAX	SC1120-CDP (Rev.9/12/07) 3093

SC CORPORATE FILE #	ACCT PERIOD END (MM-YY)	1. Amount of Payment 14-0807	
20124494-7	12-07	▶	1,366.00

57-0801371
FED EI #

Corporate Name and Address

MASON TIRE AUTO SERVICE INC
750 HWY 17N

SURFSIDE BEACH SC 29575

TAX PAYER'S COPY

(Signature of duly authorized officer or taxpayer) Date

30931034 201244947 570801371 1207 00000136600 7

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1030

SCCZ0212 12/07/07

1030	STATE OF SOUTH CAROLINA DEPARTMENT OF REVENUE CORPORATION DECLARATION OF ESTIMATED INCOME TAX	SC1120-CDP (Rev 9/12/07) 3093

SC CORPORATE FILE # 20124494-7

ACCT PERIOD END (MM-YY) 12-07

1. Amount of Payment 14-0807 ▶ 1,366.00

57-0801371
FED EI #

Corporate Name and Address

MASON TIRE AUTO SERVICE INC
750 HWY 17N

SURFSIDE BEACH SC 29575

TAX PAYER'S COPY

(Signature of duly authorized officer or taxpayer) Date

30931034 201244947 570801371 1207 00000136600 7

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1030

SCCZ0212 12/07/07

1030	STATE OF SOUTH CAROLINA DEPARTMENT OF REVENUE CORPORATION DECLARATION OF ESTIMATED INCOME TAX	SC1120-CDP (Rev 9/12/07) 3093

SC CORPORATE FILE #	ACCT PERIOD END (MM-YY)	1. Amount of Payment 14-0807 ▶	
20124494-7	12-07		1,366.00
57-0801371 FED EI #			

Corporate Name and Address

MASON TIRE AUTO SERVICE INC
750 HWY 17N

SURFSIDE BEACH SC 29575

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(Signature of duly authorized officer or taxpayer) Date

30931034 201244947 570801371 1207 00000136600 7

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1030

SCCZ0212 12/07/07

1030	STATE OF SOUTH CAROLINA DEPARTMENT OF REVENUE CORPORATION DECLARATION OF ESTIMATED INCOME TAX	SC1120-CDP (Rev 9/12/07) 3093

SC CORPORATE FILE #	ACCT PERIOD END (MM-YY)		
20124494-7	12-07	1. Amount of Payment 14-0807 ▶	1,365.00

57-0801371
FED EI #

Corporate Name and Address

MASON TIRE AUTO SERVICE INC
750 HWY 17N

SURFSIDE BEACH SC 29575

TAX PAYER'S COPY

(Signature of duly authorized officer or taxpayer) Date

30931034 201244947 570801371 1207 00000136500 9

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1030

State of South Carolina

'C' CORPORATION INCOME TAX RETURN

SC 1120 (Rev 9/14/07) 3091

Return is due on or before the 15th day of the 3rd month following the close of the taxable year.

Mail return to: SC DEPARTMENT OF REVENUE, Corporation Return, Columbia SC 29214-0100

A COMPLETE COPY OF FEDERAL RETURN MUST BE ATTACHED TO THIS RETURN.

SC FILE # 20124494-7
INCOME TAX PERIOD ENDING 12/31/07
LICENSE FEE PERIOD ENDING 12/31/08
FEDERAL EMPLOYER ID # 57-0801371
NAME MASON TIRE & AUTO SERVICE, INC.
MAILING ADDRESS 750 HWY 17N
CITY SURFSIDE BEACH
STATE SC ZIP CODE 29575
Change of ☐ Address ☐ Accounting period

County or Counties in SC Where Property is Located: HORRY
City (Audit Location): SURFSIDE
State: SC
Audit Contact: JOSEPH MASON JR.
Telephone Number: (803) 238-3339
Check if ☐ Amended Return ► ☐ Consolidated Return
Total Gross Receipts: ► 2,444,955.
Total cost of depreciable personal property in SC: ► 198,202.
If Filing a Final Return, See Instructions for Further Information. ► ☐ Merged ☐ Reorganized ☐ Dissolved ☐ Withdrawn

PART I COMPUTATION OF INCOME TAX LIABILITY

1	Federal Taxable Income per Federal Form 1120 or 1120A	1	85,876.
2	Net Adjustment from line 12, Schedule A and B	2	1,993.
3	Total Net Income as Reconciled (line 1 plus or minus line 2)	3	87,869.
4	If Multi-state Corporation, enter amount from line 6, Schedule G; otherwise, enter amount from line 3	4	87,869.
5	LESS: South Carolina net operating loss carryover, if applicable	5	
6	South Carolina Net Income subject to tax (line 4 less line 5)	6	87,869.
7	TAX: Multiply amount on line 6 by .05 (5.0%)	7	4,393.
8	Less tax deferred on income from foreign trade receipts (see instructions)	8	
9	Balance (line 7 less line 8)	9	4,393.
10	Credit Carryover (line 7, Schedule C) ► _____ Non-refundable credits (line 5, Schedule C) ►	10	
11	Balance of tax (line 9 less line 10). Enter the difference but not less than zero	11	4,393.
12	Interest on DISC-deferred tax liability _____; or Foreign Trade Deferred Tax Liability _____	12	
13	Total tax and/or interest (add lines 11 and 12)	13	4,393.
14	Pmts: (a) Tax Withheld (see instrs) ► _____ (b) Paid by Declaration ► 5,000.		
	(c) Paid with Tentative Return ► _____ (d) Credit from Line 29b ► _____		
	Refundable Credits: (e) Ammonia Additive ► _____ (f) Milk Credit ► _____		
15	Total Payments and Refundable Credits (add lines 14a through 14f)	15	5,000.
16	Balance of Tax and/or Interest Due (line 13 less line 15)	16	0.
17	Interest Due ► _____ Penalty Due ► _____ Enter Total ►	17	
18	TOTAL INCOME TAX, Interest and Penalty Due (add lines 16 and 17) ..... BALANCE DUE	18	0.
19	OVERPAYMENT (line 15 less line 13) 607. To be applied as follows:		
	(a) Estimated Tax ► 537. (b) License Fee ► 70. (c) REFUNDED ►	19	0.

PART II COMPUTATION OF LICENSE FEE

20	Total Capital And Paid in Surplus (Multi-State Corporations See Schedule E)	20	55,000.
21	FEE DUE– Line 20 x .001, plus $15.00 (Fee cannot be less than $25.00 per taxpayer)	21	70.
22	Credit Carryover ► _____ Credit taken this year from SC1120TC, Part II, Column C ►	22	
23	Balance (line 21 less line 22)	23	70.
24	Payments: (a) Paid w/Tentative Return ► _____ (b) Credit from line 19b ► 70.		
25	Total Payments (add line 24(a) and (b))	25	70.
26	Balance of Fee Due (line 23 less line 25)	26	0.
27	Interest Due ► _____ Penalty Due ► _____ (See penalty & interest instructions.) Enter Total ►	27	
28	TOTAL LICENSE FEE, Interest and Penalty Due (add lines 26 and 27) ..... BALANCE DUE	28	0.
29	OVERPAYMENT (line 25 less line 23) _____ To be applied as follows:		
	(a) Estimated Tax ► _____ (b) Income Tax ► _____ (c) REFUNDED ►	29	
30	GRAND TOTAL: INCOME TAX and LICENSE FEE DUE (add lines 18 and 28) ..... EFT ☐ ►	30	0.

TAX PAYER'S COPY

Please Sign Here

I, the undersigned, a principal officer of the corporation for which this return is made declare that this return, including accompanying Annual Report, statements and schedules, has been examined by me and is to the best of my knowledge and belief, a true and complete return.

► _____ Signature of officer Date ► _____ Title

(803) 238-3339 Telephone Number

I authorize the Director of the Department of Revenue or delegate to discuss this return, attachments and related tax matters with the preparer. Yes ☐ No ☐

Preparer's Printed Name

Paid Preparer's Use Only

Preparer's signature ► _____ Date 02/09/08 Check if self-employed ► ☐ Preparer's telephone number

Firm's name (or yours if self-employed) and address ► LEVINE-THOMAS & ASSOCIATES LLC
5769 N ANDREWS WAY
FT. LAUDERDALE FL

EIN ► 56-2515367
ZIP Code ► 33309

SCCA0112 11/20/07

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SCHEDULE A AND B ADDITIONS TO FEDERAL TAXABLE INCOME

1	Taxes on or Measured By Income	1	4,393.	
2	Federal Net Operating Loss	2		
3		3		
4		4		
5	Other Additions (attach schedule)	5		
6	Total Additions (add lines 1 through 5)			6 4,393.

DEDUCTIONS FROM FEDERAL TAXABLE INCOME

7	Interest On Obligations Of The U.S.	7		
8	Bonus Depreciation Adjustment	8	2,400.	
9		9		
10	Other Deductions (attach schedule)	10		
11	Total Deductions (add lines 7 through 10)			11 2,400.
12	Net Adjustment (line 6 less line 11). Also enter on line 2, Part 1, SC1120			12 1,993.

SCHEDULE C SUMMARY OF INCOME TAX CREDITS (FROM SC1120-TC)

1	Credit Carryover From Previous Year's SC1120, Schedule C (NOTE: Should agree to SC1120-TC Column A, line 43)	1	
2	Enter Total Credits from SC1120-TC, Column B, line 43. SC1120-TC must be attached to return	2	
3	Total Credits (add lines 1 and 2)	3	
4	Tax (line 9, Part 1, SC1120)	4	
5	Lesser of line 3 or 4 (enter on line 10, Part 1, SC1120) (NOTE: Should agree to SC1120-TC, Column C, line 43)	5	
6	Enter Credits Lost Due to Statute (NOTE: Should agree to SC1120-TC, Column D, line 43)	6	
7	Credit Carryover (line 3 less lines 5 and 6) (NOTE: Should agree to SC1120-TC, Column E, line 43)	7	

SCHEDULE D ANNUAL REPORT TO BE COMPLETED BY ALL CORPORATIONS

1 Name ..... MASON TIRE & AUTO SERVICE, INC.

2 Incorporated under the laws of the State of SC

3 Location of the Registered Office of the Corporation in the State of South Carolina is U.S. HIGHWAY 17N
In the City of SURFSIDE Registered Agent at such address is J MASON SR.

4 Location of principal office (street address) US HWY 17N SURFSIDE
Nature of principal business in SC AUTOMOTIVE

5 The total number of authorized shares of capital stock, itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
55,000	COM	1

6 The total number of issued and outstanding shares of capital stock itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
55,000	COM	1

7 The names and business addresses of the directors (or individuals functioning as directors) and principal officers in the Corporation are: (If additional space is necessary, attach separate schedule.)

NAME	BUSINESS ADDRESS AND OFFICE
JOSEPH E MASON SR	SURFSIDE SC
CATHERINE ST BLANCHARD	SURFSIDE SC
JOSEPH MASON JR	SURFSIDE SC
CATHERINE MASON	SURFSIDE SC

8 Date Incorporated 06/03/85 Date commenced business in the State of South Carolina was 06/03/85

9 Date of this report 12/31/07 Federal EIN 57-0801371

10 If Foreign Corporation, the date qualified to do business in the State of South Carolina is

11 Was the name of the Corporation changed during the year? No Give old name

12 The Corporation's books are in the care of JOSEPH MASON JR.
Located at (street address) AS ABOVE

13 If filing consolidated, complete and attach Schedule J for each Corporation included in the consolidation.

14 The total amount of stated capital per balance sheet is:

A	Total paid in Capital Stock (cannot be a negative amount)	$	55,000.
B	Total paid in Capital Surplus (cannot be a negative amount)	$	
C	Total amount of stated Capital (cannot be a negative amount)	$	55,000.

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SCCA0112 11/20/07

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00079

SCHEDULES E, F, G, AND H ARE TO BE COMPLETED BY MULTI-STATE CORPORATIONS

SCHEDULE E COMPUTATION FOR LICENSE FEE – MULTI-STATE CORPORATIONS

1 Total Capital and Paid-in-Surplus at end of Year ..... $

2 SC PROPORTION: (line 1 x ratio from Schedule H-1, H-2 or H-3, as appropriate). OR enter amount from Schedule H-4 Part II. Also enter on line 20, Part II ..... $

SCHEDULE F INCOME SUBJECT TO DIRECT ALLOCATION

	Gross Amounts 1	Less: Related Expenses 2	Net Amounts Allocated Directly to SC and Other States 3	Net Amounts Allocated Directly to SC 4	Payrolls to be Excluded from Payroll Factor 5	Property to be Excluded from Property Factor 6
1 Interest not connected with business						
2 Dividends received						
3 Rents						
4 Gains/losses on real property						
5 Gains/losses on intangible personal property						
6 Investment income directly allocated						
7 TOTAL INCOME DIRECTLY ALLOCATED						
8 INCOME DIRECTLY ALLOCATED TO SOUTH CAROLINA						
9 TOTALS TO APPORTIONMENT FACTORS						

SCHEDULE G COMPUTATION OF TAXABLE INCOME FOR CORPORATIONS CLAIMING MULTI-STATE OPERATIONS

1	Total net income as reconciled. Enter amount from line 3, Page 1	1
2	Less: Income subject to direct allocation to South Carolina and other states from Schedule F, line 7	2
3	Total net income subject to apportionment (line 1 less line 2)	3
4	Multiply amount on line 3 by appropriate ratio from Schedule H-1, 2, or 3 and enter result here, OR enter amount from Schedule H-4, Part I.	4
5	Add: Income subject to direct allocation to South Carolina from Schedule F, line 8	5
6	Total South Carolina Net Income (sum of lines 4 and 5 above) also enter on line 4, Part 1 of Page 1	6

SCHEDULE H-1 COMPUTATION OF FOUR FACTOR APPORTIONMENT RATIO

	1 Property Within South Carolina		2 Total Property Everywhere	
	(a) Beginning Period	(b) Ending Period	(a) Beginning Period	(b) Ending Period
1 Land				
2 Buildings				
3 Machinery and Equipment				
4 Inventories				
5 Other Property				
6 Exclusions				
7 TOTAL (add lines 1 - 5; subtract line 6)				

	1 Within South Carolina	2 Total Everywhere	3 Ratio
8 Average of Beginning and Ending Period (add line 7a and b and divide by 2)			
9 Rental or Lease Value			
10 TOTAL Property. Add lines 8 and 9 (Column 1 ÷ Column 2 and enter ratio in Column 3)			%
11 GROSS Payroll			
12 Less: Officers Compensation and Exclusions			
13 TOTAL Payroll (Column 1 ÷ Column 2 and enter ratio in Column 3)			%
14 TOTAL Sales (Column 1 ÷ Column 2 and enter ratio in Column 3)			%
15 TOTAL Sales (same as line 14)			%
16 TOTAL of Ratios (add Column 3 – lines 10, 13, 14 and 15)			%
17 Arithmetical Average of Ratios			%

EXHIBIT 5 COPY

SCHEDULE H-2 COMPUTATION OF GROSS RECEIPTS RATIO

	1 In South Carolina	2 Total Everywhere	3 Ratio
1 Total Gross Receipts			
2 Less: Exclusion (see instructions)			
3 Gross Receipts (for ratio)			
4 Ratio of Gross Receipts (line 3, Column 1 ÷ line 3, Column 2)			%

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00080

SCHEDULE H-3 COMPUTATION OF RATIO FOR PUBLIC SERVICE CORPORATIONS

	Amount	Ratio
1 Total Within South Carolina		
2 Total for System		
3 Ratio (South Carolina ÷ Total System)		%

SCHEDULE H-4 COMPUTATION OF SINGLE FACTOR APPORTIONMENT

SINGLE FACTOR APPORTIONMENT RATIO SCHEDULE

	Amount	Ratio
1 Total Sales Within South Carolina		
2 Total Sales Everywhere		
3 Ratio (South Carolina ÷ Everywhere)		

Note: If there are no sales anywhere, enter 100% on line 3, if South Carolina is the principal place of business OR enter 0% on Line 3 if principal place of business is outside South Carolina.

PART I COMPUTATION OF SOUTH CAROLINA NET INCOME SUBJECT TO TAX FOR MULIT-STATE CORPORATION QUALIFYING FOR SINGLE FACTOR APPORTIONMENT

1	Enter amount from Schedule G, Line 3	1	
2	Enter Ratio form Schedule H-1, Line 17	2	%
3	Multiply Line 2 by Line 1	3	
4	Enter Ratio from Line 3 of single factor apportionment schedule	4	%
5	Multiply Line 1 by Line 4. If Line 3 is less than Line 5, STOP HERE and enter amount from Line 3 on Schedule G Line 4	5	
6	Line 3 minus Line 5	6	
7	For tax year 2007, multiply amount on Line 6 by 20% (.20). This is the amount of reduction in SC taxable income allowed this year	7	
8	Line 3 minus Line 7. Enter this amount of Schedule G, Line 4	8	

PART II COMPUTATION OF LICENSE FEE - MULTI-STATE CORPORATION QUALIFYING FOR SINGLE FACTOR APPORTIONMENT

1	Total Capital and Paid-in-Surplus at the end of the year. If $10,000 or less, STOP HERE and enter on Schedule E, Line 2	1	
2	Enter the ratio from Schedule H-1, Line 17	2	%
3	Multiply Line 1 by Line 2. If $10,000 or less, STOP HERE and enter on Schedule E, Line 2	3	
4	Enter the ratio from Line 3 of single factor apportionment schedule	4	%
5	Multiply Line 1 by Line 4. If Line 3 is less than Line 5, STOP HERE and enter amount from Line 3 on Schedule E Line 2	5	
6	Line 3 minus Line 5	6	
7	For tax year 2007, multiply the amount on Line 6 by 20% (.20). This is the amount of reduction of license fee basis allowed this year	7	
8	Line 3 minus Line 7. Enter here and on Schedule E, Line 2	8	

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Job Creation/Growth Depreciation/Disposition Adjustments 2007

Name as Shown on Return	EIN
MASON TIRE & AUTO SERVICE, INC.	57-0801371

Main Activity Form 1120	(A) JCWAA and JGTRRA Depr Adj	(B) Other Adjustments	(C) Total Adjustment (Column A + Column B)
	-2,400.		-2,400.

Section 179 Adjustment	(A) Adjustment Amount	(B) Other Adjustments	(C) Total Adjustment (Column A + Column B)
	0.		0.

Sale of Assets (Includes recapture for Form 6252)

Description of Asset Sold	(A) Date Acquired	(B) Date Sold	(C) Federal Accum Depreciation	(D) State Accum Depreciation	(E) Other Adj	(F) Gain/Loss Adjustment (Col D-C+E)

Form 6252 Current Year Installment Gain Adjustment

Description of Asset Sold	Date Acquired	Current Yr Payment	Gross Profit Percentage	Gain/Loss	Other Adj	Gain/Loss Adjustment
	Date Sold	Federal	Federal	Federal		
		State	State	State		

Total Gain/Loss Adjustment .....

w|obdisp.SCR 01/07/08

Form **1120** — Department of the Treasury, Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 2008 or tax year beginning _____, 2008, ending _____, _____

► See separate instructions.

OMB No. 1545-0123

2008

A Check if:
1 a Consolidated return (attach Form 851) ☐
b Life/nonlife consolidated return ☐
2 Personal holding co (attach Sch PH) ☐
3 Personal service corp (see instr) ☐
4 Schedule M-3 attached ☐

Use IRS label. Otherwise, print or type.

Name: MASON TIRE & AUTO SERVICE, INC.

Number, street, and room or suite number. If a P.O. box, see instructions.: 750 HWY 17N

City or town: SURFSIDE BEACH — State: SC — ZIP code: 29575

B Employer identification number: 57-0801371

C Date incorporated: 06/03/1985

D Total assets (see instructions): $ 696,636.

E Check if: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change

INCOME	1a Gross receipts or sales 2,133,569. b Less returns & allowances _____ c Balance ►		1c	2,133,569.
	2 Cost of goods sold (Schedule A, line 8)		2	1,161,952.
	3 Gross profit. Subtract line 2 from line 1c		3	971,617.
	4 Dividends (Schedule C, line 19)		4	
	5 Interest		5	21,242.
	6 Gross rents		6	
	7 Gross royalties		7	
	8 Capital gain net income (attach Schedule D (Form 1120))		8	
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)		9	
	10 Other income (see instructions — attach schedule)		10	
	11 Total income. Add lines 3 through 10 ►		11	992,859.
DEDUCTIONS (SEE INSTRUCTIONS FOR LIMITATIONS ON DEDUCTIONS)	12 Compensation of officers (Schedule E, line 4)		12	10,800.
	13 Salaries and wages (less employment credits)		13	460,016.
	14 Repairs and maintenance		14	8,051.
	15 Bad debts		15	1,885.
	16 Rents		16	79,872.
	17 Taxes and licenses		17	53,153.
	18 Interest		18	625.
	19 Charitable contributions		19	
	20 Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)		20	9,475.
	21 Depletion		21	
	22 Advertising		22	3,196.
	23 Pension, profit-sharing, etc, plans		23	
	24 Employee benefit programs		24	18,901.
	25 Domestic production activities deduction (attach Form 8903)		25	
	26 Other deductions (attach schedule) ..See. Other.Deductions.Statement		26	274,820.
	27 Total deductions. Add lines 12 through 26 ►		27	920,794.
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11		28	72,065.
	29 Less: a Net operating loss deduction (see instructions) 29a		29c	
	b Special deductions (Schedule C, line 20) 29b			
TAX, REFUNDABLE CREDITS, AND PAYMENTS	30 Taxable income. Subtract line 29c from line 28 (see instructions)		30	72,065.
	31 Total tax (Schedule J, line 10)		31	16,724.
	32a 2007 overpayment credited to 2008 32a			
	b 2008 estimated tax payments 32b 32,000.			
	c 2008 refund applied for on Form 4466 32c	d Bal ► 32d		
	e Tax deposited with Form 7004	32e		
	f Credits: (1) Form 2439 (2) Form 4136	32f		
	g Refundable credits from Form 3800, line 19c, and Form 8827, line 8c	32g	32h	32,000.
	33 Estimated tax penalty (see instructions). Check if Form 2220 is attached ► ☐		33	
	34 Amount owed. If line 32g is smaller than the total of lines 31 and 33, enter amount owed		34	
	35 Overpayment. If line 32g is larger than the total of lines 31 and 33, enter amount overpaid		35	15,276.
	36 Enter amount from line 35 you want: Credited to 2009 estimated tax ► 15,276. Refunded ►		36	

PREPARER COPY

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 instructions)? ☐ Yes ☐ No

Paid Preparer's Use Only

Preparer's signature ► Date 02/21/09 Check if self-employed ☐ Preparer's SSN or PTIN [redacted]030

Firm's name (or yours if self-employed), address, and ZIP code: LEVINE-THOMAS & ASSOCIATES LLC, 5769 N ANDREWS WAY, FT. LAUDERDALE FL 33309

EIN 56-2515367

Phone no.

BAA For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. CPCA0212 12/01/08 Form 1120 (2008)

DEPOSITION EXHIBIT 115-Levine 12-2-10 — ENGAD 800-631-6989

Levine Resp. to D's 1st RPD
00083

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	217,462.
2	Purchases	2	1,162,726.
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	1,380,188.
7	Inventory at end of year	7	218,236.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	1,161,952.

9a Check all methods used for valuing closing inventory:
- (i) [ ] Cost
- (ii) [X] Lower of cost or market
- (iii) [ ] Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods ▶ [ ]

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 is produced or acquired for resale, do the rules of section 263A apply to the corporation? [ ] Yes [X] No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If 'Yes,' attach explanation [ ] Yes [X] No

Schedule C Dividends and Special Deductions (see instructions)

		(a) Dividends received	(b) Percentage	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)		70	
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		80	
3	Dividends on debt-financed stock of domestic and foreign corporations			
4	Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs		70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs		80	
8	Dividends from wholly owned foreign subsidiaries		100	
9	Total. Add lines 1 through 8. See instructions for limitation			
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11	Dividends from affiliated group members		100	
12	Dividends from certain FSCs		100	
13	Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12			
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15	Foreign dividend gross-up			
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3			
17	Other dividends			
18	Deduction for dividends paid on certain preferred stock of public utilities			
19	Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4 ▶			
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b ▶			

Schedule E Compensation of Officers (see instructions for page 1, line 12)

Note: *Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are $500,000 or more.*

1 (a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned (d) Common	(e) Preferred	(f) Amount of compensation
JOE MASON SR	[redacted]-0934	15.0 %	0.0 %	0.0 %	10,800.
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
2 Total compensation of officers					10,800.
3 Compensation of officers claimed on Schedule A and elsewhere on return					
4 Subtract line 3 from line 2. Enter the result here and on page 1, line 12					10,800.

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Form 1120 (2008)

Schedule J Tax Computation (see instructions)

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120)) ►	X		
2	Income tax. Check if a qualified personal service corporation (see instructions) ►	☐	2	16,724.
3	Alternative minimum tax (attach Form 4626)		3	
4	Add lines 2 and 3		4	16,724.
5a	Foreign tax credit (attach Form 1118)	5a		
b	Credit from Form 8834	5b		
c	General business credit (attach Form 3800)	5c		
d	Credit for prior year minimum tax (attach Form 8827)	5d		
e	Bond credits from Form 8912	5e		
6	Total credits. Add lines 5a through 5e		6	
7	Subtract line 6 from line 4		7	16,724.
8	Personal holding company tax (attach Schedule PH (Form 1120))		8	
9	Other taxes. Check if from: ☐ Form 4255 ☐ Form 8611 ☐ Form 8697 ☐ Form 8866 ☐ Form 8902 ☐ Other (all schedule)		9	
10	Total tax. Add lines 7 through 9. Enter here and on page 1, line 31		10	16,724.

Schedule K Other Information (see instructions)

		Yes	No
1	Check accounting method a ☐ Cash b ☒ Accrual c ☐ Other (specify) ►		
2	See the instructions and enter the:		
a	Business activity code no. ► 141300		
b	Business activity ► AUTOMOTIVE		
c	Product or service ► TIRES & REPAIRS		
3	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?		X
	If 'Yes,' enter name and EIN of the parent corporation ►		
4	At the end of the tax year:		
a	Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), or trust own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote?	X	

For rules of constructive ownership, see instructions. If 'Yes,' complete (i) through (v).

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Percentage Owned in Voting Stock
MASON HOLDING CO INC	58-2356923	CORP	United States	100.00

b	Did any individual or estate own, directly 20% or more, or own directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote?	X

For rules of constructive ownership, see instructions. If 'Yes,' complete (i) through (iv)

(i) Name of Individual or Estate	(ii) Identifying Number (if any)	(iii) Country of Citizenship (see instructions)	(iv) Percentage Owned in Voting Stock

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Schedule K *Continued*

	Yes	No
5 At the end of the tax year, did the corporation:		
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on Form 851, Affiliations Schedule? For rules of constructive ownership see instructions		X

If 'Yes,' complete (i) through (iv)

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

b Own directly 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership see instructions		X

If 'Yes,' complete (i) through (iv)

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

6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.)		X
If 'Yes,' file Form 5452, Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary		
7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of the corporation's stock entitled to vote or (b) the total value of all classes of the corporation's stock?		X
For rules of attribution see section 318. If 'Yes," enter: (i) Percentage owned ► _____ and (ii) Owner's country ► _____		
(c) The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached ► _____		
8 Check this box if the corporation issued publicly offered debt instruments with original issue discount ► ☐		
If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
9 Enter the amount of tax-exempt interest received or accrued during the tax year ► $ _____		
10 Enter the number of shareholders at the end of the tax year (if 100 or fewer) ► _____		
11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here ► ☐ If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21 (b)(3) must be attached or the election will not be valid.		
12 Enter the available NOL carryover from prior tax years (do not reduce it by any deduction on line 29a ► $ _____		
13 Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than $250,000?		X
If 'Yes,' the corporation is not required to complete Schedules L, M-1, and M-2 on page 5. Instead, enter the total amount of cash distributions and the book value property distributions (other than cash) made during the tax year. ► $ _____		

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Schedule L Balance Sheets per Books

Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1 Cash		374,716.		-8,565.
2a Trade notes and accounts receivable	105,780.		80,949.	
b Less allowance for bad debts		105,780.		80,949.
3 Inventories		217,462.		218,236.
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach schedule) .. Ln. 6 Stmt		8,577.		24,637.
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	343,888.		341,563.	
b Less accumulated depreciation	324,232.	19,656.	333,707.	7,856.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization				
14 Other assets (attach schedule) ..... Ln. 14 Stmt		521,002.		373,523.
15 Total assets		1,247,193.		696,636.
Liabilities and Shareholders' Equity				
16 Accounts payable		170,871.		104,789.
17 Mortgages, notes, bonds payable in less than 1 year		22,469.		8,434.
18 Other current liabilities (attach sch) .. Ln. 18 Stmt		13,644.		9,508.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		476,000.		0.
21 Other liabilities (attach schedule) .... Ln. 21 Stmt		43,383.		0.
22 Capital stock: a Preferred stock				
b Common stock	55,000.	55,000.	55,000.	55,000.
23 Additional paid-in capital				
24 Retained earnings — Approp (att sch)				
25 Retained earnings — Unappropriated		465,826.		518,905.
26 Adjmnt to shareholders' equity (att sch)				
27 Less cost of treasury stock				
28 Total liabilities and shareholders' equity		1,247,193.		696,636.

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

Note: Schedule M-3 required instead of Schedule M-1 if total assets are $10 million or more — see instructions

1 Net income (loss) per books	53,079.	7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax per books	16,724.	Tax-exempt interest $	
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):		8 Deductions on this return not charged against book income this year (itemize):	
		a Depreciation .. $	
5 Expenses recorded on books this year not deducted on this return (itemize):		b Charitable contributions $	
a Depreciation ..... $			
b Charitable contributions .. $			
c Travel & entertainment .. $ 1,095.			
See Ln 5 Stmt 1,167.	2,262.	9 Add lines 7 and 8	
6 Add lines 1 through 5	72,065.	10 Income (page 1, line 28) — line 6 less line 9	72,065.

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Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	465,826.	5 Distributions ..... a Cash	
2 Net income (loss) per books	53,079.	b Stock c Property	
3 Other increases (itemize):		6 Other decreases (itemize):	
		7 Add lines 5 and 6	
4 Add lines 1, 2, and 3	518,905.	8 Balance at end of year (line 4 less line 7)	518,905.

Levine Resp. to D's 1st RPD
00087

SCHEDULE O
(Form 1120)

(December 2006)

Department of the Treasury
Internal Revenue Service

Consent Plan and Apportionment Schedule for a Controlled Group

► Attach to Form 1120, 1120-C, 1120-F, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, or 1120-RIC.
► See separate instructions.

OMB No. 1545-0123

Name	Employer identification number
MASON TIRE & AUTO SERVICE, INC.	57-0801371

Part I Apportionment Plan Information

1 Type of controlled group:
- a [ ] Parent-subsidiary group
- b [X] Brother-sister group
- c [ ] Combined group
- d [ ] Life insurance companies only

2 This corporation has been a member of this group:
- a [X] For the entire tax year.
- b [ ] From _____, _____, until _____, _____.

3 This corporation consents to:
- a [ ] Adopt an apportionment plan.
- b [ ] Amend the current apportionment plan.
- c [ ] Terminate the current apportionment plan.

4 Check the applicable box, below, concerning the status of the group's apportionment plan (see instructions).
- a [ ] No apportionment plan is in effect and none is being adopted.
- b [X] An apportionment plan is already in effect. It was adopted for the tax year ending 12/31, 2008, and for all succeeding tax years.
- c [ ] All the members of this group are currently amending a previously adopted plan, which was in effect for the tax year ending _____, _____, and for all succeeding tax years.
- d [ ] All the members of this group are adopting an apportionment plan, effective for the current tax year, which ends on _____, _____, and for all succeeding tax years.
- e [ ] The plan was terminated, effective _____, _____, because:
  - (i) [ ] This group ceased to remain in existence during the calendar year ending on the December 31st subsequent to the adoption of the plan.
  - (ii) [ ] A corporation which was a component member of this group on the December 31st of this tax return year is not a component member of this group on the succeeding December 31st.
  - (iii) [ ] A corporation which was not a component member of this group on the December 31st of this tax return year is a component member of this group on the succeeding December 31st.
  - (iv) [ ] All the members of the group have agreed to terminate the previously adopted plan.

5 If all the members of this group are adopting a plan or amending the current plan for a tax year after the due date (including extensions) of the tax return for this corporation, is there at least one year remaining on the statute of limitations from the date this corporation filed its amended return for such tax year for assessing any resulting deficiency? See instructions.
- a [ ] Yes.
  - (i) [ ] The statute of limitations for this year will expire on _____, _____.
  - (ii) [ ] On _____, _____, this corporation entered into an agreement with the Internal Revenue Service to extend the statute of limitations for purposes of assessment until _____.
- b [X] No.

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Part II Taxable Income Apportionment (See instructions)

Caution: *Each total in Part II, column (g) for each component member must agree with Form 1120, page 1, line 30 or the comparable line of such member's tax return.*

	(a) Group member's name and employer identification number		(b) Tax year end (Yr-Mo)	Taxable Income Amount Allocated to Each Bracket (c) 15%	(d) 25%	(e) 34%	(f) 35%	(g) Total (add columns (c) through (f))
1	MASON TIRE & AUTO SERVICE, INC.	57-0801371	12/31/08	40,000.	9,957.	7,744.	14,364.	72,065.
2	J & O TIRE & AUTO SERVICE INC.	57-0919487	12/31/07	5,000.	5,000.	6,529.	0.	16,529.
3	M & S TIRE COMPANY INC	58-2356919	12/31/07	0.	5,043.	0.	0.	5,043.
4	K. & J TIRE INC.	57-1083113	12/31/07	5,000.	5,000.	10,727.	0.	20,727.
5								
6								
7								
8								
9								
10								
Total				50,000.	25,000.	25,000.	14,364.	114,364.

COPY NOT SIGNED

Part III Income Tax Apportionment (See instructions)

	(a) Group member's name	Income Tax Apportionment (b) 15%	(c) 25%	(d) 34%	(e) 35%	(f) 5%	(g) 3%	(h) Total income tax (combine lines (b) through (g))
1	MASON TIRE & AUTO SERVICE, INC.	6,000.	2,489.	2,633.	5,027.	593.		16,742.
2	J & O TIRE & AUTO SERVICE INC.	750.	1,250.	2,220.	0.	0.		4,220.
3	M & S TIRE COMPANY INC	0.	1,261.	0.	0.	0.		1,261.
4	K. & J TIRE INC.	750.	1,250.	3,647.	0.	0.		5,647.
5								
6								
7								
8								
9								
10								
Total		7,500.	6,250.	8,500.	5,027.	593.		27,870.

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Part IV Other Apportionments (See instructions)

(a) Group member's name	Other Apportionments				
	(b) Accumulated earnings credit	(c) AMT exemption amount	(d) Phaseout of AMT exemption amount	(e) Penalty for failure to pay estimated tax	(f) Other
1 MASON TIRE & AUTO SERVICE, INC.					
2 J & O TIRE & AUTO SERVICE INC.					
3 M & S TIRE COMPANY INC					
4 K. & J TIRE INC.					
5					
6					
7					
8					
9					
10					
Total					

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Form **4562**

Department of the Treasury Internal Revenue Service (99)

Depreciation and Amortization (Including Information on Listed Property)

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

OMB No. 1545-0172

2008

Attachment Sequence No. 67

Name(s) shown on return: MASON TIRE & AUTO SERVICE, INC.

Identifying number: 57-0801371

Business or activity to which this form relates: Form 1120 Line 20

Part I Election To Expense Certain Property Under Section 179

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

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	$250,000.
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	$800,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	

6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost

7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2007 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)	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 2009. Add lines 9 and 10, less line 12 ►	13	

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

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

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

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

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2008	17	837.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ► ☐		

Section B – Assets Placed in Service During 2008 Tax Year Using the General Depreciation System

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

Section C – Assets Placed in Service During 2008 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	8,638.
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions	22	9,475.
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	

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

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

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

24a Do you have evidence to support the business/investment use claimed? ..... [X] Yes [ ] No | 24b If 'Yes,' is the evidence written? ..... [ ] Yes [X] No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						25		
26 Property used more than 50% in a qualified business use:								
SERVICE TRUCK	08/16/00	100.00	16,660.	16,660.	5.00	200DB/HY	0.	
FORD SERVICE TRUCK	05/31/01	100.00	27,784.	21,784.	5.00	200DB/HY	0.	
See Additional Listed Property Statement							8,638.	
27 Property used 50% or less in a qualified business use:								
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1						28	8,638.	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1						29		

Section B – Information on Use of Vehicles

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

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
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												
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
34 Was the vehicle available for personal use during off-duty hours?		X		X	X							
35 Was the vehicle used primarily by a more than 5% owner or related person?		X	X		X							
36 Is another vehicle available for personal use?		X	X		X							

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

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

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	X	
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners	X	
39 Do you treat all use of vehicles by employees as personal use?		X
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?		X
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		X

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

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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 2008 tax year (see instructions):					
43 Amortization of costs that began before your 2008 tax year				43	
44 Total. Add amounts in column (f). See the instructions for where to report				44	

Controlled Group Tax Calculation Statement 2008

► Attach to return

Name: MASON TIRE & AUTO SERVICE, INC.

Employer Identification Number: 57-0801371

			(a) Filing Member	(b) Entire Controlled Group
1	Taxable income from line 30, page 1, Form 1120	1	72,065.	114,364.
2	Line 1 or share of $50,000 taxable income bracket, whichever is less	2	40,000.	50,000.
3	Subtract line 2 from line 1	3	32,065.	64,364.
4	Line 3 or share of $25,000 taxable income bracket, whichever is less	4	9,957.	25,000.
5	Subtract line 4 from line 3	5	22,108.	39,364.
6	Line 5 or share of $9,925,000 taxable income bracket, whichever is less	6	7,744.	39,364.
7	Subtract line 6 from line 5	7	14,364.	0.
8	Multiply line 2 by 15%	8	6,000.	7,500.
9	Multiply line 4 by 25%	9	2,489.	6,250.
10	Multiply line 6 by 34%	10	2,633.	13,384.
11	Multiply line 7 by 35%	11	5,027.	0.
12	If a controlled group taxable income exceeds $100,000, enter smaller of: (a) 5% of the excess over $100,000 or (b) $11,750 (see line I below)	12	575.	718.
13	If a controlled group taxable income exceeds $15,000,000 enter smaller of: (a) 3% of the excess over $15,000,000 or (b) $100,000 (see line N below)	13		
14	Income tax. Add lines 8 through 13. Enter here and on line 3, Schedule J, Form 1120	14	16,724.	27,852.

Calculation of Additional 5% tax (see line 12)

A	Income taxed at 15% rate (line 2 above)	A	40,000.	50,000.
B	Tax rate difference (34% - 15%)	B	19%	19%
C	Tax difference (line A multiplied by line B)	C	7,600.	9,500.
D	Income taxed at 25% (line 4 above)	D	9,957.	25,000.
E	Tax rate difference (34% - 25%)	E	9%	9%
F	Tax difference (line D multiplied by line E)	F	896.	2,250.
G	Total tax difference (line C plus line F)	G	8,496.	11,750.
H	Percentage of additional tax paid by the entire group (line 12(b) divided by line G(b))	H		6.1106%
I	Total additional 5% tax (line G multiplied by line H)	I	519.	718.

Calculation of Additional 3% tax (see line 13)

J	Income taxed at 34% rate (line 2 + 4 + 6)	J		
K	Tax rate difference (35% - 34%)	K	1%	1%
L	Tax difference (line J multiplied by line K)	L		
M	Percentage of additional tax paid by the entire group (line 13(b) divided by line L(b))	M		%
N	Total additional 3% tax (line L multiplied by line M)	N		

CPCW8801 11/17/08

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Miscellaneous Statement

BASIS OF FEDERAL INCOME TAXES-CONTROLLED GR	ALLOC AMT	TAX AMOUNT
GROUP SHARE OF 50,000. @ 15%		
GROUP SHARE OF 25,000. @ 25%		
GROUP SHARE OF 25,000. @ 34%		
GROUP SHARE IN EXCESS OF 100,000. @ 39%		

Total

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Form 1120, Page 1, Line 26
Other Deductions Statement

AUTOMOBILE AND TRUCK EXPENSE	10,744.
DUES AND SUBSCRIPTIONS	1,785.
EQUIPMENT RENT	37,843.
INSURANCE	28,519.
LEGAL AND PROFESSIONAL	4,257.
MEALS AND ENTERTAINMENT (50%)	1,096.
MISCELLANEOUS	599.
OFFICE EXPENSE	8,780.
SECURITY	826.
TELEPHONE	7,021.
TRAINING/CONTINUING EDUCATION	201.
TRAVEL	1,293.
UTILITIES	12,309.
CLEANING SUPPLIES	2,705.
GARAGE & SHOP EXPENSES	26,139.
WARRANTY SERVICE EXPENSES	142.
OUTSIDE COMPUTER SERVICES	6,990.
CHECK CLEARING EXPENSES	1,944.
ADMINISTRATIVE EXPENSES	111,504.
UNIFORM CLEANING EXPENSES	6,542.
CUSTOMER TRANSPORTATION EXPENSES	3,581.
Total	274,820.

Form 1120, Page 4, Schedule L, Line 6
Ln 6 Stmt

Other Current Assets:	Beginning of tax year	End of tax year
PREPAID INSURANCE	5,445.	7,522.
PREPAID STATE INCOME TAXES	537.	1,839.
PREPAID FEDERAL INCOME TAXES	835.	15,276.
DUE FROM 544 STORE	1,760.	
Total	8,577.	24,637.

Form 1120, Page 4, Schedule L, Line 14
Ln 14 Stmt

Other Assets:	Beginning of tax year	End of tax year
MISCELLANEOUS ASSETS	520,000	0.
DUE FROM AFFILIATED COMPANIES	520,082	373,523.
Total	520,082	373,523.

Form 1120, Page 4, Schedule L, Line 18
Ln 18 Stmt

Other Current Liabilities:	Beginning of tax year	End of tax year
ACCRUED WD ANTICIPATED CREDIT	1,820.	-2,126.
ACCURED TAXES	1,184.	744.
UNIFORM DEPOSITS	3,228.	3,568.
SALES TAXES PAYABLE	7,412.	5,562.
ACCRUED LICENSES		1,760.
Total	13,644.	9,508.

Form 1120, Page 4, Schedule L, Line 21
Ln 21 Stmt

Other Liabilities:	Beginning of tax year	End of tax year
DUE FROM AFFILIATED COMPANIES	43,383.	0.
Total	43,383.	0.

Form 1120, Page 4, Schedule L, Line 24
Ln 24 Stmt

Retained Earnings – Appropriated:	Beginning of tax year	End of tax year
Total		

Form 1120, Page 4, Schedule M-1, Line 5
Ln 5 Stmt

Officers'/key man life insurance premiums	1,167.
Total	

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Form 4562, line 26
Additional Listed Property Statement

(a) Type of property	(b) Date placed in service	(c) Business/ investmnt use %	(d) Cost or other basis	(e) Basis for depreciation	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
CHEV TRUCK-GMAC -	11/15/04	100.00	35,428.	24,800.	5.00	SL/HY	4,962.	
GMAC YUKON 07	03/31/06	100.00	19,144.	19,144.	5.00	200DB/HY	3,676.	
Total							8,638.	

Form 1120, Page 4, Schedule L, Line 18
Ln 18 Stmt

Other Current Liabilities:	Beginning of tax year	End of tax year
ACCRUED WD ANTICIPATED CREDIT	1,820.	-2,126.
ACCURED TAXES	1,184.	744.
UNIFORM DEPOSITS	3,228.	3,568.
SALES TAXES PAYABLE	7,412.	5,562.
ACCRUED LICENSES		1,760.
Total	13,644.	9,508.

Form 1120, Page 4, Schedule L, Line 21
Ln 21 Stmt

Other Liabilities:	Beginning of tax year	End of tax year
DUE FROM AFFILIATED COMPANIES	43,383.	0.
Total	43,383.	0.

Form 1120, Page 4, Schedule L, Line 24
Ln 24 Stmt

Retained Earnings – Appropriated:	Beginning of tax year	End of tax year
Total		

Form 1120, Page 4, Schedule M-1, Line 5
Ln 5 Stmt

Officers'/key man life insurance premiums	1,167.
Total	1,167.

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Form 4562, line 26
Additional Listed Property Statement

(a) Type of property	(b) Date placed in service	(c) Business/ investmnt use %	(d) Cost or other basis	(e) Basis for depreciation	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
CHEV TRUCK-GMAC -	11/15/04	100.00	35,428.	24,800.	5.00	SL/HY	4,962.	
GMAC YUKON 07	03/31/06	100.00	19,144.	19,144.	5.00	200DB/HY	3,676.	
Total							8,638.	

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.
► See separate instructions.

OMB No. 1545-0130

2004

For calendar year 2004, or tax year beginning , 2004, and ending

A Effective date of S election: 01/01/98	Use the IRS label. Otherwise, print or type. Name: MASON HOLDING CO. INC.	C Employer identification number: 58-2356923
B Business code number (see instructions): 561110	Number, street, and room or suite no. (If a P.O. box, see instructions.): 750 HWY 17 NO.	D Date incorporated: 01/01/98
	City or town, state, and ZIP code: SURFSIDE BEACH SC 29575	E Total assets (see instructions): $ 512,205.

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 ► 5

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

INCOME	1a	Gross receipts or sales: 418,000.	b Less returns and allowances	c Bal ►	1c: 418,000.
	2	Cost of goods sold (Schedule A, line 8)			2:
	3	Gross profit. Subtract line 2 from line 1c			3: 418,000.
	4	Net gain (loss) from Form 4797, Part II, line 17 *(attach Form 4797)*			4:
	5	Other income (loss) *(attach schedule)*			5:
	6	**Total income (loss).** Add lines 3 through 5		►	6: 418,000.
DEDUCTIONS (SEE INSTRUCTIONS)	7	Compensation of officers			7: 159,418.
	8	Salaries and wages (less employment credits)			8: 79,270.
	9	Repairs and maintenance			9:
	10	Bad debts			10:
	11	Rents			11:
	12	Taxes and licenses			12: 22,785.
	13	Interest			13:
	14a	Depreciation *(attach Form 4562)*	14a:		
	b	Depreciation claimed on Schedule A and elsewhere on return	14b:		
	c	Subtract line 14b from line 14a			14c:
	15	Depletion **(Do not deduct oil and gas depletion.)**			15:
	16	Advertising			16: 98,042.
	17	Pension, profit-sharing, etc, plans			17:
	18	Employee benefit programs			18: 5,123.
	19	Other deductions *(attach schedule)* STMT			19: 6,997.
	20	**Total deductions.** Add the amounts shown in the far right column for lines 7 through 19		►	20: 371,635.
	21	Ordinary business income (loss). Subtract line 20 from line 6			21: 46,365.
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 (see instructions for additional taxes)			22c:
	23	Payments: a 2004 estimated tax payments and amount applied from 2003 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 (see instructions). Check if Form 2220 is attached		► ☐	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 2005 estimated tax** ►		**Refunded** ►	27:

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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 instructions)? ☐ Yes ☐ No

Paid Preparer's Use Only

Preparer's signature	Date: 03/04/05	Check if self-employed ☐	Preparer's SSN or PTIN: [redacted]-8030
Firm's name (or yours if self-employed), address, and ZIP code: RRR PRO SERVICE, INC. D/B/A I. LEVINE & ASSOC. 5769 N. ANDREWS WAY FT LAUDERDALE FL 33309		EIN: 75-2993273	Phone no.

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. SPSA0112 08/04/04 Form 1120S (2004)

Schedule A Cost of Goods Sold (see 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 is 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? If 'Yes,' attach explanation ☐ Yes ☐ No

Schedule B Other Information (see instructions)

		Yes	No
1	Check method of accounting: (a) ☐ Cash (b) ☒ Accrual (c) ☐ Other (specify) ►		
2	See the instructions and enter the: (a) Business activity ► ADMINISTRATIVE SERVICES (b) Product or service ► ADVERTISING-MANAGEMT		
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 *STMT	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 ► ☐		
6	Check this box if the corporation issued publicly offered debt instruments with original issue discount ► ☐ If checked, 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 ► $		
8	Check this box if the corporation had accumulated earnings and profits at the close of the tax year ► ☐		
9	Are the corporation's total receipts (see instructions) for the tax year **and** its 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

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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, Deductions, Credits, etc

	Shareholders' Pro Rata Share Items		Total amount
INCOME (LOSS)	1 Ordinary business income (loss) (page 1, line 21)	1	46,365.
	2 Net rental real estate income (loss) *(attach Form 8825)*	2	
	3a Other gross rental income (loss) 3a		
	b Expenses from other rental activities *(attach schedule)* 3b		
	c Other net rental income (loss). Subtract line 3b from line 3a	3c	
	4 Interest income	4	95.
	5 Dividends: a Ordinary dividends	5a	
	b Qualified dividends 5b		
	6 Royalties	6	
	7 Net short-term capital gain (loss)	7	
	8a Net long-term capital gain (loss)	8a	
	b Collectibles (28%) gain (loss) 8b		
	c Unrecaptured section 1250 gain *(attach schedule)* 8c		
	9 Net section 1231 gain (loss) (attach Form 4797)	9	
	10 Other income (loss) *(attach schedule)*	10	

	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	
	12a Contributions	12a	
	b Deductions related to portfolio income *(attach schedule)*	12b	
	c Investment interest expense	12c	
	d Section 59(e)(2) expenditures (1) Type ► _____ (2) Amount ►	12d (2)	
	e Other deductions *(attach schedule)*	12e	
Credits and Credit Recapture	13a Low-income housing credit (section 42(j)(5))	13a	
	b Low-income housing credit (other)	13b	
	c Qualified rehabilitation expenditures (rental real estate) *(attach Form 3468)*	13c	
	d Other rental real estate credits	13d	
	e Other rental credits	13e	
	f Credit for alcohol used as fuel *(attach Form 6478)*	13f	
	g Other credits and credit recapture *(attach schedule)*	13g	0.
Foreign Transactions	14a Name of country or U.S. possession ► _____		
	b Gross income from all sources	14b	
	c Gross income sourced at shareholder level	14c	
	Foreign gross income sourced at corporate level:		
	d Passive	14d	
	e Listed categories *(attach schedule)*	14e	
	f General limitation	14f	
	Deductions allocated and apportioned at shareholder level:		
	g Interest expense	14g	
	h Other	14h	
	Deductions allocated and apportioned at corporate level to foreign source income:		
	i Passive	14i	
	j Listed categories *(attach schedule)*	14j	
	k General limitation	14k	
	Other information:		
	l Foreign taxes paid	14l	
	m Foreign taxes accrued	14m	
	n Reduction in taxes available for credit *(attach schedule)*	14n	
Alternative Minimum Tax (AMT) Items	15a Post-1986 depreciation adjustment	15a	
	b Adjusted gain or loss	15b	
	c Depletion (other than oil and gas)	15c	
	d Oil, gas, and geothermal properties – gross income	15d	
	e Oil, gas, and geothermal properties – deductions	15e	
	f Other AMT items *(attach schedule)*	15f	
Items Affecting Shareholder Basis	16a Tax-exempt interest income	16a	
	b Other tax-exempt income	16b	
	c Nondeductible expenses	16c	142.
	d Property distributions	16d	149,308.
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	95.
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	0.
	d Other items and amounts *(attach schedule)*		
	e **Income/loss reconciliation.** (Required only if Schedule M-1 must be completed.) Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12e and lines 14l or 14m, whichever applies	17e	46,460.

TAX PAYER'S COPY

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

Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1 Cash		129,972.		7,205.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets *(attach schedule)*				
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments *(attach schedule)* Ln. 9 St.		505,000.		505,000.
10a Buildings and other depreciable assets				
b Less accumulated depreciation				
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization				
14 Other assets *(attach schedule)*				
15 Total assets		634,972.		512,205.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities *(attach sch)* Ln. 18 St.		2,001.		1,946.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more				
21 Other liabilities *(attach schedule)*				
22 Capital stock		200,000.		200,000.
23 Additional paid-in capital		300,000.		300,000.
24 Retained earnings		132,971.		10,259.
25 Adjustments to shareholders' equity *(att sch)*				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		634,972.		512,205.

TAX PAYER'S COPY

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

1 Net income (loss) per books	26,596.	5 Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize): a Tax-exempt interest . $	
2 Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):			
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 12, & 14l or (14m) (itemize): a Depreciation . . . . . $		6 Deductions included on Schedule K, lines 1 through 12, and 14l or (14m), not charged against book income this year (itemize): a Depreciation . . . . $	
b Travel and entertainment . $ 142.			
* STMT 19,722.	19,864.	7 Add lines 5 and 6	
4 Add lines 1 through 3	46,460.	8 Income (loss) (Schedule K, ln 17e). Ln 4 less ln 7	46,460.

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

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1 Balance at beginning of tax year	132,970.	0.	0.
2 Ordinary income from page 1, line 21	46,365.		
3 Other additions * STMT	95.		
4 Loss from page 1, line 21			
5 Other reductions * STMT	142.		
6 Combine lines 1 through 5	179,288.	0.	0.
7 Distributions other than dividend distributions	149,308.	0.	0.
8 Balance at end of tax year. Subtract line 7 from line 6	29,980.	0.	0.

Levine Resp. to D's 1st RPD
00102 - 998 -

Schedule K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

2004

Tax year beginning _____, 2004
and ending _____,

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0130

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

► See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
58-2356923

B Corporation's name, address, city, state, and ZIP code
MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH, SC 29575

C IRS Center where corporation filed return
Cincinnati, OH 45999-0013

D ☐ Tax shelter registration number, if any

E ☐ Check if Form 8271 is attached

Part II Information About the Shareholder

F Shareholder's identifying number
[redacted]-0934

G Shareholder's name, address, city, state, and ZIP code
JOSEPH E MASON SR.
[redacted]
MYRTLE BEACH, SC [redacted]

H Shareholder's percentage of stock ownership for tax year ..... 23.50000 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 0.	13	Credits & credit recapture
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 0.		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
11	Section 179 deduction	16	Items affecting shareholder basis
		C	0.
12	Other deductions	D	0.
		17	Other information
		A	0.

*See attached schedule for additional information.

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2004

Tax year beginning _____, 2004
and ending _____

☐ Final K-1 ☐ Amended K-1

OMB No. 1545-0130

Shareholder's Share of Income, Deductions, Credits, etc. ▸ See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
58-2356923

B Corporation's name, address, city, state, and ZIP code
MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH, SC 29575

C IRS Center where corporation filed return
Cincinnati, OH 45999-0013

D ☐ Tax shelter registration number, if any

E ☐ Check if Form 8271 is attached

Part II Information About the Shareholder

F Shareholder's identifying number
[redacted]4690

G Shareholder's name, address, city, state, and ZIP code
CATHERINE L MASON
[redacted]
MYRTLE BEACH, SC [redacted]

H Shareholder's percentage of stock ownership for tax year ..... 23.50000 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 0.	13	Credits & credit recapture
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 0.		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
11	Section 179 deduction	16	Items affecting shareholder basis
		C	0.
12	Other deductions	D	0.
		17	Other information
		A	0.

*See attached schedule for additional information.

Schedule K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

2004

Tax year beginning _____, 2004
and ending _____.

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0130

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

► See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
58-2356923

B Corporation's name, address, city, state, and ZIP code
MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH, SC 29575

C IRS Center where corporation filed return
Cincinnati, OH 45999-0013

D ☐ Tax shelter registration number, if any

E ☐ Check if Form 8271 is attached

Part II Information About the Shareholder

F Shareholder's identifying number
[redacted]6182

G Shareholder's name, address, city, state, and ZIP code
JOSEPH E MASON JR.
[redacted]
MYTLE BEACH, SC [redacted]

H Shareholder's percentage of stock ownership for tax year ..... 26.50000 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 23,183.	13	Credits & credit recapture
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 47.		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions	C	
		D	74,654.
		17	Other information
		A	71.

*See attached schedule for additional information.

Sch K-1, (JOSEPH E MASON JR.) Attachment
Sch K-1, Supplemental Information

2% STOCKHOLDER GROUP HEALTH INS	9,861.

Schedule K-1 (Form 1120S)

2004

Department of the Treasury Internal Revenue Service

Tax year beginning _____, 2004
and ending _____,

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0130

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

▸ See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
58-2356923

B Corporation's name, address, city, state, and ZIP code
MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH, SC 29575

C IRS Center where corporation filed return
Cincinnati, OH 45999-0013

D ☐ Tax shelter registration number, if any

E ☐ Check if Form 8271 is attached

Part II Information About the Shareholder

F Shareholder's identifying number
[redacted]-0927

G Shareholder's name, address, city, state, and ZIP code
CATHERINE J ST BLANCHARD
[redacted]
MYRTLE BEACH, SC [redacted]

H Shareholder's percentage of stock ownership for tax year ..... 23.50000 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 13,910.	13	Credits & credit recapture
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 29.		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
11	Section 179 deduction	16	Items affecting shareholder basis C 57.
12	Other deductions		D 59,724.
		17	Other information A

*See attached schedule for additional information.

BAA For Privacy Act and Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2004

SPSA0412 12/09/04

Schedule K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

2004

Tax year beginning _____, 2004
and ending _____

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0130

Shareholder's Share of Income, Deductions, Credits, etc. ▸ See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
58-2356923

B Corporation's name, address, city, state, and ZIP code
MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH, SC 29575

C IRS Center where corporation filed return
Cincinnati, OH 45999-0013

D ☐ Tax shelter registration number, if any

E ☐ Check if Form 8271 is attached

Part II Information About the Shareholder

F Shareholder's identifying number
[redacted]6263

G Shareholder's name, address, city, state, and ZIP code
OSWALDO J ST.BLANCHARD
[redacted]
MYRTLE BEACH, SC [redacted]

H Shareholder's percentage of stock ownership for tax year ..... 3.00000 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 9,272.	13	Credits & credit recapture
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 19.		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
11	Section 179 deduction	16	Items affecting shareholder basis
		C	14.
12	Other deductions	D	14,930.
		17	Other information
		A	

*See attached schedule for additional information.

BAA For Privacy Act and Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2004

SPSA0412 12/09/04

Sch K-1, (OSWALDO J ST.BLANCHARD) Attachment
Sch K-1, Supplemental Information

2% STOCKHOLDER GROUP INSURANCE	9,861.

Form 1120S, Page 1, Line 19
Other Deductions

INSURANCE	2,193.
MEALS AND ENTERTAINMENT (50%)	142.
MISCELLANEOUS	106.
OFFICE EXPENSE	1,704.
POSTAGE	2,852.
Total	6,997.

Form 1120S, Page 2, Schedule B, Question 3
Ownership of Domestic Corporation

Name and Address	Identification Number	Percentage Owned
MASON TIRE & AUTO SERVICE INC SURFSIDE BEACH SC 29587	57-0801371	100.00
J & O TIRE & AUTO SERVICE INC NO. MYRTLE BEACH SC 29582	57-0919487	100.00
M & S TIRE COMPANY INC+ OCEAN HWY PAWLEYS ISLAND SC	58-2356919	100.00
K.& J. TIRE INC. MYRTLE BEACH S.C.	57-1083113	100.00

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Other Investments:
1120S, Schedule L, Line 9

Other Investments:	Beginning of tax year	End of tax year
COMMOM STOCKS VARIOUS CORPOATIONS	505,000.	505,000.
Total	505,000.	505,000.

Other Current Liabilities:
1120S, Schedule L, Line 18

Other Current Liabilities:	Beginning of tax year	End of tax year
PAYROLL TAXES PAYABLE	2,001.	1,946.
Total	2,001.	1,946.

Form 1120S, Page 4, Schedule M-1, Line 3
Sch M-1, Line 3

2% STOCKHOLDER HEALTH INS	19,722.
Total	19,722.

Form 1120S, Page 4, Schedule M-2, Line 3
Schedule M-2, Other Additions

INTEREST INCOME	95.	
Total	95.	

Form 1120S, Page 4, Schedule M-2, Line 5
Schedule M-2, Other Reductions

MEALS AND ENTERTAINMENT	142.	
Total	142.	

TAX PAYER'S COPY

Supporting Statement of:

Form 1120S pl-2/Line 1a

Description	Amount
ADMINISTRATIVE FEES	418,000.
Total	418,000.

TAX PAYER'S COPY

STATE OF SOUTH CAROLINA

'C' CORPORATION INCOME TAX RETURN

Return is due on or before the 15th day of the 3rd month following the close of the taxable year.

Mail this return to:
SC DEPARTMENT OF REVENUE
Corporation Return
Columbia, SC 29214-0100

SC 1120
(Rev 8/10/04)
3091

SC FILE No.

INCOME TAX PERIOD ENDING 12/31/04
LICENSE FEE PERIOD ENDING 12/31/05
FEDERAL EMPLOYER ID NO. 57-1083113

NAME K. & J. TIRE INC.
MAILING ADDRESS C/O J. MASON 750 HWY 17 NO.
CITY SURFSIDE\BEACH
STATE SC ZIP CODE 29575
Change of ..... ☐ Address ☐ Accounting period

A COMPLETE COPY OF FEDERAL RETURN MUST BE ATTACHED TO THIS RETURN.

County or Counties in SC Where Property is Located:
HORRY

City (Audit Location): MYRTLE BEACH
State: SC

Audit Contact: JOSEPH MASON JR.
Telephone Number: (843) 238-3339

Check if ..... ► ☐ Consolidated Return

Total Gross Receipts. ► 1,154,948.

Total cost of depreciable personal property in SC. ► 90,393.

If Filing a Final Return, See Instructions for Further Information. ► Reorganized ☐ Dissolved ☐ Merged ☐ Withdrawn ☐

PART I COMPUTATION OF INCOME TAX LIABILITY

1	Federal Taxable Income per Federal Form 1120 or 1120A	1	9,773.
2	Net Adjustment from line 12, Schedule A and B	2	226.
3	Total Net Income as Reconciled (line 1 plus or minus line 2)	3	9,999.
4	If Multi-state Corporation, enter amount from line 6, Schedule G; otherwise, enter amount from line 3	4	9,999.
5	LESS: South Carolina net operating loss carryover, if applicable	5	
6	South Carolina Net Income subject to tax (line 4 less line 5)	6	9,999.
7	TAX: Multiply amount on line 6 by .05 (5.0%)	7	500.
8	Less tax deferred on income from foreign trade receipts (see instructions)	8	
9	Balance (line 7 less line 8)	9	500.
10	Credit Carryover (line 7, Schedule C) _____ Non-refundable credits (line 5, Schedule C)	10	
11	Balance of tax (line 9 less line 10). Enter the difference but not less than zero	11	500.
12	Interest on DISC-deferred tax liability _____; or Foreign Trade Deferred Tax Liability _____	12	
13	Total tax and/or interest (add lines 11 and 12)	13	500.
14	Payments: (a) Tax Withheld (see instrs) _____ (b) Paid by Declaration 2,150. (c) Paid with Tentative Return _____ (d) Credit from Line 29b _____		
15	Total Payments (add lines 14a through 14d)	15	2,150.
16	Balance of Tax and/or Interest Due (line 13 less line 15)	16	0.
17	Interest Due _____ Penalty Due _____ Enter Total	17	
18	**TOTAL INCOME TAX**, Interest and Penalty Due (add lines 16 and 17) ..... **BALANCE DUE**	18	0.
19	**OVERPAYMENT** (line 15 less line 13) 1,650. To be applied as follows: (a) Estimated Tax 1,500. (b) License Fee 25. (c) Refunded		125.

PART II COMPUTATION OF LICENSE FEE

20	Total Capital And Paid in Surplus (Multi-State Corporations See Schedule E)	20	5,000.
21	FEE DUE– Line 20 x .001, plus $15.00 **(Fee cannot be less than $25.00 per taxpayer)**	21	25.
22	LESS: Applicable Credits against License Fee (attach SC1120-TC)	22	
23	Balance (line 21 less line 22)	23	25.
24	Payments: (a) Paid with Tentative Return _____ (b) Credit from line 19b		
25	Total Payments (add line 24(a) and (b))	25	25.
26	Balance of Fee Due (line 23 less line 25)	26	0.
27	Interest Due _____ Penalty Due _____ (See penalty & interest instructions.) Enter Total	27	
28	**TOTAL LICENSE FEE**, Interest and Penalty Due (add lines 26 and 27) ..... **BALANCE DUE**	28	0.
29	**OVERPAYMENT** (line 25 less line 23) _____ To be applied as follows: (a) Estimated Tax _____ (b) Income Tax _____ (c) Refunded		
30	**GRAND TOTAL: INCOME TAX and LICENSE FEE DUE (add lines 18 and 28)** ..... EFT ☐	30	0.

TAX PAYER'S COPY

Please Sign Here

I, the undersigned, a principal officer of the corporation for which this return is made declare that this return, including accompanying Annual Report, statements and schedules, has been examined by me and is to the best of my knowledge and belief, a true and complete return.

Signature of officer _____ Date _____ Title _____ (843) 238-3339 Telephone Number

I **authorize** the Director of the Department of Revenue or delegate to discuss this return, attachments and related tax matters with the preparer. Yes ☐ No ☐

Preparer's Printed Name

Paid Preparer's Use Only

Preparer's signature _____ Date 02/02/05 Check if self-employed ☐ Preparer's telephone number

Firm's name (or yours if self-employed) and address: RRR PRO SERVICES, INC. D/B/A I. LEVINE & ASSOC.
5769 N. ANDREWS WAY
FT LAUDERDALE FL

EIN ► 75-2993273
ZIP Code ► 33309

SCCA0112 10/04/04

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00113 **- 1009 -**

SCHEDULE A AND B ADDITIONS TO FEDERAL TAXABLE INCOME

1	Taxes on or Measured By Income	1	500.	
2	Federal Net Operating Loss	2		
3		3		
4		4		
5	Other Additions (attach schedule)	5		
6	Total Additions (add lines 1 through 5)			6 500.

DEDUCTIONS FROM FEDERAL TAXABLE INCOME

7	Interest On Obligations Of The U.S.	7		
8	Bonus Depreciation Adjustment	8	274.	
9		9		
10	Other Deductions (attach schedule)	10		
11	Total Deductions (add lines 7 through 10)			11 274.
12	Net Adjustment (line 6 less line 11). Also enter on line 2, Part I, SC1120			12 226.

SCHEDULE C SUMMARY OF CREDITS (FROM SC1120-TC)

1	Credit Carryover From Previous Year's SC1120, Sch C (NOTE: Should agree to SC1120-TC Column A, line 25)	1	
2	Enter Total Credits from SC1120-TC, Column B, line 25. **SC1120-TC must be attached to return**	2	
3	Total Credits (add lines 1 and 2)	3	
4	Tax (line 9, Part I, SC1120)	4	
5	Lesser of line 3 or 4 (enter on line 10, Part I, SC1120) (NOTE: Should agree to SC1120-TC, Column C, line 25)	5	
6	Enter Credits Lost Due to Statute (NOTE: Should agree to SC1120-TC, Column D, line 25)	6	
7	Credit Carryover (line 3 less lines 5 and 6) (NOTE: Should agree to SC1120-TC, Column E, line 25)	7	

SCHEDULE D ANNUAL REPORT TO BE COMPLETED BY ALL CORPORATIONS

1 Name K. & J. TIRE INC.

2 Incorporated under the laws of the State of SC

3 Location of the Registered Office of the Corporation in the State of South Carolina is 750 HWY 17 NO.
In the City of SURFSIDE BEACH Registered Agent at such address is JOSEPH MASON SR.

4 Location of principal office (street address) 1927 10TH AVE MRYTLE BEACH
Nature of principal business in SC AUTOMOTIVE

5 The total number of **authorized shares** of capital stock, itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
1,000	COM	

TAXPAYER'S COPY

6 The total number of **issued and outstanding shares** of capital stock itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
1,000	COM	

7 The names and business addresses of the directors (or individuals functioning as directors) and principal officers in the Corporation are:
(If additional space is necessary, attach separate schedule.)

NAME	BUSINESS ADDRESS AND OFFICE
JOSEPH MASON JR.	750 HWY 17 NO. SURFSIDE BEACH SC
OSWALDO ST.BLANCHARD	750 HWY 17 NO SURFSIDE BEACH SC

8 Date Incorporated 08/25/99 Date commenced business in the State of South Carolina was 11/15/99

9 Date of this report 12/31/04 Federal EIN 57-1083113

10 If Foreign Corporation, the date qualified to do business in the State of South Carolina is

11 Was the name of the Corporation changed during the year? No Give old name

12 The Corporation's books are in the care of JOSEPH MASON JR.
Located at (street address) 750 HWY 17 NO. SURFSIDE BEACH SC

13 If filing consolidated, complete and attach Schedule J for each Corporation included in the consolidation.

14 The total amount of stated capital per balance sheet is:

A	Total paid in Capital Stock (cannot be a negative amount)	$	1,000.
B	Total paid in Capital Surplus (cannot be a negative amount)	$	4,000.
C	Total amount of stated Capital (cannot be a negative amount)	$	5,000.

Job Creation/Growth Depreciation/Disposition Adjustments 2004

Name as Shown on Return	EIN
K. & J. TIRE INC.	57-1083113

Main Activity Form 1120	(A) JCWAA and JGTRRA Depr Adj	(B) Other Adjustments	(C) Total Adjustment (Column A + Column B)
	-274.		-274.

Section 179 Adjustment	(A) Adjustment Amount	(B) Other Adjustments	(C) Total Adjustment (Column A + Column B)

Sale of Assets (Includes recapture for Form 6252)

Description of Asset Sold	(A) Date Acquired	(B) Date Sold	(C) Federal Accum Depreciation	(D) State Accum Depreciation	(E) Other Adj	(F) Gain/Loss Adjustment (Col D-C+E)

Form 6252 Current Year Installment Gain Adjustment

Description of Asset Sold	Date Acquired	Current Yr Payment	Gross Profit Percentage	Gain/Loss	Other Adj	Gain/Loss Adjustment
	Date Sold	Federal	Federal	Federal		
		State	State	State		

Total Gain/Loss Adjustment ..... _____

TAX PAYER'S COPY

wjobdisp.SCR 11/18/04

STATE OF SOUTH CAROLINA

'S' CORPORATION INCOME TAX RETURN

Return is due on or before the 15th day of the 3rd month following the close of the taxable year.

Mail this return to:
SC DEPARTMENT OF REVENUE
Corporation Return
Columbia, SC 29214-0100

SC 1120S
(Rev 10/5/04)
3095

SC File No. APPLIED -0

A COMPLETE COPY OF FEDERAL RETURN MUST BE ATTACHED TO THIS RETURN.

INCOME TAX PERIOD ENDING 12/31/04
LICENSE FEE PERIOD ENDING 12/31/05

County or Counties in SC Where Property is Located: HORRY

City Audit Location: SURFSIDE State: SC

FEDERAL EMPLOYER ID NO. 58-2356923

Audit Contact: JOSEPH MASON JR. Telephone Number: (843) 238-3339

NAME MASON HOLDING CO. INC.

MAILING ADDRESS 750 HWY 17 NO.

Check if ..... ► ☐ QSSS

CITY SURFSIDE BEACH

STATE SC ZIP CODE 29575

Total Gross Receipts. ► 418,000.

Total cost of depreciable personal property in SC. ► 0.

Change of ..... ☐ Address ☐ Accounting Period

If Filing a Final Return, See Instructions for Further Information.
► ☐ Merged ☐ Reorganized ☐ Dissolved ☐ Withdrawn

Does the Corporation have any Shareholders who are nonresidents of South Carolina? ..... ☐ Yes ☒ No

PART I COMPUTATION OF INCOME TAX LIABILITY

1	**Total of line 1 through 10, Schedule K of Federal Form 1120S** ►	1	46,460.
2	Net Adjustment from line 15, Schedule A and B	2	
3	Total Net Income as Reconciled (add line 1 plus or minus line 2) ►	3	46,460.
4	If Multi-state Corporation, enter amount from line 6, Schedule G; otherwise, enter amount from line 3 ►	4	46,460.
5	LESS: Income on line 4 taxed to shareholders of S Corporation	5	-46,460.
6	South Carolina Net Income subject to tax (line 4 less line 5) ►	6	0.
7	TAX: Multiply amount on line 6 by .05 (5.0%)	7	0.
8	Payments: (a) Tax Withheld (see instrs) ► ____ (b) Paid by Declaration ► ____ (c) Paid with Tentative Rtn ► ____ (d) Credit from Line 23b ► ____		
9	Total Payments (add lines 8a through 8d)	9	
10	Balance of Tax Due (line 7 less line 9) ►	10	0.
11	Interest Due ► ____ Penalty Due ► ____ (See penalty and interest instructions.) Enter Total ►	11	
12	**TOTAL INCOME TAX,** Interest and Penalty Due (add lines 10 and 11) ..... **BALANCE DUE**	12	0.
13	**OVERPAYMENT** (line 9 less line 7) ____ To be applied as follows: (a) Estimated Tax ► (b) License Fee ► (c) Refunded ►		

TAX PAYER'S COPY

PART II COMPUTATION OF LICENSE FEE

14	Total Capital And Paid in Surplus (Multi-State Corporations See Schedule E) ►	14	500,000.
15	FEE DUE– Line 14 x .001, plus $15.00 **(Fee cannot be less than $25.00 per taxpayer)**	15	515.
16	LESS: Applicable Credits against License Fee (attach SC1120-TC)	16	
17	Balance (line 15 less line 16)	17	515.
18	Payments: (a) Paid with Tentative Return ► ____ (b) Credit from line 13b ► ____		
19	Total Payments (add line 18(a) and (b))	19	
20	Balance of Fee Due (line 17 less line 19) ►	20	515.
21	Interest Due ► ____ Penalty Due ► ____ (See penalty and interest instructions.) Enter Total ►	21	
22	**TOTAL LICENSE FEE,** Interest and Penalty Due (add lines 20 and 21) ..... **BALANCE DUE**	22	515.
23	**OVERPAYMENT** (line 19 less line 17) ____ To be applied as follows: (a) Estimated Tax ► ____ (b) Income Tax ► ____ (c) Refunded ►		
24	**GRAND TOTAL: INCOME TAX and LICENSE FEE DUE (add lines 12 and 22)** ..... EFT ☐ ►	24	515.

Make check payable to: South Carolina Department of Revenue.

Please Sign Here

I, the undersigned, a principal officer of the corporation for which this return is made declare that this return, including accompanying Annual statements and schedules, has been examined by me and is to the best of my knowledge and belief, a true and complete return.

► Signature of officer ____ Date ____ ► Title ____ (843) 238-3339 Telephone Number

I **authorize** the Director of the Department of Revenue or delegate to discuss this return, attachments and related tax matters with the preparer .... Yes ☐ No ☐

Preparer's Printed Name

Paid Preparer's Use Only

Preparer's signature ► [signature] Date 03/03/05 Check if self-employed ..... ► ☐ Preparer's telephone no.

Firm's name (or yours if self-employed) and address ► RRR PRO SERVICE, INC. D/B/A I. LEVINE & ASSOC.
5769 N. ANDREWS WAY
FT LAUDERDALE FL

EIN ► 75-2993273

ZIP Code ► 33309

SCSA0112 11/09/04

Levine Resp. to D's 1st RPD
00116 - 1012 -

SCHEDULE A AND B ADDITIONS TO FEDERAL TAXABLE INCOME

1	Taxes on or Measured By Income	1	
2	Excess net passive income subject to federal tax	2	
3	Taxable portion of certain built-in gains subject to federal tax	3	
4		4	
5		5	
6	Other Additions (attach schedule)	6	
7	Total Additions (add lines 1 through 6)		7

DEDUCTIONS FROM FEDERAL TAXABLE INCOME

8		8	
9		9	
10		10	
11		11	
12		12	
13	Other Deductions (attach schedule)	13	
14	Total Deductions (add lines 8 through 13)		14
15	Net Adjustment (line 7 less line 14) Also enter on line 2, Part 1, SC1120S		15

SCHEDULE C RESERVED

SCHEDULE D ANNUAL REPORT TO BE COMPLETED BY ALL CORPORATIONS

1 Name MASON HOLDING CO. INC.

2 Incorporated under the laws of the State of SC

3 Location of the Registered Office of the Corporation in the State of South Carolina is HWY 17 N in the City of SURFSIDE BEACH Registered Agent at such address is SAME

4 Location of principal office (street address) HWY 17 N SURFSIDE BEACH SC
Nature of principal business in South Carolina ADMINISTRATIVE SERVICES

5 The total number of **authorized shares** of capital stock, itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
1,000	COMMON	1

6 The total number of **issued and outstanding shares** of capital stock itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
1,000	COMMON	1

TAX PAYER'S COPY

7 The names and business addresses of the directors (or individuals functioning as directors) and principal officers in the Corporation are: (if additional space is necessary, attach separate schedule).

NAME	BUSINESS ADDRESS AND OFFICE
JOSEPH E MASON SR	MYRTLE BEACH SC
CATHERINE L MASON	MYRTLE BEACH SC
JOSEPH E MASON JR	MYRTLE BEACH SC

See Directors Stmt

8 Date Incorporated 01/01/98 Date commenced business in the State of South Carolina was 01/01/98

9 Date of this report 12/31/04 Federal EIN 58-2356923

10 If Foreign Corporation, the date qualified to do business in the State of South Carolina is

11 Was the name of the Corporation changed during the year? No Give old name

12 The Corporation's books are in the care of JOSEPH E MASON JR.
Located at (street address) HWY 17 N SURFSIDE BEACH SC

13 The total amount of stated capital per balance sheet is:

a	Total paid in Capital Stock (cannot be a negative amount)	$ 200,000.
b	Total paid in Capital Surplus (cannot be a negative amount)	$ 300,000.
c	Total amount of stated Capital (cannot be a negative amount)	$ 500,000.

SCHEDULES E, F, G, AND H ARE TO BE COMPLETED BY MULTI-STATE CORPORATIONS

SCHEDULE E COMPUTATION FOR LICENSE FEE – MULTI-STATE CORPORATIONS

1 Total Capital and Paid-in-Surplus at end of Year ..... $

2 SOUTH CAROLINA PROPORTION: (line 1 x ratio from Schedule H-1, H-2 or H-3, as appropriate). Also enter on line 14, Part II ..... $

SCHEDULE F INCOME SUBJECT TO DIRECT ALLOCATION

(A) Allocated Income	(B) Gross Amounts	(C) Related Expenses	(D) Net Amounts (Column B minus Column (C)	(E) Net Amounts Allocated Directly to South Carolina

1 Total Allocated Income (Enter the total of Column D here) .....

2 Total Income Allocated to South Carolina (Enter the total of Column E) .....

Attach an explanation of each type of income listed above that is not allocated to South Carolina .....

SCHEDULE G COMPUTATION OF TAXABLE INCOME FOR CORPORATIONS CLAIMING MULTI-STATE OPERATIONS

1	Total net income as reconciled. Enter amount from line 3, Page 1	1
2	Less: Income subject to direct allocation to South Carolina and other state from Schedule F, line 1	2
3	Total net income subject to apportionment (line 1 less line 2)	3
4	Multiply amount on line 3 by appropriate ratio from Schedule H-1, 2, or 3 and enter result here	4
5	Add: Income subject to direct allocation to South Carolina from Schedule F, line 2	5
6	Total South Carolina Net Income (sum of lines 4 and 5 above) also enter on line 4, Part 1 of Page 1	6

SCHEDULE H-1 COMPUTATION OF FOUR FACTOR APPORTIONMENT RATIO

	1 Property Within South Carolina		2 Total Property Everywhere	
	(a) Beginning Period	(b) Ending Period	(a) Beginning Period	(b) Ending Period
1 Land				
2 Buildings				
3 Machinery and Equipment				
4 Inventories				
5 Other Property				
6 Exclusions				
7 TOTAL (add lines 1 - 5; subtract line 6)				

	1 Within South Carolina	2 Total Everywhere	3 Ratio
8 Average of Beginning and Ending Period (add line 7a and b and divide by 2)			
9 Rental or Lease Value			
10 TOTAL **Property** Add lines 8 and 9 (Column 1 ÷ Column 2 and enter ratio in Column 3)			%
11 GROSS Payroll			
12 Less: Officers Compensation and Exclusions			
13 TOTAL **Payroll** (Column 1 ÷ Column 2 and enter ratio in Column 3)			%
14 TOTAL **Sales** (Column 1 ÷ Column 2 and enter ratio in Column 3)			%
15 TOTAL **Sales** (same as line 14)			%
16 TOTAL of Ratios (add Column 3 – lines 10, 13, 14 and 15)			%
17 Arithmetical Average of Ratios			%

TAX PAYER'S COPY

SCHEDULE H-2 COMPUTATION OF GROSS RECEIPTS RATIO

	1 In South Carolina	2 Total Everywhere	3 Ratio
1 Total Gross Receipts			
2 Less: Exclusion (see instructions)			
3 Gross Receipts (for ratio)			
4 Ratio of Gross Receipts (line 3, Column 1 ÷ line 3, Column 2)			%

SCHEDULE H-3 COMPUTATION OF RATIO FOR PUBLIC SERVICE CORPORATIONS

	Amount	Ratio
1 Total Within South Carolina		
2 Total for System		
3 Ratio (South Carolina ÷ Total System)		%

SCHEDULE SC-K WORKSHEET

*Enter amounts from corresponding lines on your federal Schedule K in Column A.

	(A)* Amounts From Federal Schedule K	(B) Plus or Minus South Carolina Adjustments	(C) Federal Schedule K Amounts After South Carolina Adjustments	(D) Column (C) Amounts Apportioned or Allocated to States Other than South Carolina	(E) Column (C) Amounts Apportioned or Allocated in South Carolina
1	Ordinary Business Income (loss) 46,365.		46,365.		46,365.
2	Net Real Estate Rents (loss)				
3	Other Net Rents (loss)				
4	Interest Income 95.		95.		95.
5	Dividends				
6	Royalties				
7	Net Short Term Capital Gain (loss)				
8	Net Long Term Capital Gain (loss)				
9	Net Section 1231 Gain (loss)				
10	Other Income (loss)				
11	Section 179 Deduction				
12a	Contributions				
12b	Portfolio Deductions				
12c	Investment Interest Expense				
12d	Section 59 (e)(2) Expenditures				
12e	Other Deductions				

TAX PAYER'S COPY

Non-Refundable Tax Credits: Enter Total Credits from SC1120-TC, line 25 .....
SC1120-TC must be attached to return.

If Qualified Subchapter S Subsidiary Election (QSSS), please list subsidiaries.
Attach schedule, if more space is needed.

SCSA0134 10/26/04

Form SC1120S, Page 2, Schedule D, Line 7
Directors Stmt

Name	Business Address and Office
OSWALDO J ST BLANCHARD	MYRTLE BEACH SC
CATHERINE J ST BLANCHARD	MYRTLE BEACH SC

TAX PAYER'S COPY

HORRY COUNTY, SOUTH CAROLINA
PERSONAL PROPERTY RETURN [Form PR-26]
(See back of form for more information)

Horry County Auditor's Office
1201 21st Avenue North
Myrtle Beach SC 29577
Telephone: (843) 444-6140

For property owned as of December 31, 2004
TAX YEAR 2005

District:	66 CITY OF SURFSIDE
Property Description:	FURN/EQUIP
TMS #:	
Account #:	[redacted] 1500

4197 1 AV 0.278 *****AUTO**5-DIGIT 29575

MASON HOLDING COMPANY INC 43 4197
% JOE MASON
750 HIGHWAY 17 N
SURFSIDE BCH SC 29575-6023

This return is only for the personal property at the above location.

MUST INCLUDE ORIGINAL SIGNATURE AND BE POSTMARKED ON OR BEFORE APRIL 30TH TO AVOID 10% PENALTY. FAXED COPIES CANNOT BE ACCEPTED.

FOR ADDRESS CHANGES ONLY	
NAME:	BUSINESS NAME:
MAILING ADDRESS:	ADDRESS:
CITY/STATE/ZIP:	CITY/STATE/ZIP:

SECTION 1: FOR RESIDENTIAL-TYPE PROPERTIES ONLY
(houses, condos, townhouses, apartments, etc.)

Street address of property: _____

Status of any furnishings you own at this location: (check one)

Fully furnished___ Appliances only___ Totally unfurnished___

If "Appliances only", check all that apply:

Stove___ Fridge___ Washer___ Dryer___ Microwave___

1. Is this rental/leased property or available for rent/lease? Yes___ No___

Date property became available for rent/lease: _____

Rental Agent: _____

Telephone: _____

2. Is this income-producing property? Yes___ No___
3. Is this property depreciated on federal income tax? Yes___ No___
4. Is this property owned by a corporation? Yes___ No___
5. Was this your primary residence as of Dec. 31, 2004? Yes___ No___
If "Yes", see #11 on reverse side.

IF ANY ANSWER TO QUESTIONS 1-4 IS "YES", CONTINUE TO SECTION 3. IF ALL ANSWERS TO QUESTIONS 1-4 ARE "NO", PLEASE PROCEED TO SECTION 4.

SECTION 2: FOR BUSINESSES ONLY
(hotel, motel, professional, service, etc.)

Street address of property: As Above

Type of business activity: Administration

Date business opened: 1-1-94

List any other name (corporate, D/B/A, etc.) under which you may have reported personal property return.

_____

_____

Date business closed or sold: _____

PROCEED TO SECTIONS 3 & 4.

COPY
TAX PAYER'S

FOR OFFICE USE ONLY

AV: _____ Appr: _____ Date: _____

DOP: _____ PP: _____ BV: _____

DOS: _____ NOTICE: _____ SF FURN: _____

NOTE: _____

SECTION 3: PERSONAL PROPERTY SUMMARY

Please attach a copy of your latest federal depreciation schedule and Form 4562 to support your values in A through E. Values reported must include fair market value of any furniture/equipment acquired at the time the real estate was purchased plus any subsequent purchases of furniture/fixtures/appliances/equipment.

	A	B	C	D	E
	Original Cost/ Value at Acquisition	Accumulated Depreciation Since Acquisition	Net Book Value (A – B = C)	10% of All Assets Fully Depreciated	Net Taxable Value (C + D = E)
Furniture/Fixtures/Appliances/Equipment (Do not include the value of real estate.)	N/A	N/A			

SECTION 4: *Under penalty of law, I certify that this return, and any accompanying schedules and statements, is to the best of my knowledge a true and complete return made in good faith. SUBJECT TO 10% PENALTY WITHOUT SIGNATURE.*

OWNER'S SIGNATURE: _____ PRINT NAME: _____

DATE: _____ TELEPHONE #: _____ FAX #: _____

Levine Resp. to D's 1st RPD
00121 **- 1017 -**

HORRY COUNTY, SOUTH CAROLINA
PERSONAL PROPERTY RETURN [Form PR-26]
(See back of form for more information)

Horry County Auditor's Office
1201 21st Avenue North
Myrtle Beach SC 29577
Telephone: (843) 444-6140

For property owned as of December 31, 2004
TAX YEAR 2005

District:	66 CITY OF SURFSIDE
Property Description:	FURN/EQUIP
TMS #:	
Account #:	[redacted] 1500

4197 1 AV 0.278 *****AUTO**5-DIGIT 29575

MASON HOLDING COMPANY INC 43 4197
% JOE MASON
750 HIGHWAY 17 N
SURFSIDE BCH SC 29575-6023

This return is only for the personal property at the above location.

MUST INCLUDE ORIGINAL SIGNATURE AND BE POSTMARKED ON OR BEFORE APRIL 30TH TO AVOID 10% PENALTY. FAXED COPIES CANNOT BE ACCEPTED.

FOR ADDRESS CHANGES ONLY

NAME:	BUSINESS NAME:
MAILING ADDRESS:	ADDRESS:
CITY/STATE/ZIP:	CITY/STATE/ZIP:

SECTION 1: FOR RESIDENTIAL-TYPE PROPERTIES ONLY
(houses, condos, townhouses, apartments, etc.)

Street address of property: _____

Status of any furnishings you own at this location: (check one)

Fully furnished___ Appliances only___ Totally unfurnished___

If "Appliances only", check all that apply:

Stove___ Fridge___ Washer___ Dryer___ Microwave___

1. Is this rental/leased property or available for rent/lease? Yes___ No___

Date property became available for rent/lease: _____

Rental Agent: _____

Telephone: _____

2. Is this income-producing property? Yes___ No___
3. Is this property depreciated on federal income tax? Yes___ No___
4. Is this property owned by a corporation? Yes___ No___
5. Was this your primary residence as of Dec. 31, 2004 ? Yes___ No___
If "Yes", see #11 on reverse side.

IF ANY ANSWER TO QUESTIONS 1-4 IS "YES", CONTINUE TO SECTION 3. IF ALL ANSWERS TO QUESTIONS 1-4 ARE "NO", PLEASE PROCEED TO SECTION 4.

SECTION 2: FOR BUSINESSES ONLY
(hotel, motel, professional, service, etc.)

Street address of property: AS ABOVE

Type of business activity: ADMINISTRATION

Date business opened: 1-1-98

Please list any other name (corporate, D/B/A, etc.) under which you may have filed a personal property return.

_____

_____

Date business closed or sold: _____

PROCEED TO SECTIONS 3 & 4.

COPY
TAX PAYER'S

FOR OFFICE USE ONLY

AV: _____ Appr: _____ Date: _____

DOP: _____ PP: _____ BV: _____

DOS: _____ NOTICE: _____ SF FURN: _____

NOTE: _____

SECTION 3: PERSONAL PROPERTY SUMMARY	A	B	C	D	E
Please attach a copy of your latest federal depreciation schedule and Form 4562 to support your values in A through E. Values reported must include fair market value of any furniture/equipment acquired at the time the real estate was purchased plus any subsequent purchases of furniture/fixtures/appliances/equipment.	Original Cost/ Value at Acquisition	Accumulated Depreciation Since Acquisition	Net Book Value (A – B = C)	10% of All Assets Fully Depreciated	Net Taxable Value (C + D = E)
Furniture/Fixtures/Appliances/Equipment (Do not include the value of real estate.)	N/A	N/A			

SECTION 4: *Under penalty of law, I certify that this return, and any accompanying schedules and statements, is to the best of my knowledge a true and complete return made in good faith. SUBJECT TO 10% PENALTY WITHOUT SIGNATURE.*

OWNER'S SIGNATURE: _____ PRINT NAME: _____

DATE: _____ TELEPHONE #: _____ FAX #: _____

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 filed Form 2553 to elect to be an S corporation.
► See separate instructions.

OMB No. 1545-0130

2005

For calendar year 2005, or tax year beginning , 2005, and ending

A Effective date of S election: 01/01/98	Use the IRS label. Otherwise, print or type.	Name: MASON HOLDING CO. INC.	C Employer identification number: 58-2356923
B Business code number (see instructions): 561110		Number, street, and room or suite no. (If a P.O. box, see instructions.): 750 HWY 17 NO.	D Date incorporated: 01/01/98
		City or town, state, and ZIP code: SURFSIDE BEACH SC 29575	E Total assets (see instructions): $ 594,992.

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 ► 4

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

INCOME	1a	Gross receipts or sales: 438,000.	b Less returns and allowances	c Bal ► 1c	438,000.
	2	Cost of goods sold (Schedule A, line 8)		2	
	3	Gross profit. Subtract line 2 from line 1c		3	438,000.
	4	Net gain (loss) from Form 4797, Part II, line 17 *(attach Form 4797)*		4	
	5	Other income (loss) *(attach statement)*		5	
	6	Total income (loss). Add lines 3 through 5		► 6	438,000.
DEDUCTIONS (SEE INSTRUCTIONS)	7	Compensation of officers		7	188,582.
	8	Salaries and wages (less employment credits)		8	73,641.
	9	Repairs and maintenance		9	
	10	Bad debts		10	
	11	Rents		11	
	12	Taxes and licenses		12	18,625.
	13	Interest		13	
	14a	Depreciation *(attach Form 4562)*	14a		
	b	Depreciation claimed on Schedule A and elsewhere on return	14b		
	c	Subtract line 14b from line 14a		14c	
	15	Depletion (Do not deduct oil and gas depletion.)		15	
	16	Advertising		16	59,233.
	17	Pension, profit-sharing, etc. plans		17	1,961.
	18	Employee benefit programs		18	1,173.
	19	Other deductions *(attach statement)*		19	11,488.
	20	Total deductions. Add the amounts shown in the far right column for lines 7 through 19		► 20	354,703.
	21	Ordinary business income (loss). Subtract line 20 from line 6		21	83,297.
TAX AND PAYMENTS	22a	Tax: a Excess net passive income tax *(attach statement)*	22a		
	b	Tax from Schedule D (Form 1120S)	22b		
	c	Add lines 22a and 22b (see the instructions for additional taxes)		22c	
	23a	Payments: a 2005 estimated tax payments and amount applied from 2004 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 (see instructions). Check if Form 2220 is attached		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 2006 estimated tax ►	Refunded ►	27	

TAX PAYER'S COPY

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 instructions)? ☐ Yes ☐ No

Paid Preparer's Use Only

Preparer's signature		Date: 02/28/06	Check if self-employed ☐	Preparer's SSN or PTIN: [redacted]8030
Firm's name (or yours if self-employed), address, and ZIP code	LEVINE & ASSOCIATES 5767 N ANDREWS WAY FORT LAUDERDALE FL 33309			EIN: 56-2515367 Phone no.

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. SPSA0112 12/08/05 Form **1120S** (2005)

PENGAD 800-631-6989

DEPOSITION EXHIBIT
118-Levine
12-3-10

Levine Resp. to D's 1st RPD
00123

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)*	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 is 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? If 'Yes,' attach explanation ☐ Yes ☐ No

Schedule B Other Information (see instructions)

		Yes	No
1	Check method of accounting: (a) ☐ Cash (b) ☒ Accrual (c) ☐ Other (specify) ►		
2	See the instructions and enter the: (a) Business activity ► ADMINISTRATIVE SERVICES (b) Product or service ► ADVERTISING-MANAGEMT		
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 statement showing: (a) name, address, and employer identification number and (b) percentage owned *SJMT	X	
4	Was the corporation a member of a controlled group subject to the provisions of section 1561?		X
5	Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction? ► ☐		X
6	Check this box if the corporation issued publicly offered debt instruments with original issue discount ► ☐ If checked, 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 ► $ ☐		
8	Check this box if the corporation had accumulated earnings and profits at the close of the tax year		X
9	Are the corporation's total receipts (see instructions) for the tax year and its 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		

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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, Deductions, Credits, etc

	Shareholders' Pro Rata Share Items		Total amount
INCOME (LOSS)	1 Ordinary business income (loss) (page 1, line 21)	1	83,297.
	2 Net rental real estate income (loss) *(attach Form 8825)*	2	
	3a Other gross rental income (loss) 3a		
	b Expenses from other rental activities *(attach statement)* 3b		
	c Other net rental income (loss). Subtract line 3b from line 3a	3c	
	4 Interest income	4	903.
	5 Dividends: a Ordinary dividends 5a		
	b Qualified dividends 5b		
	6 Royalties	6	
	7 Net short-term capital gain (loss) *(attach Schedule D (Form 1120S))*	7	
	8a Net long-term capital gain (loss) *(attach Schedule D (Form 1120S))*	8a	
	b Collectibles (28%) gain (loss) 8b		
	c Unrecaptured section 1250 gain *(attach statement)* 8c		
	9 Net section 1231 gain (loss) (attach Form 4797)	9	
	10 Other income (loss) *(see instructions)*	10	

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	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	
	12a Contributions	12a	
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures (1) Type ► (2) Amount ►	12c (2)	
	d Other deductions *(see instructions)* ... Type ►	12d	
Credits and Credit Recapture	13a Low-income housing credit (section 42(j)(5))	13a	
	b Low-income housing credit (other)	13b	
	c Qualified rehabilitation expenditures (rental real estate) *(attach Form 3468)*	13c	
	d Other rental real estate credits (see instrs) Type ►	13d	
	e Other rental credits (see instrs) Type ►	13e	
	f Credit for alcohol used as fuel *(attach Form 6478)*	13f	
	g Other credits and credit recapture *(see instrs)* Type ►	13g	
Foreign Transactions	14a Name of country or U.S. possession ►		
	b Gross income from all sources	14b	
	c Gross income sourced at shareholder level	14c	
	Foreign gross income sourced at corporate level:		
	d Passive	14d	
	e Listed categories *(attach statement)*	14e	
	f General limitation	14f	
	Deductions allocated and apportioned at shareholder level:		
	g Interest expense	14g	
	h Other	14h	
	Deductions allocated and apportioned at corporate level to foreign source income:		
	i Passive	14i	
	j Listed categories *(attach statement)*	14j	
	k General limitation	14k	
	Other information:		
	l Total foreign taxes (check one): ► ☐ Paid ☐ Accrued	14l	
	m Reduction in taxes available for credit *(attach statement)*	14m	
	n Other foreign tax information *(attach statement)*		
Alternative Minimum Tax (AMT) Items	15a Post-1986 depreciation adjustment	15a	
	b Adjusted gain or loss	15b	
	c Depletion (other than oil and gas)	15c	
	d Oil, gas, and geothermal properties – gross income	15d	
	e Oil, gas, and geothermal properties – deductions	15e	
	f Other AMT items *(attach statement)*	15f	
Items Affecting Shareholder Basis	16a Tax-exempt interest income	16a	
	b Other tax-exempt income	16b	
	c Nondeductible expenses	16c	1,426.
	d Property distributions	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	903.
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	d Other items and amounts *(attach statement)*		
	e **Income/loss reconciliation.** (Required only if Schedule M-1 must be completed.) Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and lines 14l	17e	84,200.

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671105

Schedule K-1 (Form 1120S) — 2005

Department of the Treasury Internal Revenue Service

For calendar year 2005, or tax year beginning _____, 2005 ending _____

☐ Final K-1 ☐ Amended K-1 — OMB No. 1545-0130

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

► See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
58-2356923

B Corporation's name, address, city, state, and ZIP code
MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH, SC 29575

C IRS Center where corporation filed return
Cincinnati, OH 45999-0013

D ☐ Tax shelter registration number, if any

E ☐ Check if Form 8271 is attached

Part II Information About the Shareholder

F Shareholder's identifying number
[redacted]0934

G Shareholder's name, address, city, state, and ZIP code
JOSEPH E MASON SR
[redacted]
MYRTLE BEACH, SC [redacted]

H Shareholder's percentage of stock ownership for tax year ..... 35.00000 %

TAX PAYER'S COPY

FOR IRS USE ONLY

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

1	Ordinary business income (loss)	13	Credits & credit recapture
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions		
		17	Other information

*See attached statement for additional information.

671105

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2005

For calendar year 2005, or tax year beginning _____, 2005 ending _____

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0130

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

► See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
58-2356923

B Corporation's name, address, city, state, and ZIP code
MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH, SC 29575

C IRS Center where corporation filed return
Cincinnati, OH 45999-0013

D ☐ Tax shelter registration number, if any

E ☐ Check if Form 8271 is attached

Part II Information About the Shareholder

F Shareholder's identifying number
[redacted]4690

G Shareholder's name, address, city, state, and ZIP code
CATHERINE L MASON
[redacted]
MYRTLE BEACH, SC[redacted]

H Shareholder's percentage of stock ownership for tax year 35.000%

TAX PAYER'S COPY

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

1	Ordinary business income (loss)	13	Credits & credit recapture
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions		
		17	Other information

*See attached statement for additional information.

671105

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2005

For calendar year 2005, or tax year beginning _____, 2005 ending _____.

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0130

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

► See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
58-2356923

B Corporation's name, address, city, state, and ZIP code
MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH, SC 29575

C IRS Center where corporation filed return
Cincinnati, OH 45999-0013

D ☐ Tax shelter registration number, if any

E ☐ Check if Form 8271 is attached

Part II Information About the Shareholder

F Shareholder's identifying number
[redacted]-6182

G Shareholder's name, address, city, state, and ZIP code
JOSEPH E MASON JR
[redacted]
MYRTLE BEACH, SC [redacted]

H Shareholder's percentage of stock ownership for tax year ..... 15.00000 %

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

1	Ordinary business income (loss) 51,649.	13	Credits & credit recapture
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 451.		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
11	Section 179 deduction	16	Items affecting shareholder basis
		C	713.
12	Other deductions		
		17	Other information
		A	451.

TAX PAYER'S COPY

*See attached statement for additional information.

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SPSA0412 12/08/05

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671105

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2005

For calendar year 2005, or tax year beginning _____, 2005 ending _____

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0130

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

▸ See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
58-2356923

B Corporation's name, address, city, state, and ZIP code
MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH, SC 29575

C IRS Center where corporation filed return
Cincinnati, OH 45999-0013

D ☐ Tax shelter registration number, if any

E ☐ Check if Form 8271 is attached

Part II Information About the Shareholder

F Shareholder's identifying number
[redacted]-0927

G Shareholder's name, address, city, state, and ZIP code
CATHERINE J ST BLANCHARD
[redacted]
MYRTLE BEACH, SC [redacted]

H Shareholder's percentage of stock ownership for tax year ..... 15.00000 %

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

1	Ordinary business income (loss) 31,648.	13	Credits & credit recapture
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 452.		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
11	Section 179 deduction	16 C	Items affecting shareholder basis 713.
12	Other deductions		
		17 A	Other information 452.

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*See attached statement for additional information.

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SPSA0412 12/08/05

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Form 1120S, Page 1, Line 19
Other Deductions

AUTOMOBILE AND TRUCK EXPENSE	1,810.
BANK CHARGES	62.
DUES AND SUBSCRIPTIONS	40.
INSURANCE	4,590.
MEALS AND ENTERTAINMENT (50%)	91.
MISCELLANEOUS	227.
OFFICE EXPENSE	2,120.
POSTAGE	2,399.
PROFESSIONAL TRAINING	149.
Total	11,488.

Form 1120S, Page 2, Schedule B, Question 3
Ownership of Domestic Corporation

Name ..... MASON TIRE & AUTO SERVICE INC
Address ..... SURFSIDE BEACH SC 29587
Address line 2 .. _____
City ..... State ___ ZIP Code _____
Employer identification number (EIN) 57-0801371
Percentage owned 100.00
Name ..... J & O TIRE & AUTO SERVICE INC
Address ..... NO. MYRTLE BEACH SC 29582
Address line 2 .. _____
City ..... State ___ ZIP Code _____
Employer identification number (EIN) 57-0919487
Percentage owned 100.00
Name ..... M & S TIRE COMPANY INC+
Address ..... OCEAN HWY PAWLEYS ISLAND SC
Address line 2 .. _____
City ..... State ___ ZIP Code _____
Employer identification number (EIN) 58-2356919
Percentage owned 100.00
Name ..... K.& J. TIRE INC.
Address ..... MYRTLE BEACH S.C.
Address line 2 .. _____
City ..... State ___ ZIP Code _____
Employer identification number (EIN) 57-1083113
Percentage owned 100.00

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Other Investments:
1120S, Schedule L, Line 9

Other Investments:	Beginning of tax year	End of tax year
COMMOM STOCKS VARIOUS CORPOATIONS	505,000.	505,000.
Total	505,000.	505,000.

Other Current Liabilities:
1120S, Schedule L, Line 18

Other Current Liabilities:	Beginning of tax year	End of tax year
PAYROLL TAXES PAYABLE	1,946.	1,959.
Total	1,946.	1,959.

Form 1120S, Page 4, Schedule M-1, Line 3
Sch M-1, Line 3

LIFE INSURANCE PREMIUMS	1,335.
Total	1,335.

Form 1120S, Page 4, Schedule M-2, Line 3
Schedule M-2, Other Additions

INTEREST INCOME	903.
Total	903.

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Form 1120S, Page 4, Schedule M-2, Line 5
Schedule M-2, Other Reductions

MEALS AND ENTERTAINMENT	91.	
LIFE INSURANCE PREMIUMS	1,335.	
Total	1,426.	

STATE OF SOUTH CAROLINA

'S' CORPORATION INCOME TAX RETURN

INT

Return is due on or before the 15th day of the 3rd month following the close of the taxable year.
Mail this return to: SC DEPARTMENT OF REVENUE, Corporation Return, Columbia, SC 29214-0100

SC 1120S
(Rev 8/18/05)
3095

SC FILE No. APPLIED -0

A COMPLETE COPY OF FEDERAL RETURN MUST BE ATTACHED TO THIS RETURN.

INCOME TAX PERIOD ENDING 12/31/05
LICENSE FEE PERIOD ENDING 12/31/06

County or Counties in SC Where Property is Located: HORRY

City: SURFSIDE | Audit Location | State: SC

FEDERAL EMPLOYER ID NO. 58-2356923
NAME MASON HOLDING CO. INC.
MAILING ADDRESS 750 HWY 17 NO.

Audit Contact: JOSEPH MASON JR. | Telephone Number: (843) 238-3339

CITY SURFSIDE BEACH
STATE SC ZIP CODE 29575

Check if ..... ► ☐ QSSS

Change of ..... ☐ Address ☐ Accounting Period

Total Gross Receipts. ► 438,000.

Total cost of depreciable personal property in SC. ► 0.

If Filing a Final Return, See Instructions for Further Information.
► ☐ Merged ☐ Reorganized ☐ Dissolved ☐ Withdrawn

Does the Corporation have any Shareholders who are nonresidents of South Carolina? ☐ Yes ☒ No

PART I COMPUTATION OF INCOME TAX LIABILITY

1	Total of line 1 through 10, Schedule K of Federal Form 1120S	1	84,200.
2	Net Adjustment from line 15, Schedule A and B	2	
3	Total Net Income as Reconciled (add line 1 plus or minus line 2)	3	84,200.
4	If Multi-state Corporation, enter amount from line 6, Schedule G; otherwise, enter amount from line 3	4	84,200.
5	LESS: Income on line 4 taxed to shareholders of S Corporation	5	-84,200.
6	South Carolina Net Income subject to tax (line 4 less line 5)	6	0.
7	TAX: Multiply amount on line 6 by .05 (5.0%)	7	0.
8	Payments: (a) Tax Withheld (see instrs) ► ____ (b) Paid by Declaration ► ____ (c) Paid with Tentative Rtn ► ____ (d) Credit from Line 13b ► ____ Refundable Credits: (e) Ammonia Additive ► ____ (f) Milk Credit ► ____		
9	Total Payments and Refundable Credits: (add lines 8a through 8f)	9	
10	Balance of Tax Due (line 7 less line 9)	10	0.
11	Interest Due ► ____ Penalty Due ► ____ (See penalty and interest instructions.) Enter Total	11	
12	TOTAL INCOME TAX, Interest and Penalty Due (add lines 10 and 11) ..... BALANCE DUE	12	0.
13	OVERPAYMENT (line 9 less line 7) ____ To be applied as follows: (a) Estimated Tax ► ____ (b) License Fee ► ____ (c) Refunded ►		

TAX PAYER'S COPY

PART II COMPUTATION OF LICENSE FEE

14	Total Capital And Paid in Surplus (Multi-State Corporations See Schedule E)	14	500,000.
15	FEE DUE– Line 14 x .001, plus $15.00 (Fee cannot be less than $25.00 per taxpayer)	15	515.
16	LESS: Applicable Credits against License Fee (attach SC1120-TC)	16	
17	Balance (line 15 less line 16)	17	515.
18	Payments: (a) Paid with Tentative Return ► ____ (b) Credit from line 13b ► ____		
19	Total Payments (add line 18(a) and (b))	19	
20	Balance of Fee Due (line 17 less line 19)	20	515.
21	Interest Due ► ____ Penalty Due ► ____ (See penalty and interest instructions.) Enter Total	21	
22	TOTAL LICENSE FEE, Interest and Penalty Due (add lines 20 and 21) ..... BALANCE DUE	22	515.
23	OVERPAYMENT (line 19 less line 17) ____ To be applied as follows: (a) Estimated Tax ► ____ (b) Income Tax ► ____ (c) Refunded ►		
24	GRAND TOTAL: INCOME TAX and LICENSE FEE DUE (add lines 12 and 22) ..... EFT ☐ ►	24	515.

Make check payable to: South Carolina Department of Revenue.

Please Sign Here

I, the undersigned, a principal officer of the corporation for which this return is made declare that this return, including accompanying Annual statements and schedules, has been examined by me and is to the best of my knowledge and belief, a true and complete return.

► Signature of officer ____ Date ____ ► Title ____ (843) 238-3339 Telephone Number

I authorize the Director of the Department of Revenue or delegate to discuss this return, attachments and related tax matters with the preparer .... Yes ☐ No ☐

Preparer's Printed Name

Paid Preparer's Use Only

Preparer's signature ► [signature] Date 02/28/06 Check if self-employed ► ☐ Preparer's telephone no.

Firm's name (or yours if self-employed) and address ► LEVINE & ASSOCIATES
5767 N ANDREWS WAY
FORT LAUDERDALE FL

EIN ► 56-2515367

ZIP Code ► 33309

SCSA0112 10/18/05

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SCHEDULE A AND B ADDITIONS TO FEDERAL TAXABLE INCOME

1	Taxes on or Measured By Income	1	
2	Excess net passive income subject to federal tax	2	
3	Taxable portion of certain built-in gains subject to federal tax	3	
4		4	
5		5	
6	Other Additions (attach schedule)	6	
7	Total Additions (add lines 1 through 6)	7	

DEDUCTIONS FROM FEDERAL TAXABLE INCOME

8		8	
9		9	
10		10	
11		11	
12		12	
13	Other Deductions (attach schedule)	13	
14	Total Deductions (add lines 8 through 13)	14	
15	Net Adjustment (line 7 less line 14) Also enter on line 2, Part 1, SC1120S	15	

SCHEDULE C RESERVED

SCHEDULE D ANNUAL REPORT TO BE COMPLETED BY ALL CORPORATIONS

1 Name MASON HOLDING CO. INC.

2 Incorporated under the laws of the State of SC

3 Location of the Registered Office of the Corporation in the State of South Carolina is HWY 17 N
in the City of SURFSIDE BEACH Registered Agent at such address is SAME

4 Location of principal office (street address) HWY 17 N SURFSIDE BEACH SC
Nature of principal business in South Carolina ADMINISTRATIVE SERVICES

5 The total number of authorized shares of capital stock itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
1,000	COMMON	1

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6 The total number of **issued and outstanding shares** of capital stock itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
1,000	COMMON	1

7 The names and business addresses of the directors (or individuals functioning as directors) and principal officers in the Corporation are: (if additional space is necessary, attach separate schedule).

NAME	BUSINESS ADDRESS AND OFFICE
JOSEPH E MASON SR	MYRTLE BEACH SC
CATHERINE L MASON	MYRTLE BEACH SC
JOSEPH E MASON JR	MYRTLE BEACH SC
CATHERINE J ST BLANCHARD	MYRTLE BEACH SC

8 Date Incorporated 01/01/98 Date commenced business in the State of South Carolina was 01/01/98

9 Date of this report 12/31/05 Federal EIN 58-2356923

10 If Foreign Corporation, the date qualified to do business in the State of South Carolina is

11 Was the name of the Corporation changed during the year? No Give old name

12 The Corporation's books are in the care of JOSEPH E MASON JR.
Located at (street address) HWY 17 N SURFSIDE BEACH SC

13 The total amount of stated capital per balance sheet is:

a	Total paid in Capital Stock (cannot be a negative amount)	$ 200,000.
b	Total paid in Capital Surplus (cannot be a negative amount)	$ 300,000.
c	Total amount of stated Capital (cannot be a negative amount)	$ 500,000.

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SCHEDULES E, F, G, AND H ARE TO BE COMPLETED BY MULTI-STATE CORPORATIONS

SCHEDULE E COMPUTATION FOR LICENSE FEE – MULTI-STATE CORPORATIONS

1 Total Capital and Paid-in-Surplus at end of Year ..... $

2 SOUTH CAROLINA PROPORTION: (line 1 x ratio from Schedule H-1, H-2 or H-3, as appropriate). Also enter on line 14, Part II ..... $

SCHEDULE F INCOME SUBJECT TO DIRECT ALLOCATION

(A) Allocated Income	(B) Gross Amounts	(C) Related Expenses	(D) Net Amounts (Column B minus Column (C)	(E) Net Amounts Allocated Directly to South Carolina

1 Total Allocated Income (Enter the total of Column D here) .....

2 Total Income Allocated to South Carolina (Enter the total of Column E) .....

Attach an explanation of each type of income listed above that is not allocated to South Carolina .....

SCHEDULE G COMPUTATION OF TAXABLE INCOME FOR CORPORATIONS CLAIMING MULTI-STATE OPERATIONS

1	Total net income as reconciled. Enter amount from line 3, Page 1	1
2	Less: Income subject to direct allocation to South Carolina and other state from Schedule F, line 1	2
3	Total net income subject to apportionment (line 1 less line 2)	3
4	Multiply amount on line 3 by appropriate ratio from Schedule H-1, 2, or 3 and enter result here	4
5	Add: Income subject to direct allocation to South Carolina from Schedule F, line 2	5
6	Total South Carolina Net Income (sum of lines 4 and 5 above) also enter on line 3, Part 1 of Page 1	6

SCHEDULE H-1 COMPUTATION OF FOUR FACTOR APPORTIONMENT RATIO

TAXPAYER'S COPY

	1 Property Within South Carolina		2 Total Property Everywhere	
	(a) Beginning Period	(b) Ending Period	(a) Beginning Period	(b) Ending Period
1 Land				
2 Buildings				
3 Machinery and Equipment				
4 Inventories				
5 Other Property				
6 Exclusions				
7 TOTAL (add lines 1 - 5; subtract line 6)				

	1 Within South Carolina	2 Total Everywhere	3 Ratio
8 Average of Beginning and Ending Period (add line 7a and b and divide by 2)			
9 Rental or Lease Value			
10 TOTAL Property Add lines 8 and 9 (Column 1 + Column 2 and enter ratio in Column 3)			%
11 GROSS Payroll			
12 Less: Officers Compensation and Exclusions			
13 TOTAL Payroll (Column 1 + Column 2 and enter ratio in Column 3)			%
14 TOTAL Sales (Column 1 + Column 2 and enter ratio in Column 3)			%
15 TOTAL Sales (same as line 14)			%
16 TOTAL of Ratios (add Column 3 – lines 10, 13, 14 and 15)			%
17 Arithmetical Average of Ratios			%

SCHEDULE H-2 COMPUTATION OF GROSS RECEIPTS RATIO

	1 In South Carolina	2 Total Everywhere	3 Ratio
1 Total Gross Receipts			
2 Less: Exclusion (see instructions)			
3 Gross Receipts (for ratio)			
4 Ratio of Gross Receipts (line 3, Column 1 ÷ line 3, Column 2)			%

SCHEDULE H-3 COMPUTATION OF RATIO FOR PUBLIC SERVICE CORPORATIONS

	Amount	Ratio
1 Total Within South Carolina		
2 Total for System		
3 Ratio (South Carolina ÷ Total System)		%

SCSA0134 10/26/04

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SCHEDULE SC-K WORKSHEET

*Enter amounts from corresponding lines on your federal Schedule K in Column B.

	(A) Description	(B)* Amounts From Federal Schedule K	(C) Plus or Minus South Carolina Adjustments	(D) Federal Schedule K Amounts After South Carolina Adjustments	(E) Column (D) Amounts Apportioned or Allocated to States Other than South Carolina	(F) Column (D) Amounts Apportioned or Allocated in South Carolina
1	Ordinary Business Income (loss)	83,297.		83,297.		83,297.
2	Net Real Estate Rents (loss)					
3	Other Net Rents (loss)					
4	Interest Income	903.		903.		903.
5	Dividends					
6	Royalties					
7	Net Short Term Capital Gain (loss)					
8	Net Long Term Capital Gain (loss)					
9	Net Section 1231 Gain (loss)					
10	Other Income (loss)					
11	Section 179 Deduction					
12a	Contributions					
12b	Investment Interest Expense					
12c	Section 59 (e)(2) Expenditures					
12d	Other Deductions					

TAX PAYER'S COPY

Non-Refundable Tax Credits: Enter Total Credits from SC1120-TC, line 27 .....

SC1120-TC must be attached to return.

If Qualified Subchapter S Subsidiary Election (QSSS), please list subsidiaries.
Attach schedule, if more space is needed.

INT

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

SOUTH CAROLINA SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

SCHEDULE SCK-1
(Rev 8/23/05)
3402

For calendar year 2005 or tax year beginning and ending

Shareholder's identifying number ► [redacted]0934	S Corporation's identifying number ► 58-2356923
Shareholder's name, address and Zip code JOSEPH E MASON SR [redacted] MYRTLE BEACH SC [redacted]	S Corporation's name, address and Zip code MASON HOLDING CO. INC. 750 HWY 17 NO. SURFSIDE BEACH SC 29575

A Shareholder's percentage of stock ownership for tax year ► 35.00000 %

B Check if applicable: 1 ☐ Final K-1 2 ☐ Amended K-1 3 ☐ Non-Resident

	Shareholder's Pro Rata Share Items		Total amount
Income/Loss	1 Ordinary business income (loss)	1	
	2 Net rental real estate income (loss)	2	
	3 Other Net rental income (loss)	3	
	4 Interest income	4	
	5 Dividends: a Ordinary dividends	5a	
	b Qualified dividends 5b		
	6 Royalties	6	
	7 Net short-term capital gain (loss)	7	
	8 Net long-term capital gain (loss)	8	
	9 Net section 1231 gain (loss)	9	
	10 Other income (loss)	10	
Deductions	11 Section 179 deduction	11	
	12a Contributions	12a	
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures	12c	
	d Other deductions	12d	
	13 Withholding tax for nonresident shareholder	13	
Credits	List applicable credits. (Attach an additional sheet if needed.)		
	14	14	
	15	15	
	16	16	
	17	17	
	18	18	
	19 Total Corporate Income Credits	19	

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SCSA0301 10/22/05

Levine Resp. to D's 1st RPD
00136

INT

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

SOUTH CAROLINA SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

SCHEDULE SCK-1
(Rev 8/23/05)
3402

For calendar year 2005 or tax year beginning _____ and ending _____

Shareholder's identifying number ► [redacted]4690

Shareholder's name, address and Zip code

CATHERINE L MASON
[redacted]
MYRTLE BEACH SC [redacted]

S Corporation's identifying number ► 58-2356923

S Corporation's name, address and Zip code

MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH SC 29575

A Shareholder's percentage of stock ownership for tax year ► 35.00000 %

B Check if applicable: 1 ☐ Final K-1 2 ☐ Amended K-1 3 ☐ Non-Resident

	Shareholder's Pro Rata Share Items		Total amount
Income/Loss	1 Ordinary business income (loss)	1	
	2 Net rental real estate income (loss)	2	
	3 Other Net rental income (loss)	3	
	4 Interest income	4	
	5 Dividends: a Ordinary dividends	5a	
	b Qualified dividends 5b		
	6 Royalties	6	
	7 Net short-term capital gain (loss)	7	
	8 Net long-term capital gain (loss)	8	
	9 Net section 1231 gain (loss)	9	
	10 Other income (loss)	10	
Deductions	11 Section 179 deduction	11	
	12a Contributions	12a	
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures	12c	
	d Other deductions	12d	
	13 Withholding tax for nonresident shareholder	13	
Credits	List applicable credits. (Attach an additional sheet if needed.)		
	14	14	
	15	15	
	16	16	
	17	17	
	18	18	
	19 Total Corporate Income Credits	19	

TAX PAYER'S COPY

SCSA0301 10/22/05

Levine Resp. to D's 1st RPD
00137

INT

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

SOUTH CAROLINA SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

SCHEDULE SCK-1
(Rev 8/23/05)
3402

For calendar year 2005 or tax year beginning _____ and ending _____

Shareholder's identifying number ► [redacted]6182

Shareholder's name, address and Zip code

JOSEPH E MASON JR
[redacted]
MYRTLE BEACH SC [redacted]

S Corporation's identifying number ► 58-2356923

S Corporation's name, address and Zip code

MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH SC 29575

A Shareholder's percentage of stock ownership for tax year ► 15.00000 %

B Check if applicable: 1 ☐ Final K-1 2 ☐ Amended K-1 3 ☐ Non-Resident

	Shareholder's Pro Rata Share Items		Total amount
Income/Loss	1 Ordinary business income (loss)	1	51,649.
	2 Net rental real estate income (loss)	2	
	3 Other Net rental income (loss)	3	
	4 Interest income	4	451.
	5 Dividends: a Ordinary dividends	5a	
	b Qualified dividends 5b		
	6 Royalties	6	
	7 Net short-term capital gain (loss)	7	
	8 Net long-term capital gain (loss)	8	
	9 Net section 1231 gain (loss)	9	
	10 Other income (loss)	10	
Deductions	11 Section 179 deduction	11	
	12a Contributions	12a	
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures	12c	
	d Other deductions	12d	
	13 Withholding tax for nonresident shareholder	13	
Credits	List applicable credits. (Attach an additional sheet if needed.)		
	14	14	
	15	15	
	16	16	
	17	17	
	18	18	
	19 Total Corporate Income Credits	19	

TAX PAYER'S COPY

SCSA0301 10/22/05

Levine Resp. to D's 1st RPD
00138

INT

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

SOUTH CAROLINA SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

SCHEDULE SCK-1
(Rev 8/23/05)
3402

For calendar year 2005 or tax year beginning _____ and ending _____

Shareholder's identifying number ► [redacted]0927

Shareholder's name, address and Zip code

CATHERINE J ST BLANCHARD
[redacted]
MYRTLE BEACH SC [redacted]

S Corporation's identifying number ► 58-2356923

S Corporation's name, address and Zip code

MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH SC 29575

A Shareholder's percentage of stock ownership for tax year ► 15.00000 %

B Check if applicable: 1 ☐ Final K-1 2 ☐ Amended K-1 3 ☐ Non-Resident

	Shareholder's Pro Rata Share Items		Total amount
Income/Loss	1 Ordinary business income (loss)	1	31,648.
	2 Net rental real estate income (loss)	2	
	3 Other Net rental income (loss)	3	
	4 Interest income	4	452.
	5 Dividends: a Ordinary dividends	5a	
	b Qualified dividends 5b		
	6 Royalties	6	
	7 Net short-term capital gain (loss)	7	
	8 Net long-term capital gain (loss)	8	
	9 Net section 1231 gain (loss)	9	
	10 Other income (loss)	10	
Deductions	11 Section 179 deduction	11	
	12a Contributions	12a	
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures	12c	
	d Other deductions	12d	
	13 Withholding tax for nonresident shareholder	13	
Credits	List applicable credits. (Attach an additional sheet if needed.)		
	14	14	
	15	15	
	16	16	
	17	17	
	18	18	
	19 Total Corporate Income Credits	19	

TAX PAYER'S COPY

SCSA0301 10/22/05

Levine Resp. to D's 1st RPD
00139

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 filed Form 2553 to elect to be an S corporation.
► See separate instructions.

OMB No. 1545-0130

2006

For calendar year 2006 or tax year beginning , 2006, ending

A Effective date of S election: 01/01/98	Use the IRS label. Otherwise, print or type.	Name: MASON HOLDING CO. INC.	C Employer identification number: 58-2356923
B Business activity code number (see instructions): 561110		Number, street, and room or suite no. If a P.O. box, see instructions.: 750 HWY 17 NO.	D Date incorporated: 01/01/98
		City or town, state, and ZIP code: SURFSIDE BEACH SC 29575	E Total assets (see instructions): $ 660,227.

F Check if: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

G Enter the number of shareholders in the corporation at the end of the tax year ► 4

H Check if Schedule M-3 is required (attach Schedule M-3) ► ☐

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

INCOME	1a	Gross receipts or sales: 475,073. b Less returns and allowances: c Bal ►	1c	475,073.
	2	Cost of goods sold (Schedule A, line 8)	2	
	3	Gross profit. Subtract line 2 from line 1c	3	475,073.
	4	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	4	
	5	Other income (loss) (attach statement)	5	
	6	Total income (loss). Add lines 3 through 5 ►	6	475,073.
DEDUCTIONS (SEE INSTRS)	7	Compensation of officers	7	194,227.
	8	Salaries and wages (less employment credits)	8	71,622.
	9	Repairs and maintenance	9	
	10	Bad debts	10	
	11	Rents	11	
	12	Taxes and licenses	12	19,501.
	13	Interest	13	
	14	Depreciation not claimed on Schedule A or elsewhere on return (attach Form 4562)	14	1,900.
	15	Depletion (Do not deduct oil and gas depletion.)	15	
	16	Advertising	16	43,184.
	17	Pension, profit-sharing, etc, plans	17	
	18	Employee benefit programs	18	713.
	19	Other deductions (attach statement) STMT	19	19,006.
	20	Total deductions. Add lines 7 through 19 ►	20	350,153.
	21	Ordinary business income (loss). Subtract line 20 from line 6	21	124,920.
TAX AND PAYMENTS	22a	Excess net passive income or LIFO recapture tax (see instructions) 22a		
	b	Tax from Schedule D (Form 1120S) 22b		
	c	Add lines 22a and 22b (see instructions for additional taxes)	22c	
	23a	2006 estimated tax payments and 2005 overpayment credited to 2006 23a		
	b	Tax deposited with Form 7004 23b		
	c	Credit for federal tax paid on fuels (attach Form 4136) 23c		
	d	Credit for federal telephone excise tax paid (attach Form 8913) 23d		
	e	Add lines 23a through 23d	23e	
	24	Estimated tax penalty (see instructions). Check if Form 2220 is attached ► ☐	24	
	25	Amount owed. If line 23e is smaller than the total of lines 22c and 24, enter amount owed	25	
	26	Overpayment. If line 23e is larger than the total of lines 22c and 24, enter amount overpaid	26	
	27	Enter amount from line 26 Credited to 2007 estimated tax ► Refunded ►	27	

TAX PAYER'S COPY

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: 3-2-07 — Title: PRESIDENT

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

Paid Preparer's Use Only

Preparer's signature	Date: 02/24/07	Check if self-employed ☐	Preparer's SSN or PTIN: [redacted]8030
Firm's name (or yours if self-employed), address, and ZIP code: LEVINE-THOMAS & ASSOCIATES LLC, 5767 N ANDREWS WAY, FT. LAUDERDALE FL 33309		EIN: 56-2515367	Phone no.

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. SPSA0112 01/05/07 Form 1120S (2006)

DEPOSITION EXHIBIT 119-Levine 12-3-10
PENGAD 800-631-6989

Levine Resp. to D's 1st RPD
00140

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)*	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 is 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? If 'Yes,' attach explanation ☐ Yes ☐ No

Schedule B Other Information (see instructions)

		Yes	No
1	Check accounting method: a ☐ Cash b ☒ Accrual c ☐ Other (specify) ►		
2	See the instructions and enter the: a Business activity ► ADMINISTRATIVE SERVICES b Product or service ► ADVERTISING-MANAGEMT		
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 statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a QSub election made? STMT	X	
4	Was the corporation a member of a controlled group subject to the provisions of section 1561?		X
5	Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
6	Check this box if the corporation issued publicly offered debt instruments with original issue discount ► ☐ If checked, 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 ► $		
8	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
9	Are the corporation's total receipts *(see instructions)* for the tax year and its 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, at any time during the tax year, 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.*

TAXPAYER'S COPY

Schedule K Shareholders' Pro Rata Share Items

				Total amount
INCOME (LOSS)	1	Ordinary business income (loss) (page 1, line 21)	1	124,920.
	2	Net rental real estate income (loss) *(attach Form 8825)*	2	
	3a	Other gross rental income (loss) 3a		
	b	Expenses from other rental activities *(attach statement)* 3b		
	c	Other net rental income (loss). Subtract line 3b from line 3a	3c	
	4	Interest income	4	41,450.
	5	Dividends: a Ordinary dividends	5a	
		b Qualified dividends 5b		
	6	Royalties	6	
	7	Net short-term capital gain (loss) *(attach Schedule D (Form 1120S))*	7	
	8a	Net long-term capital gain (loss) *(attach Schedule D (Form 1120S))*	8a	
	b	Collectibles (28%) gain (loss) 8b		
	c	Unrecaptured section 1250 gain *(attach statement)* 8c		
	9	Net section 1231 gain (loss) *(attach Form 4797)*	9	
	10	Other income (loss) *(see instructions)*	10	

Levine Resp. to D's 1st RPD
00141

	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	12,000.
	12a Contributions ..... Cash contribution (50%)	12a	700.
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures (1) Type ► _____ (2) Amount ►	12c (2)	
	d Other deductions *(see instructions)* Type ►	12d	
Credits	13a Low-income housing credit (section 42(j)(5))	13a	
	b Low-income housing credit (other)	13b	
	c Qualified rehabilitation expenditures (rental real estate) *(attach Form 3468)*	13c	
	d Other rental real estate credits *(see instrs)* Type ►	13d	
	e Other rental credits (see instrs) Type ►	13e	
	f Credit for alcohol used as fuel *(attach Form 6478)*	13f	
	g Other credits *(see instructions)* Type ►	13g	
Foreign Transactions	14a Name of country or U.S. possession ►		
	b Gross income from all sources	14b	
	c Gross income sourced at shareholder level	14c	
	Foreign gross income sourced at corporate level		
	d Passive	14d	
	e Listed categories *(attach statement)*	14e	
	f General limitation	14f	
	Deductions allocated and apportioned at shareholder level		
	g Interest expense	14g	
	h Other	14h	
	Deductions allocated and apportioned at corporate level to foreign source income		
	i Passive	14i	
	j Listed categories *(attach statement)*	14j	
	k General limitation	14k	
	Other information		
	l Total foreign taxes (check one): ► ☐ Paid ☐ Accrued	14l	
	m Reduction in taxes available for credit *(attach statement)*	14m	
	n Other foreign tax information *(attach statement)*		
Alternative Minimum Tax (AMT) Items	15a Post-1986 depreciation adjustment	15a	475.
	b Adjusted gain or loss	15b	
	c Depletion (other than oil and gas)	15c	
	d Oil, gas, and geothermal properties – gross income	15d	
	e Oil, gas, and geothermal properties – deductions	15e	
	f Other AMT items *(attach statement)*	15f	
Items Affecting Shareholder Basis	16a Tax-exempt interest income	16a	
	b Other tax-exempt income	16b	
	c Nondeductible expenses	16c	7,760.
	d Property distributions	16d	87,143.
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	41,450.
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	0.
	d Other items and amounts *(attach statement)*		
Reconciliation	18 Income/loss reconciliation. Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and lines 14l	18	153,670.

TAX PAYER'S COPY

Schedule L Balance Sheets per Books

Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1 Cash		89,992.		147,627.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities *(see instructions)*				
6 Other current assets *(attach stmt)*				
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments *(attach statement)* Ln. 9. St.		505,000.		505,000.
10a Buildings and other depreciable assets			21,500.	
b Less accumulated depreciation			13,900.	7,600.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization				
14 Other assets *(attach stmt)*				
15 Total assets		594,992.		660,227.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities *(attach stmt)* Ln. 18. St.		1,959.		8,427.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more				
21 Other liabilities *(attach statement)*				
22 Capital stock		200,000.		200,000.
23 Additional paid-in capital		300,000.		300,000.
24 Retained earnings		93,033.		151,800.
25 Adjustments to shareholders' equity *(att stmt)*				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		594,992.		660,227.

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

Note: Schedule M-3 required instead of Schedule M-1 if total assets are $10 million or more – see instructions

1 Net income (loss) per books	145,910.	5 Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize): a Tax-exempt interest $	
2 Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):			
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 12, and 14l (itemize): a Depreciation $		6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation	
b Travel and entertainment $ 2,981.			
* STMT 4,779.	7,760.	7 Add lines 5 and 6	
4 Add lines 1 through 3	153,670.	8 Income (loss) (Schedule K, line 18). Ln 4 less ln 7	153,670.

TAX PAYER'S COPY

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

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1 Balance at beginning of tax year	112,754.	0.	0.
2 Ordinary income from page 1, line 21	124,920.		
3 Other additions * STMT	41,450.		
4 Loss from page 1, line 21			
5 Other reductions * STMT	20,460.		
6 Combine lines 1 through 5	258,664.	0.	0.
7 Distributions other than dividend distributions	87,143.	0.	0.
8 Balance at end of tax year. Subtract line 7 from line 6	171,521.	0.	0.

Levine Resp. to D's 1st RPD
00143

Form **4562**

Department of the Treasury
Internal Revenue Service

Depreciation and Amortization
(Including Information on Listed Property)

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

OMB No. 1545-0172

2006

Attachment Sequence No. 67

Name(s) shown on return: MASON HOLDING CO. INC.

Identifying number: 58-2356923

Business or activity to which this form relates: Form 1120S Line 21

Part I Election To Expense Certain Property Under Section 179

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

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	$108,000.
2	Total cost of section 179 property placed in service (see instructions)	2	21,500.
3	Threshold cost of section 179 property before reduction in limitation	3	$430,000.
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	108,000.

6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost

7	Listed property. Enter the amount from line 29	7	12,000.	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7		8	12,000.
9	Tentative deduction. Enter the smaller of line 5 or line 8		9	12,000.
10	Carryover of disallowed deduction from line 13 of your 2005 Form 4562		10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)		11	108,000.
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11		12	12,000.
13	Carryover of disallowed deduction to 2007. Add lines 9 and 10, less line 12 ►	13	0.	

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

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

14	Special allowance for qualified New York Liberty or Gulf Opportunity Zone property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

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

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2006	17	
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ► ☐		

Section B — Assets Placed in Service During 2006 Tax Year Using the General Depreciation System

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

TAX PAYER'S COPY

Section C — Assets Placed in Service During 2006 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	1,900.
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions	22	1,900.
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	

Levine Resp. to D's 1st RPD
00144

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

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

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

24a Do you have evidence to support the business/investment use claimed? ..... [X] Yes [ ] No 24b If 'Yes,' is the evidence written? ..... [ ] Yes [X] 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 allowance for qualified New York Liberty or Gulf Opportunity Zone property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)						25		
26 Property used more than 50% in a qualified business use:								
DODGE RAM 06	09/28/06	100.00	21,500.	9,500.	5.00	200DB/HY	1,900.	12,000.
27 Property used 50% or less in a qualified business use:								
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1						28	1,900.	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1								29 12,000.

Section B – Information on Use of Vehicles

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

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
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												
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

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

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

TAX PAYER'S COPY

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

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

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2006 tax year (see instructions):					
43 Amortization of costs that began before your 2006 tax year				43	
44 Total. Add amounts in column (f). See instructions for where to report				44	

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00145

671106

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2006

For calendar year 2006, or tax year beginning _____, 2006 ending _____.

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0130

Shareholder's Share of Income, Deductions, Credits, etc. ▸ See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
58-2356923

B Corporation's name, address, city, state, and ZIP code
MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH, SC 29575

C IRS Center where corporation filed return
Cincinnati, OH 45999-0013

D ☐ Tax shelter registration number, if any

E ☐ Check if Form 8271 is attached

Part II Information About the Shareholder

F Shareholder's identifying number
[redacted]0934

G Shareholder's name, address, city, state, and ZIP code
JOSEPH E MASON SR
[redacted]
MYRTLE BEACH, SC [redacted]

H Shareholder's percentage of stock ownership for tax year ..... 28.00000 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss)	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions		
		17	Other information

TAX PAYER'S COPY

*See attached statement for additional information.

671106

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2006

For calendar year 2006, or tax year beginning _____, 2006 ending _____

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0130

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

► See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
58-2356923

B Corporation's name, address, city, state, and ZIP code
MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH, SC 29575

C IRS Center where corporation filed return
Cincinnati, OH 45999-0013

D ☐ Tax shelter registration number, if any

E ☐ Check if Form 8271 is attached

Part II Information About the Shareholder

F Shareholder's identifying number
[redacted]4690

G Shareholder's name, address, city, state, and ZIP code
CATHERINE L MASON
[redacted]
MYRTLE BEACH, SC [redacted]

H Shareholder's percentage of stock ownership for tax year ..... 28.00000 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss)	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions		
		17	Other information

TAX PAYER'S COPY

*See attached statement for additional information.

671106

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2006

For calendar year 2006, or tax year beginning _____, 2006 ending _____

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0130

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

► See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
58-2356923

B Corporation's name, address, city, state, and ZIP code
MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH, SC 29575

C IRS Center where corporation filed return
Cincinnati, OH 45999-0013

D ☐ Tax shelter registration number, if any

E ☐ Check if Form 8271 is attached

Part II Information About the Shareholder

F Shareholder's identifying number
[redacted]6182

G Shareholder's name, address, city, state, and ZIP code
JOSEPH E MASON JR
[redacted]
MYRTLE BEACH, SC [redacted]

H Shareholder's percentage of stock ownership for tax year ..... 22.00000 %

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

1	Ordinary business income (loss) 62,460.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 20,725.		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15 A	Alternative minimum tax (AMT) items 238.
11	Section 179 deduction 6,000.	16 C	Items affecting shareholder basis 3,880.
12 A	Other deductions 350	16 D	43,572.
		17 A	Other information 20,725.

TAX PAYER'S COPY

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*See attached statement for additional information.

BAA For Privacy Act and Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2006

SPSA0412 06/28/06

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00148

MASON HOLDING CO. INC. 58-2356923 1

Sch K-1, (JOSEPH E MASON JR) Attachment
Sch K-1, Supplemental Information

OFFICERS HEALTH INSURANCE	12,517.

TAX PAYER'S COPY

671106

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2006

For calendar year 2006, or tax year beginning _____, 2005 ending _____

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0130

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

► See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number
58-2356923

B Corporation's name, address, city, state, and ZIP code
MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH, SC 29575

C IRS Center where corporation filed return
Cincinnati, OH 45999-0013

D ☐ Tax shelter registration number, if any

E ☐ Check if Form 8271 is attached

Part II Information About the Shareholder

F Shareholder's identifying number
[redacted]0927

G Shareholder's name, address, city, state, and ZIP code
CATHERINE J ST BLANCHARD
[redacted]
MYRTLE BEACH, SC [redacted]

H Shareholder's percentage of stock ownership for tax year ..... 22.00000 %

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

1	Ordinary business income (loss) 62,460.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 20,725.		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
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8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15 A	Alternative minimum tax (AMT) items 237.
11	Section 179 deduction 6,000.	16 C	Items affecting shareholder basis 3,880.
12 A	Other deductions 350.	D	43,571.
		17 A	Other information 20,725.

TAX PAYER'S COPY

*See attached statement for additional information.

FOR IRS USE ONLY

MASON HOLDING CO. INC. 58-2356923 1

Sch K-1, (CATHERINE J ST BLANCHARD) Attachment
Sch K-1, Supplemental Information

OFFICERS HEALTH INSURANCE	5,593.

TAX PAYER'S COPY

Form 1120S, Page 1, Line 19
Other Deductions

AUTOMOBILE AND TRUCK EXPENSE	1,630.
BANK CHARGES	12.
DUES AND SUBSCRIPTIONS	419.
INSURANCE	728.
LEGAL AND PROFESSIONAL	1,150.
MEALS AND ENTERTAINMENT (50%)	2,981.
OFFICE EXPENSE	2,456.
POSTAGE	3,054.
TELEPHONE	122.
TRAVEL	5,060.
PROFESSIONAL TRAINING	1,314.
EMPLOYEE SCREENING EXPENSES	80.
Total	19,006.

Form 1120S, Page 2, Schedule B, Question 3
Ownership of Domestic Corporation

Name ..... MASON TIRE & AUTO SERVICE INC
Address ..... SURFSIDE BEACH SC 29587
Address line 2 ..
City ..... State ZIP Code
Employer identification number (EIN) 57-0801371
Percentage owned 100.00
If 100% owned, was a QSub election made? ..... Yes [ ] No [X]

Name ..... J & O TIRE & AUTO SERVICE INC
Address ..... NO. MYRTLE BEACH SC 29582
Address line 2 ..
City ..... State ZIP Code
Employer identification number (EIN) 57-0919487
Percentage owned 100.00
If 100% owned, was a QSub election made? ..... Yes [X] No [ ]

Name ..... M & S TIRE COMPANY INC+
Address ..... OCEAN HWY PAWLEYS ISLAND SC
Address line 2 ..
City ..... State ZIP Code
Employer identification number (EIN) 58-2356919
Percentage owned 100.00
If 100% owned, was a QSub election made? ..... Yes [X] No [ ]

Name ..... K.& J. TIRE INC.
Address ..... MYRTLE BEACH S.C.
Address line 2 ..
City ..... State ZIP Code
Employer identification number (EIN) 57-1083113
Percentage owned 100.00
If 100% owned, was a QSub election made? ..... Yes [X] No [ ]

TAX PAYER'S COPY

Other Investments:
1120S, Schedule L, Line 9

Other Investments:	Beginning of tax year	End of tax year
COMMOM STOCKS VARIOUS CORPOATIONS	505,000.	505,000.
Total	505,000.	505,000.

Other Current Liabilities:
1120S, Schedule L, Line 18

Other Current Liabilities:	Beginning of tax year	End of tax year
PAYROLL TAXES PAYABLE	1,959.	2,065.
DUE MASON TIRE		6,362.
Total	1,959.	8,427.

Form 1120S, Page 3, Schedule K, Line 17d
Information to Schedule K-1 attachment

OFFICERS HEALTH INSURANCE	17,531.

Form 1120S, Page 4, Schedule M-1, Line 3
Sch M-1, Line 3

LIFE INSURANCE PREMIUMS	1,335.
DISABILITY INSURANCE	3,444.
Total	4,779.

TAX PAYER'S COPY

Form 1120S, Page 4, Schedule M-2, Line 3
Schedule M-2, Other Additions

INTEREST INCOME	41,450.	
Total	41,450.	

Form 1120S, Page 4, Schedule M-2, Line 5
Schedule M-2, Other Reductions

CHARITABLE CONTRIBUTIONS	700.	
SECTION 179 EXPENSE	12,000.	
MEALS AND ENTERTAINMENT	2,981.	
LIFE INSURANCE PREMIUMS	1,335.	
DISABILITY INSURANCE	3,444.	
Total	20,460.	

Supporting Statement of:

Form 1120S pl-2/Line 1a

Description	Amount
ADMINISTRATIVE FEES	475,073.
Total	475,073.

TAX PAYER'S COPY

STATE OF SOUTH CAROLINA

'S' CORPORATION INCOME TAX RETURN

Return is due on or before the 15th day of the 3rd month following the close of the taxable year.
Mail this return to: SC DEPARTMENT OF REVENUE, Corporation Return, Columbia, SC 29214-0100

INT

SC 1120S
(Rev 8/23/06)
3095

A COMPLETE COPY OF FEDERAL RETURN MUST BE ATTACHED TO THIS RETURN.

SC FILE No. APPLIED -0

County or Counties in SC Where Property is Located: HORRY

INCOME TAX PERIOD ENDING 12/31/06
LICENSE FEE PERIOD ENDING 12/31/07

City: SURFSIDE — Audit Location — State: SC

FEDERAL EMPLOYER ID NO. 58-2356923

Audit Contact: JOSEPH MASON JR. — Telephone Number: (843) 238-3339

NAME MASON HOLDING CO. INC.

MAILING ADDRESS 750 HWY 17 NO.

Check if .... ☐ Amended Return ► ☐ QSSS

CITY SURFSIDE BEACH

STATE SC ZIP CODE 29575

Total Gross Receipts. ► 475,073.

Total cost of depreciable personal property in SC. ► 21,500.

Change of ..... ☐ Address ☐ Accounting Period

If Filing a Final Return, See Instructions for Further Information.
► ☐ Merged ☐ Reorganized ☐ Dissolved ☐ Withdrawn

Does the Corporation have any Shareholders who are nonresidents of South Carolina? ☐ Yes ☒ No

PART I COMPUTATION OF INCOME TAX LIABILITY

1	Total of line 1 through 10, Schedule K of Federal Form 1120S	1	166,370.
2	Net Adjustment from line 15, Schedule A and B	2	
3	Total Net Income as Reconciled (add line 1 plus or minus line 2)	3	166,370.
4	If Multi-state Corporation, enter amount from line 6, Schedule G; otherwise, enter amount from line 3	4	166,370.
5	LESS: Income on line 4 taxed to shareholders of S Corporation	5	-166,370.
6	South Carolina Net Income subject to tax (line 4 less line 5)	6	0.
7	TAX: Multiply amount on line 6 by .05 (5.0%)	7	0.
8	Payments: (a) Tax Withheld (see instrs) ► ____ (b) Paid by Declaration ► ____ (c) Paid with Tentative Rtn ► ____ (d) Credit from Line 23b ► ____ Refundable Credits: (e) Ammonia Additive ► ____ (f) Milk Credit ► ____		
9	Total Payments and Refundable Credits: (add lines 8a through 8f)	9	
10	Balance of Tax Due (line 7 less line 9)	10	0.
11	Interest Due ► ____ Penalty Due ► ____ (See penalty and interest instructions.) Enter Total	11	
12	TOTAL INCOME TAX, Interest and Penalty Due (add lines 10 and 11) ..... BALANCE DUE	12	0.
13	OVERPAYMENT (line 9 less line 7) ____ To be applied as follows: (a) Estimated Tax ► ____ (b) License Fee ► ____ (c) REFUNDED ► ____		

PART II COMPUTATION OF LICENSE FEE

14	Total Capital And Paid in Surplus (Multi-State Corporations See Schedule E)	14	500,000.
15	FEE DUE– Line 14 x .001, plus $15.00 (Fee cannot be less than $25.00 per taxpayer)	15	515.
16	LESS: Applicable Credits against License Fee (attach SC1120-TC)	16	
17	Balance (line 15 less line 16)	17	515.
18	Payments: (a) Paid with Tentative Return ► ____ (b) Credit from line 13b ► ____		
19	Total Payments (add line 18(a) and (b))	19	
20	Balance of Fee Due (line 17 less line 19)	20	515.
21	Interest Due ► ____ Penalty Due ► ____ (See penalty and interest instructions.) Enter Total	21	
22	TOTAL LICENSE FEE, Interest and Penalty Due (add lines 20 and 21) ..... BALANCE DUE	22	515.
23	OVERPAYMENT (line 19 less line 17) ____ To be applied as follows: (a) Estimated Tax ► ____ (b) Income Tax ► ____ (c) REFUNDED ► ____		
24	GRAND TOTAL: INCOME TAX and LICENSE FEE DUE (add lines 12 and 22) ..... EFT ☐	24	515.

Make check payable to: South Carolina Department of Revenue. Include Business Name, FEI Number and SC File Number.

TAX PAYER COPY

Please Sign Here

I, the undersigned, a principal officer of the corporation for which this return is made declare that this return, including accompanying Annual statements and schedules, has been examined by me and is to the best of my knowledge and belief, a true and complete return.

► Signature of officer ____ Date ____ ► Title ____ (843) 238-3339 Telephone Number

I authorize the Director of the Department of Revenue or delegate to discuss this return, attachments and related tax matters with the preparer ... Yes ☐ No ☐

Preparer's Printed Name

Paid Preparer's Use Only

Preparer's signature ► [signature] Date 02/24/07 Check if self-employed .... ► ☐ Preparer's telephone no.

Firm's name (or yours if self-employed) and address ► LEVINE-THOMAS & ASSOCIATES LLC
5767 N ANDREWS WAY
FT. LAUDERDALE FL

EIN ► 56-2515367

ZIP Code ► 33309

SCSA0112 10/28/06

Levine Resp. to D's 1st RPD
00155

SCHEDULE A AND B ADDITIONS TO FEDERAL TAXABLE INCOME

1	Taxes on or Measured By Income	1	
2	Excess net passive income subject to federal tax	2	
3	Taxable portion of certain built-in gains subject to federal tax	3	
4		4	
5		5	
6	Other Additions (attach schedule)	6	
7	Total Additions (add lines 1 through 6)		7

DEDUCTIONS FROM FEDERAL TAXABLE INCOME

8		8	
9		9	
10		10	
11		11	
12		12	
13	Other Deductions (attach schedule)	13	
14	Total Deductions (add lines 8 through 13)		14
15	Net Adjustment (line 7 less line 14) Also enter on line 2, Part 1, SC1120S		15

SCHEDULE C RESERVED

SCHEDULE D ANNUAL REPORT TO BE COMPLETED BY ALL CORPORATIONS

1 Name MASON HOLDING CO. INC.

2 Incorporated under the laws of the State of SC

3 Location of the Registered Office of the Corporation in the State of South Carolina is HWY 17 N
in the City of SURFSIDE BEACH Registered Agent at such address is SAME

4 Location of principal office (street address) HWY 17 N SURFSIDE BEACH SC
Nature of principal business in South Carolina ADMINISTRATIVE SERVICES

5 The total number of **authorized** shares of capital stock, itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
1,000	COMMON	1

6 The total number of **issued and outstanding** shares of capital stock itemized by class and series, if any, within each class is as follows:

NUMBER OF SHARES	CLASS	SERIES
1,000	COMMON	1

7 The names and business addresses of the directors (or individuals functioning as directors) and principal officers in the Corporation are: (if additional space is necessary, attach separate schedule).

NAME	BUSINESS ADDRESS AND OFFICE
JOSEPH E MASON SR	MYRTLE BEACH SC
CATHERINE L MASON	MYRTLE BEACH SC
JOSEPH E MASON JR	MYRTLE BEACH SC
CATHERINE J ST BLANCHARD	MYRTLE BEACH SC

8 Date Incorporated 01/01/98 Date commenced business in the State of South Carolina was 01/01/98

9 Date of this report 12/31/06 Federal EIN 58-2356923

10 If Foreign Corporation, the date qualified to do business in the State of South Carolina is

11 Was the name of the Corporation changed during the year? No Give old name

12 The Corporation's books are in the care of JOSEPH E MASON JR.
Located at (street address) HWY 17 N SURFSIDE BEACH SC

13 The total amount of stated capital per balance sheet is:

a	Total paid in Capital Stock (cannot be a negative amount)	$ 200,000.
b	Total paid in Capital Surplus (cannot be a negative amount)	$ 300,000.
c	Total amount of stated Capital (cannot be a negative amount)	$ 500,000.

TAX PAYER'S COPY

Levine Resp. to D's 1st RPD
00156

SCHEDULE SC-K WORKSHEET

*Enter amounts from corresponding lines on your federal Schedule K in Column B.

	(A) Description	(B)* Amounts From Federal Schedule K	(C) Plus or Minus South Carolina Adjustments	(D) Federal Schedule K Amounts After South Carolina Adjustments	(E) Column (D) Amounts Apportioned or Allocated to States Other than South Carolina	(F) Column (D) Amounts Apportioned or Allocated in South Carolina
1	Ordinary Business Income (loss)	124,920.		124,920.		124,920.
2	Net Real Estate Rents (loss)					
3	Other Net Rents (loss)					
4	Interest Income	41,450.		41,450.		41,450.
5a	Ordinary dividends					
5b	Qualified dividends					
6	Royalties					
7	Net Short Term Capital Gain (loss)					
8	Net Long Term Capital Gain (loss)					
9	Net Section 1231 Gain (loss)					
10	Other Income (loss)					
11	Section 179 Deduction	12,000.		12,000.		12,000.
12a	Contributions	700.		700.		700.
12b	Investment Interest Expense					
12c	Section 59 (e)(2) Expenditures					
12d	Other Deductions					

Non-Refundable Tax Credits: Enter Total Credits from SC1120-TC, line 39 _____

SC1120-TC must be attached to return.

TAX PAYER'S COPY

If Qualified Subchapter S Subsidiary Election (QSSS), please list South Carolina subsidiaries.
Attach schedule, if more space is needed.

SCSA0134 10/21/06

Levine Resp. to D's 1st RPD
00157

INT

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

SOUTH CAROLINA SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

SCHEDULE SCK-1
(Rev 9/19/06)
3402

For calendar year 2006 or tax year beginning and ending.

Shareholder's identifying number ► [redacted]-0934	S Corporation's identifying number ► 58-2356923
Shareholder's name, address and Zip code JOSEPH E MASON SR [redacted] MYRTLE BEACH SC [redacted]	S Corporation's name, address and Zip code MASON HOLDING CO. INC. 750 HWY 17 NO. SURFSIDE BEACH SC 29575

A Shareholder's percentage of stock ownership for tax year ► 28.00000 %

B Shareholder's Apportionment Percentage ► %

C Check if applicable: 1 ☐ Final K-1 2 ☐ Amended K-1 3 ☐ Non-Resident

	South Carolina Shareholder's Pro Rata Share Items		Total amount
Income/Loss	1 Ordinary business income (loss)	1	
	2 Net rental real estate income (loss)	2	
	3 Other Net rental income (loss)	3	
	4 Interest income	4	
	5 Dividends: a Ordinary dividends	5a	
	b Qualified dividends 5b		
	6 Royalties	6	
	7 Net short-term capital gain (loss)	7	
	8 Net long-term capital gain (loss)	8	
	9 Net section 1231 gain (loss)	9	
	10 Other income (loss)	10	
Deductions	11 Section 179 deduction	11	
	12a Contributions	12a	
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures	12c	
	d Other deductions	12d	
	13 Withholding tax for nonresident shareholder	13	
Credits	List applicable credits. (Attach an additional sheet if needed.)		
	14	14	
	15	15	
	16	16	
	17	17	
	18	18	
	19 Total Corporate Income Credits	19	

TAXPAYER'S COPY

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00158

INT

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

SOUTH CAROLINA SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

SCHEDULE SCK-1
(Rev 9/19/06)
3402

For calendar year 2006 or tax year beginning _____ and ending _____

Shareholder's identifying number ►	S Corporation's identifying number ► 58-2356923
[redacted]-4690	
Shareholder's name, address and Zip code	**S Corporation's name, address and Zip code**
CATHERINE L MASON [redacted] MYRTLE BEACH SC [redacted]	MASON HOLDING CO. INC. 750 HWY 17 NO. SURFSIDE BEACH SC 29575

A Shareholder's percentage of stock ownership for tax year ► 28.00000 %

B Shareholder's Apportionment Percentage ► %

C Check if applicable: 1 ☐ Final K-1 2 ☐ Amended K-1 3 ☐ Non-Resident

	South Carolina Shareholder's Pro Rata Share Items		Total amount
Income/Loss	1 Ordinary business income (loss)	1	
	2 Net rental real estate income (loss)	2	
	3 Other Net rental income (loss)	3	
	4 Interest income	4	
	5 Dividends: a Ordinary dividends	5a	
	b Qualified dividends 5b		
	6 Royalties	6	
	7 Net short-term capital gain (loss)	7	
	8 Net long-term capital gain (loss)	8	
	9 Net section 1231 gain (loss)	9	
	10 Other income (loss)	10	
Deductions	11 Section 179 deduction	11	
	12a Contributions	12a	
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures	12c	
	d Other deductions	12d	
	13 Withholding tax for nonresident shareholder	13	
Credits	List applicable credits. (Attach an additional sheet if needed.)		
	14	14	
	15	15	
	16	16	
	17	17	
	18	18	
	19 Total Corporate Income Credits	19	

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INT

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

SOUTH CAROLINA SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

SCHEDULE SCK-1
(Rev 9/19/06)
3402

For calendar year 2006 or tax year beginning _____ and ending _____

Shareholder's identifying number ►	S Corporation's identifying number ► 58-2356923
[redacted]-6182	
Shareholder's name, address and Zip code	**S Corporation's name, address and Zip code**
JOSEPH E MASON JR [redacted] MYRTLE BEACH SC [redacted]	MASON HOLDING CO. INC. 750 HWY 17 NO. SURFSIDE BEACH SC 29575

A Shareholder's percentage of stock ownership for tax year ► 22.00000 %

B Shareholder's Apportionment Percentage ► %

C Check if applicable: 1 ☐ Final K-1 2 ☐ Amended K-1 3 ☐ Non-Resident

	South Carolina Shareholder's Pro Rata Share Items		Total amount
Income/Loss	1 Ordinary business income (loss)	1	62,460.
	2 Net rental real estate income (loss)	2	
	3 Other Net rental income (loss)	3	
	4 Interest income	4	20,725.
	5 Dividends: a Ordinary dividends	5a	
	b Qualified dividends 5b		
	6 Royalties	6	
	7 Net short-term capital gain (loss)	7	
	8 Net long-term capital gain (loss)	8	
	9 Net section 1231 gain (loss)	9	
	10 Other income (loss)	10	
Deductions	11 Section 179 deduction	11	6,000.
	12a Contributions	12a	350.
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures	12c	
	d Other deductions	12d	0.
	13 Withholding tax for nonresident shareholder	13	
	List applicable credits. (Attach an additional sheet if needed.)		
Credits	14	14	
	15	15	
	16	16	
	17	17	
	18	18	
	19 Total Corporate Income Credits	19	

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STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

SOUTH CAROLINA SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

SCHEDULE SCK-1
(Rev 9/19/06)
3402

For calendar year 2006 or tax year beginning _____ and ending _____

Shareholder's identifying number ► [redacted]-0927

S Corporation's identifying number ► 58-2356923

Shareholder's name, address and Zip code

CATHERINE J ST BLANCHARD
[redacted]
MYRTLE BEACH SC [redacted]

S Corporation's name, address and Zip code

MASON HOLDING CO. INC.
750 HWY 17 NO.
SURFSIDE BEACH SC 29575

A Shareholder's percentage of stock ownership for tax year ► 22.00000 %

B Shareholder's Apportionment Percentage ► %

C Check if applicable: 1 ☐ Final K-1 2 ☐ Amended K-1 3 ☐ Non-Resident

	South Carolina Shareholder's Pro Rata Share Items		Total amount
Income/Loss	1 Ordinary business income (loss)	1	62,460.
	2 Net rental real estate income (loss)	2	
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	5 Dividends: a Ordinary dividends	5a	
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	16	16	
	17	17	
	18	18	
	19 Total Corporate Income Credits	19	

TAX PAYER'S COPY

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Levine Resp. to D's 1st RPD
00161

EXPERT'S REPORT

ON THE VALUATION

OF

A 100% EQUITY INTEREST IN

MASON HOLDING COMPANY, INC.

AS OF

AUGUST 5, 2008

REPORT DATED

MARCH 2, 2011

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March 2, 2011

Mr. Robert Y. Knowlton
Haynsworth Sinkler Boyd, PA
1201 Main Street
Columbia, South Carolina 29211

RE: Valuation of a 100% Equity Interest in Mason Holding Company, Inc.

Dear Mr. Knowlton:

In accordance with our engagement, Dixon Hughes PLLC has estimated the fair value of a 100% equity interest (the "Subject Interest") in Mason Holding Company, Inc. (referred to as "Mason" or the "Company") as of August 5, 2008 (the "Valuation Date"). Based on our analysis, described in the accompanying Expert's Report ("Report"), we have concluded that a reasonable estimate of the fair value of the Subject Interest in Mason Holding Company, Inc. on a controlling, marketable basis as of August 5, 2008 was $4,220,000.

Entity	Interest Valued	Level of Value	Date of Value	Conclusion of Value
Mason Holding Company, Inc	100% Equity	Controlling, Marketable	August 5, 2008	**$4,220,000**

This analysis and Report has been completed in accordance with the American Institute of Certified Public Accountants' *Statement on Standards for Valuation Services No. 1* ("SSVS) and the National Association of Certified Valuation Analysts' *Professional Standards*. This Report is presented expressly and solely to be used for in Civil Action No. 2008-CP-26-6169: Joseph E. Mason, Jr. vs. Catherine L. Mason, Joseph E. Mason, Sr., Kath St. Blanchard, Mason Holding Company, Inc. and Irwin Levine. No other use of this Report is appropriate and it should not be distributed, cited or used in any manner other than for that specific and limited purpose.

This Report has been prepared by Dixon Hughes PLLC and was written by and/or under the direct supervision of the individual identified in the Certification / Representation section of this Report. Our Report sets forth the information we considered, our analysis of that information, and our conclusion of value. This Report also contains the assumptions and limiting conditions that are integral to our analysis and our conclusion.

We appreciate the opportunity to present this Report to you and we will be available to discuss it as considered necessary.

Respectfully,

Dixon Hughes PLLC

DIXON HUGHES PLLC

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INTRODUCTION

DIXON HUGHES PLLC
Certified Public Accountants and Advisors

Dixon Hughes PLLC has been engaged by Robert Knowlton with Haynsworth Sinkler Boyd, PA, to estimate the fair value of a 100% equity interest (the "Subject Interest") in Mason Holding Company, Inc. (referred to as "Mason" or the "Company") as of August 5, 2008 (the "Valuation Date"). Our estimate of value is presented herein this Expert's Report on the Valuation of a 100% equity interest in Mason Holding Company, Inc ("Report").

The analyses, opinions, and conclusions were developed in conformity with:

1. The American Institute of Certified Public Accountants' *Statement on Standards for Valuation Services No. 1* ("SSVS").
2. The National Association of Valuation Analysts *Professional Standards for Conducting and Reporting on Business Valuations.*

Purpose of Valuation

This Report is presented expressly and solely to be used in connection with the litigation referenced above. No other use of this Report is appropriate and it should not be distributed, cited or used in any manner other than for that specific and limited purpose. This Report is not to be used by anyone but Robert Knowlton and his client, Joseph Mason, Jr., without the express written consent of Dixon Hughes PLLC.

Premise of Value

This Report is prepared using a going concern premise of value. We have valued the Subject Interest in Mason under the premise of "value in continued use, as a mass assemblage of income producing assets and as a going-concern enterprise."[1]

Standard of Value

Based on our understanding of South Carolina State Law, the standard of value used in this report is **fair value.** Our conclusion of value for the Company is based upon the fair value standard as promulgated in the *South Carolina Dissenter's Rights* Statute:

> *"The value of the shares immediately before the effectuation of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action to which the dissenter objects, unless exclusion would be inequitable. The value of the shares is to be determined by techniques that are generally accepted in the financial community."*[2]

[1] *Valuing a Business – The Analysis and Appraisal of Closely Held Companies*, Shannon P. Pratt and Alina V. Niculita, The McGraw-Hill Companies, Inc., 2008, Page 47.
[2] South Carolina Code § 33-13-101(3).

We have also taken into consideration guidance from the South Carolina Supreme Court seminal valuation case, *Santee Oil Co. v. Cox.*[3]

In *Santee Oil, fair value* was equated to "intrinsic value"- a value determined "by establishing the fair value of the corporate property as an established and going business." The *Santee Oil* court noted that the statutory reference to fair value did not restrict the appraising court to the use of any one method of valuation. The court stated that:

> *"There is no single inflexible formula for valuing closely-held stock; this can be done only after a discriminating consideration of all relevant facts and circumstances as any man of intelligence would determine it for ordinary business purposes. When courts adopt the standards of the marketplace, there is no reason to ignore the valuation methodology of the marketplace."*

[3] *Santee Oil Co. v. Cox*, 265 S.C. 270, 273, 217 S.E. (2d.) 789 (1975).

Level of Value

In deriving our estimate of the fair value of the Subject Interest, the level of value required must first be considered. The following chart presents the various levels of value.[4]

Synergistic Level of Value – includes an acquisition premium for value arising from synergies that a specific buyer would be willing to pay, which is in addition to a control premium that a hypothetical buyer would be willing to pay for prerogatives of control. In that this level of value is applicable to a specific buyer and/or seller, it is not appropriate if the standard of value is fair market value.

Control Level of Value – represents the value at which a hypothetical seller would be willing to sell and a hypothetical buyer would be willing to purchase, which includes the prerogatives of control.

Non-Controlling, Marketable Level of Value – is also referred to "As if Freely Traded Minority Interest Value". This level of value

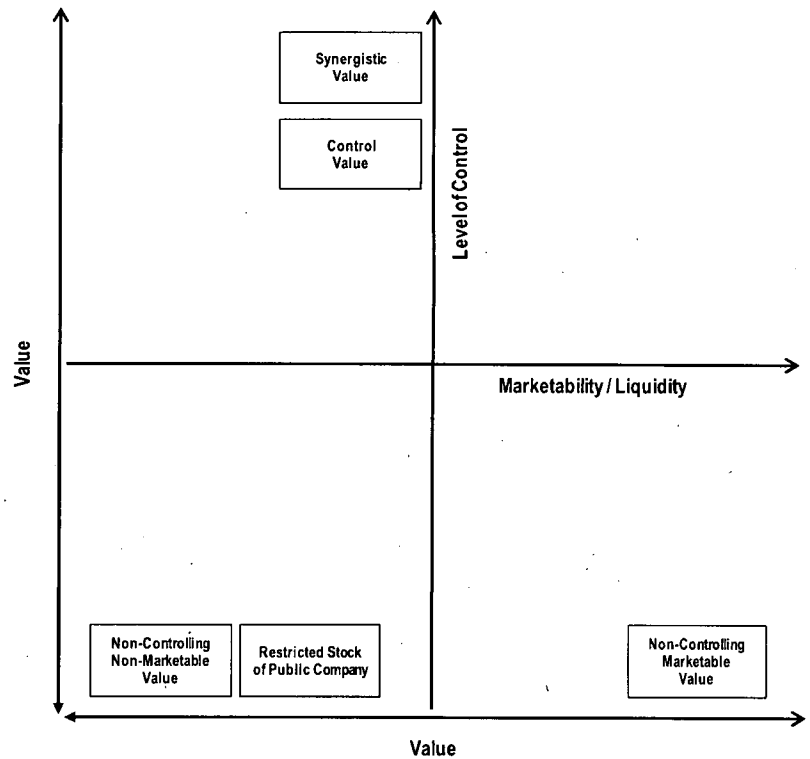
[4] The levels of value chart was based upon data obtained from two sources: a) "Financial Valuation – Applications and Models", Second Edition, James R. Hitchner, John Wiley & Sons, Inc. – New Jersey, 2006, page 377 and b) Valuing a Business – The Analysis and Appraisal of Closely Held Companies, Shannon P. Pratt and Alina V. Niculita, The McGraw-Hill Companies, Inc., 2008, Page 384.

represents a non-controlling interest but enjoys the benefit of market liquidity.

Restricted Stock of Public Company Level of Value – represents the value of stock issued by publicly traded companies subject to SEC Rule 144. The restricted stock of a public company has the same characteristics of the public company's non-restricted stock except for marketability. SEC Rule 144 regulates the timing, number of shares and method by which an owner of restricted stock can dispose of their shares.

Non-Controlling, Non-Marketable Level of Value – is also referred to as the "Private Company Minority Interest Value". This level of value represents the value of a non-controlling, non-marketable interest in a closely held company.

The following graph depicts the levels of value. This graph is not intended to suggest there is a natural hierarchy to the levels of value. Rather, it is intended to reflect that the levels of value fall on a continuum and that the specific control/lack of control and marketability/lack of marketability characteristics for the Subject Interest determines the final conclusion of value.



The appropriate level of value for the Subject Interest is control value.

Scope of Work

Our conclusion of value as set forth in this Report included the following steps and procedures:

1. General data collection and analysis including collection and consideration of relevant economic and related data and collection and consideration of information related to the industry;
2. Company data collection and analysis including obtaining necessary financial and related information and documents;
3. Financial analysis including review of the financial condition and trends of Mason;
4. Determination of conclusion of value including consideration of appropriate valuation approaches and methods, determination of the applicable capitalization and discount rates, consideration of other information which could affect the value, and the application of relevant factors to Mason; and
5. Completion of the Report including all relevant narrative and other schedules necessary to present our conclusion of value.

This Report is the culmination of the procedures described above.

Valuation Assumptions and Limiting Conditions

In preparing our conclusion of value, we have incorporated certain assumptions and limiting conditions, as noted in the Statement of Assumptions and Limiting Conditions section of this Report. In addition, other assumptions, conditions, and restrictions may be noted throughout the Report.

There were no known restrictions or limitations on the scope of the valuation. The valuation did not include the work of a third party specialist. Hypothetical conditions used during the valuation have been disclosed, if any.

There were significant concerns regarding the accuracy and reliability of the financial statements produced by the Company.

Conclusion

The fair value of the Subject Interest was determined using the market approach. The income and asset approaches were considered, but were not used in the final determination of value.

Based on our analysis we have concluded that the fair value of a 100% equity interest in Mason Holding Company, Inc. as of August 5, 2008 was $4,220,000.

This conclusion was prepared in the context of the specific assignment described above and is only for the intended purpose and period noted. The conclusion is expressed using the going-concern premise of value on a controlling, marketable ownership interest basis.

OVERVIEW OF MASON HOLDING COMPANY, INC.

Overview of Mason Holding Company, Inc.

Mason Holding Company, Inc., through various subsidiaries, is a tire retailer and automotive service provider. The Company was founded in Surfside Beach, South Carolina by Joe Mason, Sr. over 20 years ago and has been a family owned and operated business since that time. As of the Valuation Date, the Company had operations in five locations within South Carolina: Surfside Beach, North Myrtle Beach, Myrtle Beach, Pawley's Island and Conway.

Products and/or Services

The Company sells and installs Goodyear, Michelin, BF Goodrich, Dunlop, Uniroyal, Kelly Tires and Pirelli tires in its five locations. In addition to selling tires, the Company provides the following services:

- All Schedule Maintenance Service
- Air Conditioning
- Computerized Alignments
- Air & Fuel Filters
- Batteries & Electrical
- Belts & Hoses
- Brakes
- Cooling System Maintenance
- Lube, Oil & Filter
- Maintenance Tune-Ups
- Radiators
- Shocks & Struts
- Steering & Suspension
- Tire Repair
- Transmission Maintenance
- Wheel Balancing
- Nationwide Warranties
- Custom Exhuast
- CV Axles & U-Joints
- Computerized Engine Analysis
- Fuel System Cleaning
- Heating Service
- Headlights & Taillights
- Wiper Blades

Facilities and Locations

The Company runs its operations through five subsidiaries in the Myrtle Beach area as follows:

Surfside Beach: Mason Tire & Auto Service, Inc.;
North Myrtle Beach: J & O Tire & Auto Service, Inc.;
Pawley's Island: M & S Tire Company, Inc.;
Myrtle Beach: K & J Tire, Inc.; and
Conway: BCJ Tires, Inc.[5]

Organizational Structure

The Company is a holding company with five operating subsidiaries. The subsidiaries are all C Corporations while the holding company is an S Corporation. With the exception of BCJ Tires, Inc (of which the Company holds a 48% interest) the

[5] Mason Holding owns 48% of this entity, the other 52% is owned by Irwin Levine (the Company's accountant).

subsidiaries are all wholly owned. The holding company and each of the subsidiaries each file their own federal and state income tax retuns.

Management Team

At the Valuation Date, the Company's management team consisted of Joe Mason, Sr, (president), Catherine Mason (vice president), Catherine St. Blanchard (secretary/treasurer), and Frankie Fisher (general manager).[6]

Geographical Markets

As previously mentioned, the Company serves customers at five locations in Surfside Beach, North Myrtle Beach, Pawley's Island, Myrtle Beach and Conway.

Key Customers

Approximately 90% of the Company's sales are made to retail customers and 10% to commercial customers.

Competition

The Company faces competition from other tire retailers as well as the automobile dealerships in the vicinity of its locations. Among the Company's competitors are: Back Gate Tire, Black's Tire Service, Brian's Tire, Discount Tire Center, Firestone Complete Auto Care, Harry's Discount Tire Center, Sam's, Tire Town, Tire Warehouse and Wal-Mart.

[6] Prior to his resignation on July 30, 2008, Joe Mason, Jr. had been president of the Company for several years.

FINANCIAL STATEMENT ANALYSIS

The financial analysis is designed to identify strengths and weaknesses of the Company. This is achieved by identifying trends and relationships from the Company's financial statements and comparing them to industry standards. Comparisons to the industry do not necessarily indicate that a company is under or over performing relative to the industry. Industry norms tend to be averages and medians of many companies in many different geographic locations classified under a broad North American Industry Classification System ("NAICS") code. In this case, comparisons were made to NAICS code 441320 ("Tire Dealers") using data from the RMA 2008 - 2009[7] Annual Statement Studies ("RMA"). The selected RMA group includes such companies having annual revenues between $5,000,000 and $10,000,000. The RMA data provides a limited comparative perspective. Strict comparisons should be made with caution, and such comparison is dependent upon the accuracy and reliability of the Company's financial statements.

Sources of Information

The financial analysis included information principally obtained from the Company's income tax returns for the years ended December 31, 2004 ("2004") through December 31, 2008 ("2008")[8] as well as the income tax returns of its subsidiaries for the same time period.[9] This analysis utilized pertinent economic, industry and business specific data located in other sections of this report. A summary of the financial statement and RMA data discussed in this section is contained in Appendix F.

Revenues and Gross Profit

The Company's revenues ranged from $5,908,653 in 2005 to $6,949,886 in 2007. In 2008 the Company generated $6,294,119 in sales. The Company's gross profit margin during the analysis period has ranged from 48.4% of sales in 2008 to 54.2% of sales in 2004. The most recent gross profit margin of 48.4% compares favorably to the industry average of 31.1% as reported by RMA.

Operating Expenses and Operating Profit

The Company's total operating expenses, which include depreciation and amortization, during the five-year historical period ranged from 48.8% of revenues in 2006 to 52.2% of revenues in 2007. For 2008, operating expenses were 51.0% of

[7] Based on data reported as of March 31, 2008.

[8] While the 2008 tax return contains data not available at the Valuation Date, the information has been used as a proxy for annualized data since no reliable interim data was available.

[9] For purposes of our analysis, the information from the various income tax returns has been consolidated, with eliminations made to remove intercompany activity (fees charge by and the associated revenue booked by the holding company).

revenues, which was higher than the industry as reported by RMA (29.0%). Significant operating expenses for the Company during 2008 included salaries, rent, taxes and licenses, and insurance, which, combined, totaled 41.6% of revenue.

The Company's operating income declined from $255,815 in 2005 to an operating loss of $167,282, or approximately -2.7% of revenues, in 2008 which was below the industry average of 2.2%.

Interest Expense, Other Income

Interest expense for the five-year period has ranged from $960 in 2006 to $96,908 in 2008. As a percentage of revenues, interest expense has ranged from 0.0% in 2006 to 1.5% in 2008.

Profit/Loss Before Tax

Profit before tax has exhibited significant variability, ranging from a loss of $264,190 in 2008 to a profit of $254,855 in 2006. For 2008, the Company's loss before income tax benefits represented 4.2% of revenue, which was lower than the profit before tax reported by RMA (2.3%).

Current Assets

The nature of the Company's industry requires significant net working capital investment. Historically, substantially all of the Company's current assets consist of cash, accounts receivable and inventory with the balance spread among miscellaneous other current assets. The Company's cash balance of 7.9% of total assets was slightly lower than the industry average of 9.0% of total assets as reported by RMA.

As of December 31, 2008, accounts receivable ("A/R") was $301,338 or 9.8% of total assets, a decrease from the 2007 level of $451,658, which represented 12.0% of total assets. The Company's A/R was lower than the industry average as compared to RMA (25.7% of total assets). The Company also collects its A/R faster than the industry as evidenced by its days in accounts receivable of 17.5 days in 2008 versus RMA at 27.4 days. During the past several years the Company's collection period has decreased from 45.1 days in 2004 and averaged 24.5 days during the analysis period.

As of December 31, 2008, inventory was $664,413, or 21.5% of total assets, which was below the industry average of 37.7% of total assets. This represents a slight increase from $622,979 in 2007.

The ratio of COGS to inventory, or *days in inventory*, is a measure of efficiency in inventory management. This increased from 67.7 days to 74.6 days during the five year historical analysis period, suggesting that the Company had more inventories on hand and reduced utilization. Furthermore, the Company's days in inventory were higher than the industry average as reported by RMA at 61.9 days.

Fixed Assets

As of December 31, 2008, the Company had $2,264,228 in gross fixed assets. Net fixed assets (historic cost minus depreciation) was 44.9% of total assets as of December 31, 2008, and was higher than the industry average of 21.4% per RMA. These differences may relate to methods of depreciation of assets more than a difference in levels of historic capital expenditures on assets in service.

Intangibles and Other Non-Current Assets

As of December 31, 2008, other long term assets totaled $441,297, or 14.3% of total assets. This was above the industry average of 4.2% per RMA.

Current Liabilities

The Company's current liabilities have decreased from $990,450 (44.5% of total assets) in 2004 to $438,025 or 14.2% of total assets, as of December 31, 2008. This was lower than the industry average of 49.8% of total assets as reported by RMA. The majority of current liabilities, or $289,427 (9.4% of total assets), consisted of accounts payable. Overall, the Company appears to exhibit a short-term liquidity position that is consistent with the industry. This is evidenced by the Company's *Quick Ratio*, a widely accepted measure of short-term liquidity, of 1.2 as of December 31, 2008, which was higher than the industry average of 0.7 according to RMA.

Capital Structure

As of December 31, 2008, the Company had long-term debt of $1,496,555, or 48.5% of total assets, above the industry average of 10.9% of total assets per RMA. The Company's long-term debt increased from $963,944 (37.1% of assets) to $2,168,434 (57.8% of assets) during 2007, which was attributable to the purchase of real estate (Conway location).

The extent to which a firm uses debt financing, or financial leverage, has four important implications on a company's capital structure: (1) by raising funds through debt, the owners of the business maintain control of the firm with a limited investment; (2) creditors look to the equity, or owner-supplied funds, to provide a margin of safety; if the owners have provided only a small portion of the total capital structure, the risk of the enterprise is borne mainly by its creditors; (3) if the firm earns more on its investments financed with borrowed funds than it pays in interest, the return on the owners' capital is magnified; and (4) if debt levels become excessive, relative to the market, the increased systematic risk may negatively affect the Company's stock price. The industry capital structure consisted of

approximately 77.6% of equity as reported by RMA, respectively, which was higher than that of the Company (43.4% equity).[10]

Conclusion

After two years of moderate growth, a downturn in economic conditions and the industry contributed to an approximate 10% decrease in revenues in 2008 to $6,294,119. This also contributed to an operating loss of $167,282. Although the Company's operations don't compare favorably to the industry, it would appear that any further short-term disruption in revenues would not inhibit the Company's ability to meet its current obligations due to its relatively strong short-term liquidity position.

[10] As a practical matter, the market value of debt and equity is used. However, RMA only provides book values.

ECONOMIC CONDITIONS AND OUTLOOK

As of the Valuation Date, the US economy had posted a worse-than-expected second-quarter figure, the gross domestic product (GDP), which is the broadest measure of the economy's health, which had economists wondering if the economy is in the midst of a recession. While the economic growth was slow, inflationary pressures remained relatively moderate during the second quarter of 2008. Consensus Economics, Inc., publisher of *Consensus Forecasts - USA*, forecast showed the real GDP was expected to increase by 1.0% in the third quarter and by 0.3% in the fourth quarter of 2008 (percentage change from previous quarter, seasonally adjusted annual rates). For both 2008 and 2009, the real GDP growth rate was expected to be 1.5% (average percentage change on previous calendar year). In the long term, the real GDP was expected to grow by 2.7% for 2010-2018 (average percentage change over previous year).

Additionally, the White House economic forecast predicted slower economic growth than experienced of the past several years, but a low unemployment rate and continued job growth. At the time, the White House also predicted that the nation would add about 109,000 jobs a month in 2008 and that the unemployment rate would be 4.9% in 2008 and 2009.

At the state level, the Leading Index had remained flat for approximately three months leading economists in South Carolina to be hopeful that the state's economy would not deteriorate. Despite this hope, it was acknowledged that the state's economy was under significant pressure.

As of the Valuation Date, there were mixed economic signals at the national and state levels with no clear direction as to how the economy would perform.

INDUSTRY CONDITIONS AND OUTLOOK

Tire Dealing Industry in the U.S. [11]

The Tire Dealers industry consists of retailers selling tires and tire tubes for passenger cars, sport-utility vehicles, light and commercial trucks. Businesses that offer maintenance services in addition to tire sales are included in this industry, however, mail order and online tire sellers are excluded.

Demand Determinants

Revenue within the Tire Dealing industry reflects the consumption of tires at the retail level, which is primarily affected by the rate of tire replacement. The rate of tire replacement is affected by the durability of tires in service, vehicle usage, the level of real household disposable income, and weather conditions. The durability of tires and the number of tires in service (a function of changes in the vehicle stock) affect tire consumption over the long term. In the short term, the rate of tire replacement is determined by vehicle usage, disposable income and weather conditions. As the economy grows demand for vehicle usage, both private and commercial, tends to increase, causing the rate of tire replacement to increase. This higher rate of replacement is funded by growing incomes which accompany more prosperous economic times. Additionally, factors that affect vehicle usage such as maintenance costs and gasoline prices affect tire wear and tear, subsequently changing tire replacement throughput. Consumer behavior also indirectly impacts the demand for tires. For instance, as more consumers utilize public transportation, the level of vehicle usage tends to fall.

The industry is also impacted by seasonal affects, such as weather conditions, which vary from year to year depending upon severity. For instance, above average rainfalls tends to increase the demand for wet weather tires and may cause consumers to bring sales forward to purchase such tires. During periods of economic uncertainty, consumers tend to reduce the frequency of tire purchases as well as purchase lower priced tires. Therefore macro-economic indicators such as consumer confidence levels and factors that impinge on disposable income levels also affect the industry.

Another key factor in assessing industry demand is the price of tires. Tire prices are a function of consumer demand and production costs. For example, during the current performance period, tire prices on average increased by 3.0%. The majority of tire price growth occurred in 2005 and afterwards because of increase in raw materials, energy and transportation costs. In 2003 and 2004, tire prices remained relatively static.

[11] All of the contents of the industry conditions and economic outlook section of this valuation report are quoted from the IBISWorld report on the Tire Dealing Industry published May 2008, reprinted with permission. The editors and IBISWorld, while considering the contents to be accurate as of the date of publication of the Reports, take no responsibility for the information contained therein. Relation of this information to this valuation engagement is the sole responsibility of the author of this valuation report.

Historical Performance

The Tire Dealing industry has experienced significant growth since the early 1980s. This growth has been driven by an increase in the number of vehicles on the road, an increase in vehicle usage rates, and greater diversity of vehicle types. Industry sources estimate that the size of the U.S. vehicle fleet increased by just under 30% between 1980 and 1990. Vehicle diversity also increased with the introduction of sports utility vehicles towards the end of the 1980s. The number of new replacement tires shipped in the United States for passenger cars and light trucks increased from 164.6 million tires in 1986 to 239.5 million tires in 2002. IBISWorld estimates that between 1992 and 1997, the Tire Dealing industry grew by 12%, growing at an average annualized rate of 2.4% per annum.

Industry revenue increased by 1.9% in real terms in 1999, to $26.03 billion. Revenue growth was facilitated by a 7.6% increase in personal consumption expenditure on tires, real GDP growth of 4.5% and a 0.2 percentage point reduction in the unemployment rate.

In 2000, IBISWorld estimates that real industry revenue grew by 0.5% due to a 3.1% increase in PCE on tires that was fueled by a 4.8% increase in real personal disposable income. In the final quarter of 2000, the U.S. economy entered recession. The Tire Dealing industry could have been damaged more severely by this economic decline if it was not for the recall of Firestone tires. The heightened consumer awareness of tire safety, caused by publicity surrounding the recall benefited the industry.

In 2001, IBISWorld estimates that real industry sales revenue declined by 4.2% in real terms, to $25.06 billion. During the year, units of passenger and light truck tires sold by the industry declined by 4.4%. This unit decline was reflected in a 2.5% decline in PCE on tires, as real household disposable income grew by just 1.9% for the year. In line with the reduction in discretionary spending, the volume of tires demanded decreased for the first time in many years as the Firestone scandal in 2000 resulted in a significant increase in tire purchases, which were brought forward. Many consumers updated earlier in 2000, temporarily boosting volumes, however, it also resulted in a pull back in demand in 2001, which compounded revenue contraction. Discretionary spending on tires was also affected by a 17.1% fall in consumer sentiment as a result of the September 11 terrorist attacks.

In 2002, IBISWorld estimates that real industry revenue contracted 2.1% to $24.53 billion. Aftermarket tire demand remained weak as uncertainty surrounding military conflict in the Middle East dampened demand in the replacement market, exacerbating an extremely competitive environment.

Current Performance

During the current performance period (2004-08) IBISWorld estimates that Tire Dealing industry revenue expanded by 5.6% in real terms, which was equivalent to an average annualized revenue increase of 1.1% per annum. Industry revenue underperformed relative to both the U.S. economy and retail sector.

In 2003, IBISWorld estimates that industry revenue grew by 0.2% in real terms to $24.58 billion. Revenue growth was driven higher by a 2.2% increase in vehicles in use and a 2.2% increase in real personal disposable income. Consumer uncertainty surrounding conflict in Iraq had a pronounced impact on discretionary purchases in particular, limiting revenue growth.

IBISWorld estimates that industry revenue increased by 0.2% in 2004, to $24.63 billion. Once again, Tire Dealing industry revenue underperformed relative to the U.S. economy and retail sector. Revenue growth remained constrained as higher gasoline prices limited average miles driven growth to only 0.2%, however consumer sentiment rebounded, driving some discretionary purchases higher.

In 2005, IBISWorld estimates that real industry revenue increased by 1.1% to $24.90 billion. Consumer demand for tires and other discretionary goods and services was adversely affected by higher gasoline prices, which limited industry growth. This was reflected by a 6.5% fall in consumer sentiment. Higher raw material prices, particularly for rubber, resulted in tire retail prices increasing by 2.7%. Although these conditions were not ideal, a strong labor market, highlighted by an unemployment rate of 5.1%, helped quell negating influences on disposable income levels. In total, replacement tire shipments in the U.S. increased by 2.5% to 242 million, however growth was primarily driven by passenger replacement tires, which typically have lower price points.

In 2006, IBISWorld believes that industry revenue increased by 2.2% following greater motor vehicle usage as fuel prices declined during the second-half of 2006. Tire prices continued to increase during this period attributable to higher material costs, but was compensated by relatively high real disposable income growth.

IBISWorld believes industry revenue to have increased by 1.2% in 2007 following sustained high growth in disposable incomes amidst increasing tire prices. Replacement tire prices were curtailed as imports from China increased significantly during this period.

IBISWorld forecasts industry revenue to increase by 1.0% in 2008 as disposable incomes are expected to expand by only 1.7% owing to a slowing economy.

Establishments, Employment and Wages

The somewhat volatile nature of industry revenue experienced during the current performance period caused an upswing in consolidation activity, whereby larger entities merged or took over like-sized or smaller entities. Furthermore, many industry participants facilitated revenue growth through store expansion, which resulted in industry concentration increasing; although it remains at a low level. Over the period 2004-2008, the number of industry establishments grew by 2.2% to 28,510 in 2008 while industry enterprises increased by 1.7% to 20,013 in 2008.

During the same period of time, industry employment increased by 3.7% as store sizes increased. IBISWorld estimates that on average there were 6.6 employees per establishment in 2008. IBISWorld estimates that in 2008 there were approximately 187,970 people employed within this industry. Over the current period, employment is expected to expand at an annualized rate of 1.1%, reflecting the increase in revenue.

Wages paid is expected to expand from $5,753.3 million at the end of 2003 to $5,868.0 million in 2008, expanding at an annualized rate of 0.4%, partially reflecting the increase in employment.

Outlook

During the outlook period the Tire Dealing industry is expected to be affected by a number of broad, macro-economic factors such as real GDP growth and the strength of the labor market. Real GDP growth is forecast to increase by an average annualized rate of 2.2% during the outlook period ending 2013. The labor market is forecast to strengthen and the unemployment rate is forecast to decrease from 5.5% in 2009 to 4.7% in 2012. This decrease in unemployment rate is expected feed positively into the growth profile of disposable incomes.

Critically, it is expected that industry revenue growth is dependent on the strength of the labor market. Labor market strength is expected to offset a number of negative effects that limit and impeded revenue growth during the outlook period. For tire dealers, high gasoline prices are expected to be their biggest concern. This is not surprising given that tire purchases are discretionary in nature. Often consumers will offset increased and unavoidable expenses such as higher gasoline prices and higher interest payments by limiting and postponing their expenditure on discretionary items such as automotive repairs and parts, clothing, entertainment and travel. This is particularly relevant for this industry as many consumers have a mindset whereby they will spend a certain proportion of their income on their vehicle and the required maintenance on that vehicle. As such, in the absence of tire purchases that are of a critical nature, higher gasoline prices typically lead to lower consumer expenditures on

parts, service and tires rather than in other areas such as clothing and entertainment.

The demand for tires in the U.S. is also expected to be affected by the price of tires at the retail level. With the world presently in a resources boom, the demand for key tire inputs has increased, particularly for rubber. Tire manufacturers have absorbed rising rubber prices in recent years but have reached a point whereby these higher costs of production need to be passed downstream, ultimately leading to higher tire prices for consumers. This has occurred even though more tires are being sourced from China. A number of forecasts suggest that tire prices are expected to continue to increase during the outlook period, which adds some complexity to industry demand given the high level of gasoline prices domestically.

Higher gasoline prices have also led to static growth in the average distance traveled by consumers. Low or declining vehicle use reduces the frequency of tire replacement, which has a negative impact on demand. Given that tire technology has also improved, which makes them last longer, the replacement cycle may be stretched further.

Although the resource boom has made raw materials relatively scarce, the upside of this trend is the actual demand for heavy-duty tires for vehicles used to transport mining output which is expected to increase significantly. This is expected to be another positive for the industry, particularly in the wholesaling segment of tire dealing.

Industry Revenue

IBISWorld expects industry revenue to increase by 7.0% during the outlook period, representing average annualized growth of 1.8% per annum. It is expected to be facilitated by a strong labor market and strong and steady economic growth.

In 2009 and 2010 IBISWorld forecast industry revenue growth of 2.3% and 1.7% respectively. The Tire Dealing industry is not expected to benefit by as much as other retailing industries as a segmentation shift towards passenger vehicles is expected to result in lower average prices paid for tires, even though volume is likely to increase.

In 2011 and 2012 IBISWorld forecast industry revenue growth of 1.8% and 1.9% respectively. Present forecasts indicate a slight improvement in the labor market, which are expected to positively affect income levels. Population growth is also expected to maintain an underlying demand for tires in the replacement market.

For the last year of the outlook period to 2013, industry revenue is expected to expand by 1.4% fueled by an expanding economy and increasing number of motor vehicles in use.

OVERVIEW OF THE VALUATION APPROACHES

When valuing a business or an economic interest in a business, there are three general approaches recognized by the American Institute of Certified Public Accountants, the American Society of Appraisers Business Valuation Standards, the National Association of Certified Valuation Analysts, and valuation professionals:[12]

1. the asset approach,
2. the market approach, and
3. the income approach.

Within each approach are various methods, or specific strategies, to implement the valuation approach. The decision to use one of these methods depends on the information available to the valuation analyst, the purpose of the valuation, as well as the ownership structure and degree of marketability of the economic interest in the business being valued.[13]

Asset Approach

The International Glossary of Business Valuation Terms defines the asset approach as "a general way of determining a value indication of a business, business ownership interest or security using one or more methods based on the value of the assets net of liabilities." This approach is usually of greater importance when valuing companies that are marginally profitable or have no earnings history. This concept generally applies to a company with little value beyond the value of its tangible assets. The net asset value method is appropriate when the following criteria are met:

1. The subject company holds significant tangible assets;
2. There is little or no value added to the company's products or services from labor;
3. The company has no significant intangible assets; and
4. The balance sheet reflects all the company's tangible assets.

Examples of companies typically valued using this method are:

1. Real estate investment companies;
2. Holding companies and other investment companies;
3. Some natural resource companies;
4. Start-up businesses; and
5. Small businesses, which are easy and relatively inexpensive to start.

Market Approach

The International Glossary of Business Valuation Terms defines the market approach as "a general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the

[12] *Valuing a Business – The Analysis and Appraisal of Closely Held Companies*, Shannon P. Pratt and Alina V. Niculita, The McGraw-Hill Companies, Inc., 2008, Page 62.
[13] Ibid., Page 69.

subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold." The Market Approach develops a value based on use of publicly traded stocks (Guideline Public Company Method), direct comparison to completed transactions of similar companies (Guideline Company Transactions Method), or by use of the prior transactions of the Company (Prior Transaction Method). The Guideline Company Transactions Method relies on multiples derived from sales of entire companies. The Guideline Public Company Method relies on market multiples for publicly traded stock.

Two main obstacles arise when utilizing the Market Approach – the ability to identify companies similar in nature to the company being valued and the availability of information regarding transactions of companies similar in nature to the company being valued. When comparable companies are identified and relevant transaction data is available, this approach can be a good indicator of value.

Guideline Public Company Method

The guideline public company method derives indications of value from transactions in publicly traded stocks. Multiples are derived based on the trading prices of the guideline stock and applied to the subject company. The control characteristics of the resulting value depend upon those of the subject company fundamental applied to the multiple.

Guideline Company Transactions Method

The guideline company transactions method derives indications of value from companies that have recently been sold. Transaction data may be obtained from either public companies or from private transaction databases. The data associated with each transaction is very limited as to type of services provided, number of employees, profitability and terms of the sale.

Prior Transactions Method

The prior transactions method derives indications of value from prior transaction in the subject entity. Transactions may not occur or may occur infrequently. If transactions have taken place, a great deal of information about these transactions can usually be obtained from management.

Income Approach

The International Glossary of Business Valuation Terms defines the income approach as "a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount." Two frequently used valuation methods under the income approach include the discounted future benefits method and/or a capitalization of benefits method. These methods estimate the value of a company based on its expected benefits stream.

Generally, this can be accomplished by discounting future benefits forecasted for a period of years or the capitalization of a benefits stream over one period. The discounted future benefits method is appropriate to use when the company's future operations are expected to be "substantially different" from current operations and the future operations can be forecasted with some accuracy. The capitalized benefits method is appropriate when the company is stable, and the historical results of operations are considered a good indicator of future results.

Unlike the asset approach whereby each asset is valued at its estimated fair market value, the income approach does not attempt to estimate separately the value of the intangible assets of the business. Rather, the tangible and intangible asset value(s) of the company are captured in the discounted or capitalized value of the expected benefits stream.

These methodologies require the identification of two components, the benefit stream to be discounted or capitalized and the discount or capitalization rate. The value resulting from the application of these methodologies should be tied specifically to the equity interest being valued. This may require adjustments to the benefit stream or the resulting value for items or amounts that do not relate to the ownership interest being valued.

The discount rate (a hypothetical investor's required rate of return to invest in common equity capital of the company) or the capitalization rate (the discount rate minus the expected long-term sustainable growth rate of the company) should reflect a rational investor's expectations as to the risk associated with achieving the expected benefit stream that was discounted or capitalized.

VALUATION ANALYSIS

Introduction

In valuing the Company, we have considered Mason and each of its subsidiaries to be one operating unit rather than valuing them separately and aggregating those values. After giving consideration to each of the three general valuation approaches; the methods available for use within each approach; the size of the Company (asset base, gross revenues, etc.); its historic and future growth prospects, operating history, etc., and its access to capital markets, we concluded that the most suitable approach to be used in valuing the Company is the market approach. In the application of the market approach, we computed a controlling, marketable value.

Asset Approach

Book value of an enterprise is the value of the equity if the company could be liquidated for the values shown on its balance sheet. As of the Valuation Date, the book value of the Company's common equity was $1,149,401 before the revaluation of the Company's assets, including goodwill as distinguished from purchased goodwill, to their respective fair values.

Although the asset approach was considered, it ultimately was rejected as an inappropriate method for valuing the common equity of the Company because liquidation appears remote given the intention of the shareholders. Because the Company is an ongoing business with no plan for liquidation (a "going-concern"), the use of this method was rejected.

Income Approach

Capitalization of Benefits Method

In order to determine the value of the Subject Interest using the capitalization of benefits method, we have applied an appropriate capitalization rate to the expected future economic benefits (cash flow to equity). The capitalization rate represents the rate of return commensurate with the risk associated with receiving the future benefit stream. The sections below explain the calculation of the expected net income and associated cash flow to equity for the Company and the development of the capitalization rate as of the Valuation Date.

Expected Net Income

Cash flow projections are based on management's analysis of general economic trends, the trends of the Company's markets and company-specific characteristics. Management has made their forecasts based on historical performance, economic and industry data, and their expected operating costs.

Uncertainty of future events and the confidence in the forecast is considered in the development of the required rate of return. Due to the discretionary nature of certain operating expenses, such as officers' compensation and rent, as well as the option of

retaining profits in the form of excess cash or other non-operating assets, the forecasted cash flow may differ significantly from actual results. However, given the validity of the assumptions contained in the projections being proven by future performance, the projections do indicate the cash flow capacity to pay equity holders if cash flow is not alternatively disposed.

As the Company's real estate was considered non-operating, revenue and expenses related to the property were adjusted out of the consolidated income statement.

Revenues and Gross Profit

As the Conway location was added during 2007, prior to 2008 the financial statements do not reflect a full year's activity with all five locations. Accordingly, the Company's revenues were expected to be $6,693,912 based on weighted average revenues as reported for 2004 through 2008, plus the Company's share of revenues for Conway as reported in 2008 (with adjustments related to the Company's real estate).

As there was uncertainty as to the Company's reporting of inventory and the 2008 gross margin was significantly different than the prior four years, the Company's gross margin was estimated to be 53.2% of sales based on the weighted average margin reported in the years 2004 through 2007.

Operating Expenses

The Company's expected operating expenses were $3,203,038 based on a weighted average of the prior five years (with adjustments related to the Company's real estate).

Depreciation & Amortization

Depreciation was estimated to be $58,924 based on the weighted average of the previous five years (with adjustments related to the Company's real estate).

Other Income and Expense

The Company's interest expense was expected to be $11,844 based on the weighted average of the previous five years (with adjustments related to the Company's real estate).

Adjustments

We have made several normalizing adjustments to expected income to remove expenses that are not considered necessary to the Company's operations as follows:

Mason Holding Company, Inc.
Income Adjustments
Years Ended December 31

	2004	2005	2006	2007	2008
Joe Mason, Sr. Salary	10,400	10,400	10,400	10,400	6,400
Joe Mason, Sr. Vehicle	2,428	2,668	3,844	4,133	1,829
Officer Life Insurance	7,306	6,999	10,287	6,999	1,166
Rent Adjustment	100,449	100,449	100,449	100,449	100,449
Officer Compensation Adjustment	11,511	42,838	48,878	77,663	(103,161)
Director Fees	-	-	24,000	18,000	-
	132,094	163,354	197,858	217,644	6,683

Income Taxes

The Company has elected S Corporation status and therefore is not a taxable entity. However, as previously mentioned, the subsidiaries are all C Corporations. Additionally, the Company acts as a management company for the operating subsidiaries with income being generated at the subsidiary level. Income taxes were expected to be $155,577 based on a combined federal and state tax rate of 37.3%.

Mason Holding Company, Inc.
Cash Flow Base[1,2]
Years Ended December 31

	2004	2005	2006	2007	2008*	Expected Earnings
Revenues						
Revenues	$6,155,230	$5,907,750	$6,645,453	$6,888,596	$6,152,830	$6,685,007
Revenues - Holding Company	94	903	41,658	61,290	141,289	8,904
Total Revenues	6,155,324	5,908,653	6,687,111	6,949,886	6,294,119	6,693,912
Cost of Sales	2,816,126	2,720,985	3,168,864	3,278,780	3,250,720	3,133,434
Gross Profit	3,339,198	3,187,668	3,518,247	3,671,106	3,043,399	3,560,478
Total Operating Expenses	3,110,726	2,877,885	3,209,901	3,552,324	3,134,159	3,203,038
EBITDA	228,472	309,783	308,346	118,782	(90,760)	357,440
Depreciation and Amortization	98,017	58,612	52,531	78,160	76,521	58,924
Earnings before Interest & Tax	130,455	251,171	255,815	40,622	(167,282)	298,515
Interest	28,504	52,145	960	26,453	96,908	11,844
Earnings before Taxes	101,951	199,026	254,855	14,169	(264,190)	286,672
Adjustments	132,094	163,354	197,858	217,644	6,683	130,424
Adjusted Earnings before Taxes	234,045	362,380	452,713	231,813	(257,507)	417,096
Federal and State Income Taxes	22,580	30,868	48,556	41,680	31,383	155,577
Net Income (Loss)	**$ 79,371**	**$ 168,158**	**$ 206,299**	**$ (27,511)**	**$ (295,573)**	***261,519***
Growth Rate						3.0%
Expected Net Income for Capitalization						$ 269,365

* From 2008 tax returns which were used as a proxy for annualized 2008 performance.
1. Summary of information contained in the income tax returns prepared by Irwin Levine.
2. Numbers may appear incorrect due to rounding.

Cash Flow to Equity

Management's estimate of expected net income during the represents the on-going earnings capacity of the Company. To calculate the on-going expected benefit stream available to

shareholders, we made certain adjustments in arriving at cash flow to equity to be capitalized.

Depreciation Expense

Because depreciation and amortization are non-cash expenses, they were added back to net income. The add-back was based on the level of existing fixed assets and expected level of capital expenditures required to maintain the operations of the Company.

Working Capital

As the revenues for a company increase, its working capital typically grows. Since the increase in working capital represents additional investment that is not included in the income statement, net income is reduced by the adjustment in calculating cash flow. Based on an analysis of the historical working capital requirements of the Company and industry benchmark data, management expects an increase in working capital requirements of approximately 8% of incremental revenues.

Capital Expenditures / Acquisition Funding

In order to accurately reflect reinvestment of income into future operations, the effect of expansion and upkeep of the facilities, projected cash flow should consider funds required for these purposes. Management has projected that capital expenditures as well as acquisition funding are expected to be approximately $25,800.

Change in Debt

The majority of the Company's debt is intercompany debt and a mortgage on the real estate. As the real estate is considered a non operating asset, the paydown of this debt was not considered in this analysis. Instead the debt was subtracted from the value of the asset. For purposes of this analysis, it was assumed that the Company's debt paydown and new debt financing would offset each other.[14]

S Corporation Premium

An S Corporation differs from a C Corporation in that distributions from an S Corporation are generally tax free and distributions from a C Corporation are subject to taxation. As previously discussed, while the Company is an S Corporation, the subsidiaries are C Corporations and it is assumed that the income generated by the operations will be reported at the subsidiary level. Accordingly, no S Corporation premium has been applied.

[14] The remaining Company debt was just over $100,000. The principal reduction if this note were amortized would not have a material impact on the indicated value.

Risk Analysis and Required Rate of Return

When applying the capitalization of benefits method or the discounted future benefits method, the future benefits (cash flow) expected to be generated by a business are converted to present value using a rate of return that reflects the relative risk of achieving that benefit stream.

The Morningstar (formerly Ibbotson Associates) Stocks Bonds Bills and Inflation 2008 Yearbook[15]("SBBI") provides statistical data concerning historical rates of return or cost of equity capital for certain investment classifications. From this information, a build-up approach can be used to approximate the appropriate return required by equity investors in a company. The process involves the addition of various risk premiums or incremental return requirements to the rate of return required in a risk free investment with a similar time horizon. Factors influencing the capitalization rate are described below:

Risk-free rate - We relied on the yield to maturity for the 20-year long-term U.S. Treasury bond. U.S. Treasury bonds often serve as a proxy for risk free investments; they are deemed (default) risk-free because they pose neither uncertainty in timing of the economic benefit nor risk of default to the holder of receiving the benefit. As of August 5, 2008, the risk-free rate approximated 4.7%.

Common Stock Equity Premium - This is the average annual return for large capitalization, stocks minus the average annual return for long-term government bonds and represents the additional return demanded by investors to invest in large capitalization stocks versus long-term government bonds. According to SBBI 2008, the long-horizon expected equity risk premium was 7.1%.[16]

Risk Adjustment For Size Of Company – Investors require a larger return to invest in smaller companies which are often viewed as less stable than larger companies. The size premium compensates the investor for taking on this additional level of risk. We relied on the size premium of 5.8% as indicated by SBBI 2008 for the 10th decile.[17]

Company Specific Risk Premium - The risk premium for unsystematic risk attributable to the specific company that measures the specific risks associated with internal and external operating issues of the business is the company specific risk premium.

Given these higher risks, purchasers and investors in a closely held

[15] Morningstar, Inc. "Stocks, Bonds, Bills, and Inflation (SBBI)." Chicago: Morningstar, Inc., 2008.

[16] Ibid.
[17] Ibid.

business such as the Company typically require returns which are greater than those required of the majority of publicly traded companies. The returns required of the hypothetical investor fall into a broad range due to the vast differences in risk levels among closely held companies. The Company, like most small businesses, has risk factors that exceed those of small publicly held companies. These risk factors include: (1) lack of management depth, (2) lack of barriers to entry into the company's markets, (3) small size and inability to diversify and (4) lack of access to capital markets. These additional risk factors result in risk premia (increments to the required rate of return) to induce an average willing buyer to invest in the Company as opposed to an average small capitalization publicly held stock.

While there are barriers to entry, such as economies of scale, established customer relationships and licenses and regulations, they are not insurmountable. If a competitor positions itself within the market, the Company could be susceptible to the loss of potential revenue from its customers.

Small, closely-held businesses are often faced with the inability to diversify, meaning that they can be more significantly affected than larger firms in the event of an economic downturn. This stems from the fact that larger companies may operate in several different sectors; if one part of their business is badly affected, other parts may be doing better, enabling them to survive more easily. A smaller company is more likely to specialize in one type of business and, therefore, if business is down or demand has fallen back there is unlikely to be any offset anywhere else.

To quantify the additional risk to a hypothetical investor, a 6.0% company specific risk premium was added to the required rate of return of 17.6% attributable to the average small capitalization publicly held company resulting in a 23.6% equity rate of return required for the Company. This required rate of return includes all risks except for illiquidity.[18]

Expected Long-term Growth Rate - This is based upon the Company's prospects for sustained growth in relationship to the estimate of ongoing earnings power developed in Management's projections. The Company's estimate of sustainable long-term growth is 3.0%, similar to that of inflation and was subtracted from the 23.6% equity rate of return to yield the capitalization of rate of 20.6%.

Application of the Capitalization of Benefits Method

The Company's expected operating cash flows available to equity were capitalized by dividing the cash flow by the capitalization rate. The resulting value of $1,398,851 is the indicated value of a

[18] We also tested our conclusions of the company specific risk against the Butler-Pinkerton model which uses publicly traded companies to determine the stand-alone risk of the Company. See Appendix G.

100% controlling, marketable interest in the operations of the Company.[19]

Mason Holding Company, Inc. Capitalization of Benefits[1] As of August 5, 2008	
Cash Flow	
Net Income	$ 269,365
Add: Depreciation and Amortization	60,692
Minus: Change in Net Working Capital	(16,065)
Minus: Capital Expenditures	(25,828)
Add: Change in Debt	-
Cash Flow to Equity	288,163
Divided by Capitalization Rate	20.6%
Indicated Value of Operations	1,398,851

1. Numbers may appear incorrect due to rounding.

The real estate owned by the Company and leased to a related party was considered a non-operating asset. Accordingly, the value of the real estate, net of any associated debt, must be added to the value of operations to determine the estimated value of the equity. As no appraisal was available for the Company's real estate, and it was added to the books approximately nine months prior to the Valuation Date, we have assumed the property's cost approximates its market value. The resulting indicated value of a 100% equity interest is $1,826,000:

Mason Holding Company, Inc. Income Approach Idicated Value of Equity[1] As of August 5, 2008	
Indicated Value of Operations	1,398,851
Plus: Non-Operating Assets	
Real Estate	1,292,000
Mortgage on Real Estate	(864,620)
Total Non-Operating Assets	427,380
Indicated Equity Value, Prior to Discounts	$ 1,826,231
Indicated Equity Value, Prior to Discounts (rounded)	$ 1,826,000

1. Numbers may appear incorrect due to rounding.

As discussed, there were significant concerns regarding the accuracy and reliability of the financial statements produced by the Company. To the extent that revenues have been under reported and/or expenses have been over reported there may be an undervaluation of the Company.

Due to the poor quality and unreliability of the Company's financial records, we were not able to rely on this approach in the

[19] The value of any non-operating assets, if any, would be added to this value to obtain a 100% controlling, marketable value in the Company.

estimation of the value of the Subject Interest. However, if the financial statements were considered accurate and reliable, the value indicated under this approach, as discussed above, could be considered reasonable.

Market Approach

Guideline Public Company Method

We searched Standard & Poor's Compustat Database (Market Insight), TDAmeritrade, Bloomberg Finance, LP and Yahoo! Finance to identify publicly traded companies that were similar to the Company, under North American Industry Classification System ("NAICS") code 44132. The search produced 6 publicly traded firms in the industry. The publicly traded companies were not considered suitable comparables to develop pricing multiples for the Company, as they were major retail chains that sell a much wider array of products and typically offer a much narrower scope of services (if any are offered at all). Accordingly, we have not relied upon this approach in estimating the value of the Subject Interest.

Prior Company Transactions

The prior transactions method derives indications of value from prior transactions in the subject entity. Transactions may not occur or may occur infrequently. If transactions have taken place, a great deal of information about these transactions can usually be obtained from management.

We are not aware of any transactions that have taken place outside of related parties which would give an indication of the fair value of the Subject Interest.

Guideline Company Transaction Method

The application of the guideline company transaction method is dependent upon locating pertinent transactions of privately owned businesses similar in nature to the subject company's business type. Generally, details regarding the purchase and sale of privately owned businesses are unavailable. However, when reliable information is available and produces systematic indications of value, this method is believed to provide a strong indication of value because it demonstrates the intent of buyers and sellers in the market.

The guideline company transactions method derives indications of value from companies that have recently been bought and/or sold. Transaction data may be obtained from either public companies or from private transaction databases. We searched several databases including *Pratt's Stats™* (18 observations), *BIZCOMPS®* (34 observations) and IBA (203 observations) for transactions of companies classified in NAICS code 44132. In our evaluation of the observations we determined only transactions occurring in the 5 years preceding the Valuation Date and with

revenues in excess of $1 million would be comparable to the Company. Additionally, as we were unable to determine, based on the data available, what was included in the transactions reported by Pratt's Stats, we have not relied upon these transactions. After applying these parameters, 22 observations remained.

Multiples Applied[20] – Our analysis indicates that the Company generally is larger in size and has a higher return on equity (on an adjusted basis) than the comparable companies. The primary market multiples used in our analysis are described below:

- Price/Revenue – The ratio of the aggregate market value of the invested capital (interest-bearing debt plus preferred equity, plus the market value of the common equity) divided by total revenue. This multiple ignores the capital structure and can be used if a company shows a net loss from its operations.

- Price/Discretionary Earnings – The ratio of the aggregate market value of the invested capital (interest-bearing debt plus preferred equity, plus the market value of the common equity) divided by discretionary earnings. Discretionary earnings are defined differently for each of the databases as show in the table below.

The median price-to-sales multiple observed in the transactions reported by BizComps and IBA was 0.39 and 0.54, respectively. The multiples were applied to the Company's expected sales of $6,693,912. The median price-to-discretionary earnings multiples were 2.22 as reported by BizComps and 6.10 as reported by IBA. Discretionary earnings as defined by BizComps was $630,599 and as defined by IBA was $571,674. The Company's cash, accounts receivable and inventory were added to the calculated value and the working capital liabilities and long-term debt were subtracted as shown below:

Mason Holding Company, Inc.
Market Approach Indicated Value[1]
As of August 5, 2008

	Multiple (Median)	Number in Sample	Calculated 2008 Value	Add: Cash, A/R Inventory	Less: Work. Capital Liabilities	Indicated Total Equity Value	Less: Int. Bearing Debt	Equity Value
Biz Comps								
Price to Annual Gross	0.39	10	$ 2,634,054	$1,693,246	$ (536,967)	$ 3,790,333	$ (111,033)	$ 3,679,300
Price to Discretionary Earnings[2]	2.22	9	1,270,260	1,693,246	(536,967)	2,426,539	(111,033)	2,315,506
IBA								
Price to Gross Sales	0.54	12	3,599,562	1,693,246	(536,967)	4,755,841	(111,033)	4,644,808
Price to Discretionary Earnings[3]	6.10	6	$ 3,485,257	$1,693,246	$ (536,967)	$ 4,641,536	$ (111,033)	$ 4,530,504
					Average	3,903,562		3,792,530
					Rounded	$ 3,904,000		$ 3,793,000

1. Numbers may appear incorrect due to rounding.
2. (Bizcomps) SDE: Defined as: Net Income + Owners' Compensation + Depreciation + Interest
3. (IBA) Discretionary Earnings: Reported Annual Earnings Before Owner's Compensation, Interest And Taxes

[20] While earnings, or cash flow, is the source of value for a business and would typically be a better indicator of value than revenue, a revenue multiple can be used to eliminate the effects of inconsistencies in financial reporting when estimating the value of a business.

The indicated value of the operations of the Company was $3,793,000.

Conclusion

As with the income approach, the value of the non operating assets must be added back net of their debt. The resulting indicated value of a 100% interest in the equity of the Company as of August 5, 2008 on a controlling, marketable basis is $4,220,000 (rounded) using the market approach:

Mason Holding Company, Inc. Valuation Summary[1] As of August 5, 2008	
Indicated Value of Operations	$ 3,793,000
Plus: Non Operating Assets	1,292,000
Less: Related Debt	(864,620)
Indicated Value of a 100% Controlling Interest	$ 4,220,000

1. Numbers may appear incorrect due to rounding.

As previously mentioned, there were significant concerns regarding the accuracy and reliability of the financial statements produced by the Company. To the extent that revenues have been under reported and/or expenses have been over reported there may be an undervaluation of the Company.

CONCLUSION OF VALUE

We have performed a *valuation* engagement, as that term is defined in the Statement on Standards for Valuation Services ("SSVS") of the American Institute of Certified Public Accountants, of a 100% equity interest in Mason Holding Company, Inc. as of August 5, 2008 on a controlling, marketable basis. The objective of this appraisal is to estimate the fair value, on a going-concern basis, of a 100% equity interest in Mason Holding Company, Inc., as of August 5, 2008. This valuation was performed solely to assist in the matter of litigation between shareholders; the resulting estimate of value should not be used for any other purpose or by any other party for any purpose.

This valuation engagement was conducted in accordance with the SSVS. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

Based on our analysis, as described in this valuation report, the estimate of value of a 100% equity interest in Mason Holding Company, Inc. on a controlling, marketable basis, as of August 5, 2008 was $4,220,000.

This conclusion is subject to the Statement of Assumptions and Limiting Conditions found in Appendix A and to the Valuation Analyst's Representation found in Appendix B. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

APPENDIX A – ASSUMPTIONS AND LIMITING CONDITIONS

This Report is subject to the following assumptions and limiting conditions:

1. We have no present or contemplated financial interest in the Company. Our fees for this engagement are based upon our normal hourly billing rates and are not contingent upon the results of our findings.

2. This Report was performed only for the purposes specified herein, and may not be used out of the context in which it is presented. We have no responsibility or obligation to update this Report for events or circumstances occurring after the date of this Report.

3. Information, estimates, and opinions contained in this Report, including any information concerning publicly traded companies or information regarding the markets for securities, were obtained from sources considered to be reliable. However, we did not independently verify such information, and assume no liability for the accuracy of information obtained from or provided by such sources.

4. The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.

5. Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.

6. If prospective financial information approved by management has been used in our work, we have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.

7. Joseph Mason, Jr. was president of the Company until his resignation on July 30, 2008, five days prior to the Valuation Date. We have conducted interviews with Mr. Mason concerning the past, present, and prospective operating results of the company.

8. We do not provide assurance on the achievability of the results forecasted by the Company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on the actions, plans, and assumptions of management.

9. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.

10. Our engagement does not include any procedures designed to discover defalcations or other irregularities, should any exist.

11. This Report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the Report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of Dixon Hughes PLLC, based on information furnished to them by the Company and other sources.

12. This Report, its information and findings are confidential and are not to be published, copied, reproduced, disclosed, or disseminated in any way by any means, in whole or in part, without the express prior written permission of a duly authorized officer of Dixon Hughes. Neither all nor any part of the contents of this Report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such valuation specialists are connected or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of a duly authorized officer of Dixon Hughes PLLC.

13. Dixon Hughes PLLC is not an environmental consultant or auditor, and it takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this Report, wishing to know whether such liabilities exist, or the scope and their effect on the value of the property, is encouraged to obtain a professional environmental assessment. Dixon Hughes PLLC does not conduct or provide environmental assessments and has not performed one for the subject property.

14. Dixon Hughes PLLC has not determined independently whether the Company is subject to any present or future liability relating to environmental matters (including, but not limited to CERCLA/Superfund liability) nor the scope of any such liabilities. Dixon Hughes PLLC's valuation takes no such liabilities into account, except as they have been

reported to Dixon Hughes PLLC by [Entity Name], and then only to the extent that the liability was reported to us in an actual or estimated dollar amount. Such matters, if any, are noted in the Report. To the extent such information has been reported to us, Dixon Hughes PLLC has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.

15. Dixon Hughes PLLC has not made a specific compliance survey or analysis of the subject property to determine whether it is subject to, or in compliance with, the American Disabilities Act of 1990, and this valuation does not consider the effect, if any, of noncompliance.

16. Nothing in this Report constitutes a solicitation to sell or recommendation to buy any securities or assets of the subject entity, nor should this Report be considered investment advice within the meaning of any applicable securities laws. We express no opinion, guarantees or form of assurance of any kind, express or implied, on the potential investment performance resulting from a purchase of the subject entity's securities or assets.

17. Future services regarding the subject matter of this Report, including, but not limited to testimony or attendance in court, shall not be required of Dixon Hughes PLLC unless previous arrangements have been made in writing.

18. We assume the Company was formed in accordance with the requirements of its respective jurisdiction.

19. We have not considered compliance, or lack thereof, with federal and state tax laws. We assume the Company is in full compliance with all other federal, state, and local regulations and laws unless the lack of compliance is stated, defined, and considered in this Report.

20. We are not licensed attorneys. Any comments, discussions or analyses of Company documents or any other federal or state law, provision or regulation is not to be considered a legal opinion.

21. No change of any item in this Report shall be made by anyone other than a duly authorized officer of Dixon Hughes PLLC, and we shall have no responsibility for any such unauthorized change.

22. Unless otherwise specifically stated, no effort has been made to determine the possible effect, if any, on the Company due to future Federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.

23. Except as noted, we have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of all

equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this Report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all assets.

24. We do not purport to be a guarantor of value. Valuation of ownership interests is an imprecise science, with value being a question of fact, and reasonable people can differ in their estimates of value. We have used conceptually sound and commonly accepted methods and procedures of valuation in determining the estimate of value included in this Report. However, actual sale or acquisition prices may vary materially from our conclusion of value.

25. This Report is also subject to the terms of our engagement letter with Mr. Robert Y. Knowlton dated May 27, 2010.

26. To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purposes of avoiding penalties under the Internal Revenue Code.

APPENDIX B – CERTIFICATION / REPRESENTATION OF VALUATION ANALYST

I hereby certify / represent that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The analyses, opinions and conclusion of value included in this Report are subject to the specified assumptions and limiting conditions included in the Report, and they are my personal, impartial, and unbiased professional analyses, opinions and conclusion of value.
- I have no present or prospective/contemplated financial or other interest in the business or property that is the subject of this Report, and I have no personal financial or other interest or bias with respect to the property or the parties involved.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is fee-based and is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the outcome of the valuation, the amount of the conclusion of value, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this valuation.
- The economic and industry data included in this Report have been obtained from various printed or electronic reference sources that I believe to be reliable. I have not performed any corroborating procedures to substantiate that data.
- My analyses, opinions, and conclusions were developed and this Report has been prepared in conformity with the American Institute of Certified Public Accountants *Statement on Standards for Valuation Services* and the National Association of Certified Valuation Analysts *Professional Standards for Conducting and Reporting on Business Valuations*.
- The parties for which the information and use of this Report is restricted are identified; the Report is not intended to be and should not be used by anyone other than such parties.

- I have no obligation to update the Report or the conclusion of value for information that comes to my attention after the date of the Report.

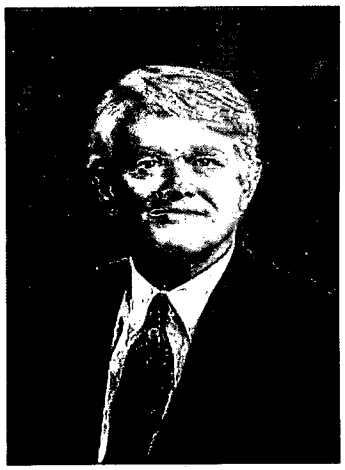
- No one, other than Bryan C. Dubis, CPA/ABV/CFF, CVA, Matthew D. Bernstein CPA/ABV, CMA and Anna Spann employees of Dixon Hughes PLLC, provided significant professional assistance to the person signing this certification.

DIXON HUGHES PLLC



B. Perry Woodside, III, Ph.D.
Director

APPENDIX C - VALUATION ANALYST'S QUALIFICATIONS



B. Perry Woodside

Role on Engagement Team:

Director

Location:

Charleston, SC

Contact Information:

843.727.3214 direct

pwoodside@dixon-hughes.com

DIRECTOR

Perry has over 30 years of university level teaching and consulting experience in the areas of litigation support and business interest valuations. Perry retired from the College of Charleston as Professor Emeritus of Finance in 2007 and joined Dixon Hughes on a full-time basis at that time. Throughout his teaching career he maintained an active consulting practice, specializing in valuation services and litigation support. Perry has extensive experience in valuing companies and various classes of securities and ownership interests. These engagements have involved a diverse range of industries for gift and estate planning purposes, tax planning, merger and acquisition advisory purposes and S-Corp conversions. He has also performed valuations of various classes of stock, employee stock options in compliance with SFAS 123-R, ESOPs, debt instruments and limited partnership interests. He is a founding member of the American Academy of Economics and Financial Experts.

Perry has been qualified and has provided expert testimony regarding valuation issues in federal, state and family courts. He also has extensive litigation support experience in the analysis of economic damages associated with personal injury, wrongful death and wrongful termination actions and a variety of commercial damage engagements including lost profits analyses and firm value diminution analyses. He has provided deposition and trial testimony as an expert on numerous occasions in family, federal and state courts in six states.

EDUCATION

- Bachelors of Arts, Economics & Business Administration, Furman University
- Ph.D. Finance, Economics & Accounting, University of South Carolina

PROFESSIONAL AND CIVIC ORGANIZATIONS

- American Academy of Economic and Financial Experts, Founder and past Board member
- National Association of Forensic Economists
- Institute of Business Appraisers, Inc.
- YMCA of Greater Charleston, Board Member
- Board of Governors, School of Business, College of Charleston



Bryan C. Dubis, CPA/ABV/CFF, CVA

Role on Engagement Team:

Manager

Location:

Charleston, SC

Contact Information:

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bdubis@dixon-hughes.com

MANAGER

Bryan has nearly 10 years experience in public accounting with a focus on business valuations. His responsibilities include planning, supervising, scheduling and reviewing of business valuation engagements, assisting with consulting engagements and staff development. Engagements with which he has been involved include valuing tangible and intangible assets for clients in a diverse range of industries, including healthcare, for profit and not for profit entities and professional practices, for financial reporting, tax planning and compliance and merger and acquisition advisory purposes. He also prepares valuations of closely-held businesses for gift and estate planning, acquisition due diligence, marital dissolution, shareholder disputes, litigation support and Employee Stock Ownership Plans.

EDUCATION

- Bachelor's of Science in Accounting, College of Charleston, SC
- Master's of Science, Accounting, University of Charleston, SC

PROFESSIONAL AND CIVIC ORGANIZATIONS

- American Institute of Certified Public Accountants
- South Carolina Association of Certified Public Accountants
- SCACPA Young CPAs Leadership Cabinet
- SCACPA Business Valuation Task Force
- National Association of Certified Valuation Analysts (NACVA)
- Chamber of Commerce Total Resources Campaign

LICENSES AND CERTIFICATIONS

- CPA: Certified Public Accountant
- CVA: Certified Valuation Analyst
- ABV: Accredited in Business Valuation
- CFF: Certified in Financial Forensics



Matthew D. Bernstein, CPA/ABV, CMA

Role on Engagement Team:

Senior Associate

Location:

Charleston, SC

Contact Information:

843.727.3264 direct

mbernstein@dixon-hughes.com

SENIOR ASSOCIATE

Matt assists clients with business valuation, commercial litigation and taxation matters. Matt has assisted in the appraisal of closely-held businesses and employee stock options for the purposes of ASC Topic 718, ASC Topic 805, mergers & acquisitions, litigation, gift & estate planning, and marital dissolution. In litigation matters, he has addressed financial and economic issues and has contributed to the development of calculations for economic damages related to business impairment, business value, transfer pricing and intellectual property infringement. He also specializes in quantitative and statistical applications and has developed techniques for the application of binomial lattice models, and Monte Carlo simulations. Matt has been designated as an expert witness and has presented a deposition for a South Carolina County Court and given testimony in United States Bankruptcy Court.

EDUCATION

- Bachelor's of Science in Business Administration with Finance Concentration, College of Charleston, SC
- Bachelor's of Science in Economics, College of Charleston, SC
- Bachelor's of Arts in German with Secondary Teaching, College of Charleston, SC
- Bachelor's of Science in Accounting, College of Charleston, SC

PROFESSIONAL AND CIVIC ORGANIZATIONS

- American Institute of Certified Public Accountants
- South Carolina Association of Certified Public Accountants
- National Restaurant Association
- Controller, Isle of Palms Exchange Club

LICENSES AND CERTIFICATIONS

- CPA: Certified Public Accountant
- CMA: Certified Management Accountant
- ABV: Accredited in Business Valuation

Anna Spann

Role on Engagement Team:

Associate

Location:

Charleston, SC

Contact Information:

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ASSOCIATE

Anna is an Associate in the Forensic, Litigation Support and Valuation Services group in the South Carolina/Western Carolina Practice Unit of Dixon Hughes. She has been assisting clients in the areas of taxation, audit and general accounting services for over two years. Industry types most often served in the past include construction, retail and family owned businesses. Anna has assisted with business valuations involving closely held businesses and professional practices for the purposes of equitable distributions of marital property, dissenting shareholder's actions, and corporate reorganization.

EDUCATION:

- Bachelor of Science in Accountancy, College of Charleston
- Master of Science in Accountancy (Taxation track), College of Charleston

PROFESSIONAL / CIVIC ORGANIZATIONS:

- American Institute of Certified Public Accountants
- South Carolina Association of Certified Public Accountants

LICENSES AND CERTIFICATION:

- CPA – Licensed in SC – pending approval

APPENDIX D – SOURCES OF INFORMATION

External Documents

1. Pratt, Shannon P. with Alina V. Niculita, *Valuing a Business*, The McGraw-Hill Companies, Inc., 5th.
2. *International Glossary of Business Valuation Terms* adopted by the American Institute of Certified Public Accountants, American Society of Appraisers, The Canadian Institute of Chartered Business Valuators, National Association of Certified Valuation Analysts, and the Institute of Business Appraisers.
3. *Institutional Investor Study Report of the Securities and Exchange Commission,* Chapter XIV, Section F8, "Discounts Involved in Purchases of Common Stock," H.R. Doc No. 64, Part 5, 92nd Congress, First Session (1971), pp. 2444-56, Table XIV-47, as presented in Pratt, Shannon P. with Alina V. Niculita, *Valuing a Business*, The McGraw-Hill Companies, Inc., 5th.
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6. American Institute of Certified Public Accountants, SSVS No 1.
7. Revenue Ruling 59-60, C.B. 1959-1.
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9. www.bvresources.com.
10. Economic Outlook Update™ 2Q 2008, Business Valuation Resources, LLC, © 2008.
11. South Carolina Economic Indicators, Volume 43, No. 8, prepared by the Division of Research, Moore School of Business, University of South Carolina.
12. Hitchner, James R., "*Financial Valuations: Applications and Models*" Wiley, 2nd..
13. "Tire Dealers in the US." *IBIS World*, May 2008.
14. National Association of Certified Valuation Analysts Standards.
15. Brealey, Richard A. and Stewart C. Myers, "*Value today always equals future cash flow discounted at the opportunity cost of capital,*" *Principles of Corporate Finance,* 5th ed. (New York: McGraw-Hill, Inc., 1996), p. 73 as cited in "Valuing a Business" p. 152.
16. Capital IQ.
17. Morningstar, Inc. "Stocks, Bonds, Bills, and Inflation (SBBI)." Chicago: Morningstar, Inc., 2008.
18. www.federalreserve.gov.
19. Yahoo! Finance.

20. Fishman, Jay E. et al., "Guide to Business Valuations," pp. 14-34 to 14-37.
21. *McCord v. Commissioner*, Docket No. 03-60700 (5th Cir. August 22, 2006, revised September 15, 2006).
22. http://www.masontire.net

Internal Documents

1. Tax returns prepared by Irwin Levine for the years 2004 – 2008 for Mason Holding Company, Inc. and its subsidiaries.
2. Internal financial statements and various ledgers for the years 2004 – 2008 for Mason Holding Company, Inc. and its subsidiaries.
3. Employment Agreements for Joseph Mason, Sr. and Catherine Mason.
4. Stockholder Agreement dated 1998.
5. Goodyear Dealer Contract dated June 10, 1985.

APPENDIX E – ECONOMIC CONDITIONS AND OUTLOOK

National Economic Conditions and Outlook[21]

General Economic Conditions

Despite the boost from $90 billion in stimulus rebate checks, the United States economy continued its sluggish growth during the second quarter of 2008. In posting a worse-than-expected second-quarter figure, the gross domestic product (GDP), which is the broadest measure of the economy's health, has economists wondering if the economy is in the midst of a recession. While the economic growth was slow, inflationary pressures remained relatively moderate during the second quarter of 2008.

Gross Domestic Product

The U.S. Department of Commerce reported that the nation's economy increased at an annual rate of 1.9% in the second quarter of 2008, as indicated by the GDP. The weaker-than-expected second-quarter figure is up from a 0.9% increase in the previous quarter and a 0.2% decrease in the fourth quarter of 2007, as can be seen in *Exhibit 1*. In 2007, the economy grew by 2.0%, compared to increases of 2.8% in 2006 and 2.9% in hurricane-impacted 2005. The rise in second-quarter GDP growth was largely attributed to an increase in personal consumption, exports, and government spending, but was partly offset by a slowdown in private inventory investment, residential fixed investment, and equipment and software.

The Department of Commerce also released its revised estimates, which revealed that for the years 2004 through 2007, the GDP grew at an average annual rate of 2.6%, which is 0.1% less than previously estimated. The revisions for GDP growth were relatively small with an average quarterly change of 0.4% over the 13 quarters (first quarter of 2005 to the first quarter of 2008). The largest quarterly changes occurred in the second quarter of 2007, which was revised upward from 3.8% to 4.8%, and in the fourth quarter of 2007, which was revised downward from 0.6% to -0.2% and resulted in the first contraction in the economy since the 2001 recession.

Consumer Spending

Consumer spending, which accounts for two-thirds of all economic activity in the United States, grew by 1.5% during the second quarter of 2008. This compares with a 0.9% increase in the previous quarter and a 1.0% gain in the last quarter of 2007. In 2007, consumer spending grew by 2.8%, compared with 3.0%

[21] All of the contents of the economic outlook section of this valuation report are quoted from the Economic Outlook Update™ 2Q 2008 published by Business Valuation Resources, LLC, © 2008, reprinted with permission. The editors and Business Valuation Resources, LLC, while considering the contents to be accurate as of the date of publication of the Update, take no responsibility for the information contained therein. Relation of this information to this valuation engagement is the sole responsibility of the author of this valuation report.

increases in both 2005 and 2006. Consumer expenditures increased the second-quarter GDP by 1.08 percentage points. This compares with a GDP increase of 0.61 percentage points in the previous quarter and a 0.67 percentage point increase in the fourth quarter of 2007.

Government Spending

During the second quarter of 2008, total government spending increased at a rate of 3.4%, compared with an increase of 1.9% during the previous quarter and a 0.8% rise in the fourth quarter of 2007. In 2007, government spending increased by 2.1%, which is up from a 1.7% increase in 2006 and a 0.4% increase in 2005. During the second quarter, federal government spending rose by 6.7%, compared with a 5.8% increase in the previous quarter. Federal government spending grew by 1.6% in 2007, compared to growth of 2.3% in 2006 and 1.2% in 2005. National defense spending rose 7.3% during the second quarter of 2008, following an increase of 7.3% in the previous quarter and a decrease of 0.9% in the final quarter of 2007. In 2007, national defense spending grew by 2.5%, compared with a 1.6% increase in 2006 and a 1.5% rise in 2005. State and local government spending grew by 1.6% in the second quarter of 2008, after decreasing by 0.3% in the previous quarter. In 2007, state and local government spending rose by 2.3% after posting an increase of 1.3% in 2006 and a slight decrease of 0.1% in 2005.

Fixed Investments

Business spending, or nonresidential fixed investment, increased at a rate of 2.3% during the second quarter of 2008 after increasing by 2.4% in the previous quarter and by 3.4% in the fourth quarter of 2007. The second-quarter figure is the slowest growth since a 1.0% decline during the fourth quarter of 2006. In 2007, business spending grew by 4.9%, compared to increases of 7.5% in 2006 and 7.2% in 2005. Business expenditures on equipment and software decreased by 3.4% during the second quarter of this year after decreasing by 0.6% in the previous quarter. Business spending on structures rose by 14.4% in the second quarter, following an 8.6% increase in the previous quarter and an 8.5% increase in the fourth quarter of 2007.

Residential fixed investment, often considered a proxy for the housing market, declined by 15.6% during the second quarter of 2008, which is the tenth consecutive quarterly decrease. The second-quarter figure follows a 25.1% drop in the previous quarter and is the smallest decrease since a 11.5% decline in the second quarter of 2007. In 2007, residential fixed investment declined by 17.9% after decreasing by 7.1% in 2006 and increasing by 6.3% in 2005. The continued slowdown in the housing market helped to decrease the second-quarter GDP by 0.62 percentage points after decreasing the previous quarter's GDP by 1.12 percentage points.

Business Inventories

Companies deeply cut their inventories during the second quarter of 2008. Private businesses decreased their inventories of unsold goods at a rate of $62.2 billion in the second quarter, following decreases of $10.2 billion in the previous quarter and $8.1 billion in the fourth quarter of 2007. The slower pace in private business inventories decreased the second-quarter GDP by 1.92 percentage points after decreasing the previous quarter's GDP by only 0.02 percentage points.

Trade Deficit

During the second quarter of 2008, and for the fifth straight quarter, the trade deficit provided a positive contribution to the GDP. Exports, which grew for the 20th straight quarter, rose by 9.2% in the second quarter of 2008, compared to a 5.1% increase in the previous quarter and a 4.4% increase in the fourth quarter of 2007. In 2007, exports rose by 8.4%, compared with a 9.1% increase in 2006 and a 7.0% increase in 2005. The U.S. dollar's weakness in recent years has helped boost exports, making U.S. goods cheaper overseas. Foreign imports decreased by 6.6% during the second quarter of 2008 after a decrease of 0.8% in the previous quarter. In 2007, imports increased by 2.2% after increasing by 6.0% in 2006 and by 5.9% in 2005.

During the second quarter of 2008, the trade deficit increased from last quarter's annualized rate of $705.7 billion in real terms to $737.3 billion. The trade deficit increased the second-quarter GDP by 2.42 percentage points after increasing the previous quarter's GDP by 0.77 percentage points.

Consumer Prices and Inflation Rates

Inflationary pressures outside of the food and energy sectors remained relatively tame during the second quarter of 2008. According to the U.S. Department of Commerce, the price index for gross domestic purchases, which measures prices paid by U.S. residents, increased by 4.2% in the second quarter of 2008. This compares to an increase of 3.5% in the previous quarter. Excluding food and energy prices, the price index for gross domestic purchases increased by 2.2% in the second quarter, the same increase as in the first quarter of this year.

The U.S. Department of Labor reported that the Producer Price Index for Finished Goods, which measures inflationary pressures before they reach consumers, increased by 1.8% in June 2008, following increases of 1.4% in May and 0.2% in April. In 2007, the price for finished goods rose by 6.2%, compared with a 1.1% increase in 2006 and a 5.4% increase in 2005. The costs of intermediate goods rose in June by 2.1%, compared to increases of 2.9% in May and 0.9% in April. The cost for intermediate goods grew by 7.1% in 2007, following a 2.8% increase in 2006 and an 8.6% increase in 2005. Finished goods prices other than food and energy grew slightly by 0.2% in June, after increasing by the same

amount in May. Finished consumer food prices rose by 1.5% in June after increasing by 0.8% in the previous month.

The Department of Labor reported that the Consumer Price Index for All Urban Consumers (CPI-U) increased by 1.0% in June 2008 and is 5.0% higher than its level one year earlier. The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) increased by 1.1% in June and is 5.6% higher than one year ago.

Energy Prices

As reported by the Energy Information Administration (EIA), the United States spot price for a barrel of crude oil was $128.02 at the end of the second quarter of 2008, up from $96.65 per barrel at the end of the prior quarter. The regular retail gas price (conventional areas) was $4.03 per gallon at the end of the second quarter, which is an increase compared with $3.26 per gallon at the end of the first quarter.

During May, West Texas Intermediate (WTI) crude oil prices were volatile. They climbed from $113 to $133 per barrel during the first three weeks in May, fell to $122 on June 4, and then climbed to $138 by June 6. Supply uncertainties in various oil exporting regions, as well as increased demand in emerging countries, put pressure on the oil markets. The EIA expects strong demand and a tight supply to continue. The EIA reported that WTI prices, which averaged $72 per barrel in 2007, are projected to average $122 per barrel in 2008 and $126 per barrel in 2009.

The EIA also expects regular-grade gasoline to average $3.78 per gallon in 2008, which is $0.97 above the 2007 average price. It is projected that the regular gasoline price will peak at $4.15 per gallon in August. Retail diesel fuel prices are expected to average $4.32 per gallon in 2008 and 2009, which is an increase of $1.44 per gallon from the 2007 price.

World oil consumption continues to increase, and is projected to grow by one million barrels per day (bbl/d) in 2008. The EIA expects U.S. consumption of liquid fuels and other petroleum to decline by about 290,000 bbl/d in 2008 due to higher petroleum product prices and slower economic growth. After adjusting for increased ethanol use, it is anticipated that U.S. petroleum consumption will fall by 440,000 bbl/d in 2008.

The Henry Hub natural gas spot price is expected to average about $11 per thousand cubic feet (Mcf) in both 2008 and 2009—a sharp increase from the 2007 price of $7.17 per Mcf.

Based on the National Oceanic and Atmospheric Adminstration's (NOAA) current Atlantic hurricane season outlook, the EIA anticipates production shut-ins on the U.S. Gulf Coast during the upcoming hurricane season (June through November) of about 11 million barrels for crude oil and 78 billion cubic feet (Bcf) for natural gas.

The U.S. experienced three of its five warmest summers since 1975 in 2005, 2006, and 2007. The NOAA believes that summer

temperatures this year will drop to near-normal levels, limiting growth in electricity consumption to 0.6% for 2008. They expect that consumption will grow at a rate of 1.6% in 2009. The EIA reports that the cost of most fuels used in generating electricity have risen significantly since the beginning of the year. The amount of time before these higher generation costs are passed through to consumers depends on a number of factors, such as the terms of utilities' fuel purchase contracts and the regulatory structure within a given state. They expect U.S. residential electricity prices to increase by about 3.7% in 2008 and by 3.6% in 2009.

Interest Rates

After stating that "recent information indicates that economic activity remains weak," the Federal Open Market Committee (FOMC) decreased the target for the federal funds rate by 25 basis points to 2.0% in the second quarter of 2008. The target for the federal funds rate was reduced three times last quarter by a total of 200 basis points (2.0%), but was only reduced once this quarter. The federal funds rate is the interest rate at which a commercial bank lends immediately available funds in balances at the Federal Reserve to another commercial bank.

The FOMC met twice during the second quarter of 2008. During their first meeting on April 30, the FOMC cited repressed household and business spending, as well as a softened labor market, in determining that economic activity was weak. The FOMC also noted the financial markets were under considerable stress, and that tight credit conditions and the housing contraction would affect economic growth over the next few quarters. As a result, the FOMC decided to lower its target for the federal funds rate 25 basis points to 2.0%. Only two of the ten members voted against the increase and preferred no change in the target for the federal funds rate at this meeting.

At their next meeting on June 25, the FOMC decided to keep its target for the federal funds rate at 2.0% and stated that "overall economic activity continues to expand," which was partially attributed to an increase in household spending. They did note that the increases in energy prices are likely to weigh on economic growth over the next few quarters, and that the uncertainty regarding the inflation outlook remains high. Only one of the ten members voted against the action and preferred an increase in the target for the federal funds rate at this meeting.

Also during the second quarter, the Board of Governors of the Federal Reserve System unanimously approved the decision to decrease the discount rate by 25 basis points to 2.25% on April 30. The discount rate is the interest rate a commercial bank is charged to borrow funds, typically for a short period, directly from a Federal Reserve Bank. The board of directors of each Reserve Bank establishes the discount rate every 14 days, subject to the approval of the Board of Governors.

Unemployment

The unemployment rate jumped to 5.3% during the second quarter of 2008, up from the 4.9% rate posted in the previous quarter. The number of unemployed persons was 8.204 million in the second quarter, compared with 7.591 million in the first quarter of 2008. While employment in manufacturing, construction, retail, and professional services was hit hard during the second quarter of 2008, government, hospitality, and health care services saw gains over the quarter.

During the second quarter of 2008, manufacturing employment continued to trend downward and decreased by 124,000 jobs. Manufacturing has lost 353,000 jobs over the past twelve months. The construction industry, which has lost 528,000 jobs since it peaked in September 2006, lost another 139,000 jobs over the quarter. Employment in professional and business services declined by 82,000 jobs during the second quarter, and so far this year, monthly job losses in temporary help services have averaged 26,000, compared with average declines of 7,000 per month in 2007. The retail trade industry decreased by 96,000 jobs in the second quarter of 2008 and has lost 194,000 jobs since its most recent peak in March 2007. The leisure and hospitality sector rose during the second quarter of 2008, increasing by 44,000 jobs, while the education and health services sector continued to trend upward, adding 132,000 jobs over the same time period. The government, which has grown by 257,000 jobs over the past 12 months, added 72,000 during the second quarter.

Average hourly earnings increased to $17.95 in the second quarter of 2008, up from $17.81 in the previous quarter. Average weekly earnings also increased to $605.51 in the second quarter from $600.80 in the first quarter of this year.

Consumer Spending and Confidence

Overall consumer spending grew from the previous quarter's pace during the second quarter of 2008. Consumer spending on durable goods—items meant to last three or more years—declined by 3.0% in the second quarter of 2008. This compares with a decrease of 4.3% in the previous quarter and a 0.4% increase in the fourth quarter of 2007. In 2007, consumer spending on durable goods rose by 4.8%, compared with a 4.5% increase in 2006 and a 4.6% increase in 2005. It appears as though the stimulus checks were mainly used on items such as food and gasoline, as spending on nondurable goods jumped by 4.0% in the second quarter of 2008. This compares to a 0.4% decrease in the previous quarter and 0.3% increase in the final quarter of last year. In 2007, consumer spending on nondurable goods grew by 2.5%, compared with a 3.7% increase in 2006 and a 3.4% rise in 2005. Reflecting the downturn in spending on travel and housing, service expenditures increased by only 1.1% in the second quarter, which marks the slowest growth rate since the first quarter of 1991. In 2007, consumer spending on services rose by 2.6%, compared with increases of 2.5% in 2006 and 2.6% in 2005.

According to the U.S. Department of Commerce, retail and food service sales grew by 0.9% during the second quarter of 2008, after being unchanged during the previous quarter. Automobile sales fell by 5.4% during the second quarter, compared to a 2.2% decrease in the first quarter of this year.

During the second quarter of 2008, consumer confidence, a barometer of consumer spending, continued its sharp decline since reaching a six-year high in the third quarter of 2007. The Conference Board, which surveys 5,000 households, reported that its Index of Consumer Confidence fell to 51.0 in June 2008, just eleven months after reaching its six-year high of 112.6 in July 2007. The June reading is also down from a 65.9 reading at the end of the first quarter of this year. Conference Board numbers above 100.0 indicate a growing economy. A figure between 80.0 and 100.0 suggests slow growth, whereas a reading below 80.0 indicates a recession.

The University of Michigan's Index of Consumer Sentiment reported a reading of 56.4 in June 2008, which is down from 59.8 in May and the 69.5 posted at the end of the first quarter 2008. The Michigan sentiment survey is based on telephone interviews on personal finances, business conditions, and buying conditions with roughly 500 Americans across the country.

Stock Markets

While the Nasdaq Composite Index made a slight recovery to end the second quarter up, both the Dow Jones Industrial Average and the S&P 500 ended the quarter with a loss. April ended as a good month for all major indexes, but significant losses occurred in June, nullifying April's gains.

The Wall Street Journal referred to the second quarter of 2008 as "a time of shattered hopes." This quarter marked the third consecutive quarterly decline and the worst second quarter since 2002. *The Wall Street Journal* noted that the Dow Jones Industrial Average has dropped 19.9% from its recent high in October 2007—close to the 20% decline that some consider the start of a bear market, so any upcoming losses could signify a "bear" for stocks.

The five best performing U.S. stock sectors (as tracked by DJ Indexes) were Coal (+82.9% change from the previous quarter), Mobile Telecommunications (+29.8%), Oil Equipment and Services (+28.3%), Iron and Steel (+25.8%), and Brewers (+25.5%). The five worst performing stock sectors were Full Line Life Insurance (-33.7% change from the previous quarter), Mortgage Finance (-30.6%), Home Construction (-29.6%), Gambling (-28.6%), and Airlines (-28.4%).

The Dow Jones Industrial Average (Dow), an index of 30 of the largest and most widely held public companies in the United

States, started the second quarter of 2008 at 12,262.89 and finished it at 11,350.01, for a loss of 7.4%. This follows last quarter's loss of 7.6%, which was the Dow's largest first-quarter point decline in the history of the index. The Dow's worst month this quarter was June, where it lost 10.2%, and the best month was April, where it gained 4.5%. The Dow has lost 14.4% year-to-date, and is down 15.4% for the last 12 months. October 9, 2007 marked the Dow's five-year high, where it reached 14,164.53 points. As of the end of the second quarter, the Dow has climbed 27.6% since its five-year low of 8,897.81 on June 2, 2003, but ended 19.9% below its five-year high.

The Nasdaq Composite Index (Nasdaq), consisting mainly of high-tech stocks, started the second quarter at 2,279.1 and finished at 2,292.98, reflecting a slight gain of 0.6%. Although the index gained 5.9% in April and 4.6% in May, June was the Nasdaq's worst month when it lost 9.1%. Regardless of the Nasdaq's slight gain this quarter, the index has lost 13.6% so far this year, and is down 11.9% for the last 12 months. The Nasdaq ended this quarter 19.8% below its five-year high of 2,859.12 on October 31, 2007, but is still up 44.1% from its five-year low of 1,590.75 on June 2, 2003.

The S&P 500, consisting of a representative sample of 500 leading companies of the U.S. economy and commonly viewed as a proxy for the market, started the second quarter at 1,322.7 and finished it at 1,280.0, for a loss of 3.2%. This quarter's loss follows the first quarter's substantial loss of 9.9%. After the S&P 500 experienced five consecutive monthly losses—the index's longest losing streak since October 1990—the index posted a gain of 4.8% for April. Despite April's gains, the index declined 8.6% in June. The index is down 12.8% so far this year, and has lost 14.9% over the last 12 months. The S&P 500 reached a five-year high of 1,565.15 on October 9, 2007. The S&P 500 ended the second quarter 18.2% below its five-year high, but is up 32.6% since its five-year low of 965.46 on August 5, 2003.

The Dow Jones Wilshire 5000 Index, which consists of almost all publicly traded companies based in the United States, started the second quarter at 13,332.0 and closed it at 13,073.5, posting a loss of 1.9%. The index also posted a loss last quarter, where the index dropped about 10.0%. After gaining 4.9% in April and 1.9% in May, the index went on to lose 8.3% in June. The Dow Jones Wilshire 5000 is down 11.8% year-to-date, and has declined 14.1% during the last 12 months. Although the index ended the second quarter 41.3% above its five-year low of 9,255.0 on June 2, 2003, it finished the quarter 17.4% below its five-year high of 15,819.0 on October 11, 2007.

The Russell 2000 Index, which consists of small stock issues, started the second quarter at 687.97 and ended it at 689.66, for a minor gain of 0.3%. Last quarter the index dropped 10.2%. The Russell 2000 gained 4.1% in April and 4.5% in May, but lost 7.8% in June. The index has lost 10.0% so far this year, and is down 17.3% over the last 12 months. The index ended this quarter

19.4% below its five-year high of 855.77 on July 13, 2007, but 57.0% above its five-year low of 439.41 on June 23, 2003.

Bond Markets

The five-year Treasury ended the second quarter of 2008 with a yield of 3.3%, up from 2.5% at the end of the previous quarter. The 30-day T-bill yield was at 1.6% at the end of the second quarter, up from 1.2% at the end of the previous quarter.

The 10-year Treasury bond yield was 4.0% at the end of second quarter of 2008, compared to a yield of 3.5% at the end of the first quarter. At the end of the second quarter, the 20-year bond yield was 4.6%, compared with 4.3% at the end of the previous quarter.
For corporate bonds, Moody's seasoned Aaa and Baa had a yield of 5.6% and 7.0% at the end of the second quarter, respectively, compared to similar yields at the end of last quarter of 5.5% and 6.9%.

The prime lending rate dropped to 5.0% by the end of the second quarter from 5.25% at the start of the quarter, reflecting the FOMC's 25 basis point decrease in the target for the federal funds rate. The Federal Reserve also published that the discount window primary credit rate decreased from 2.5% to 2.25% by the end of the quarter, mirroring the Board of Governors of the Federal Reserve System's decision to decrease the discount rate 25 basis points to 2.25% this quarter.

Construction

According to the U.S. Department of Commerce, housing starts increased 9.1% to an annual rate of 1.066 million units in June 2008, up from 977,000 units in May. The June 2008 figure is 26.9% below the June 2007 rate of 1.458 million units. There were 1.354 million units started in 2007, which is 24.8% below the 2006 figure of 1.801 million units. Construction of single-family homes decreased to an annual rate of 647,000 units in June 2008, down 5.3% from a rate of 683,000 units in the previous month.

Building permits, a better leading indicator of demand for new homes, increased by 11.6% in June 2008 to an annual rate of 1.091 million units, up from 978,000 units in the previous month. The June 2008 figure is 23.9% below the June 2007 estimate of 1.433 million units. 1.376 million housing units were authorized by building permits in 2007, which is 25.3% below the 2006 figure of 1.839 million units.

Spending on new construction decreased 0.4% during June 2008 to an annual rate of $1,081.9 billion, down from $1,085.7 billion in May. The June 2008 figure is 5.9% below the June 2007 estimate of $1,149.4 billion. The value of construction spending in 2007 was $1,161.3 billion, which is 2.6% below the $1,192.2 billion spent in 2006. Overall spending on private construction decreased by 0.4% to an annual rate of $780.6 billion in June, down from $783.9 billion in May. In 2007, the value of overall spending on private construction was $874.0 billion, which is 6.7%

below the $937.0 billion spent in 2006. Spending on residential construction decreased by 1.8% in June to an annual rate of $372.5 billion, while spending on nonresidential construction increased by 0.8% to an annual rate of $408.1 billion over the same month.

Manufacturing

According to the Federal Reserve, industrial production, which is the total output of factories and mines in the United States, increased by 0.5% in June 2008 after decreasing by 0.2% in May. During the second quarter of 2008, total industrial production decreased at an annual rate of 3.1%, compared with increases of 0.5% during the previous quarter and 0.3% in the fourth quarter of 2007. Manufacturing grew by 0.2% in June 2008, but decreased at an annual rate of 3.7% over the second quarter of this year, compared to a decrease of 0.9% in the first quarter. Capacity utilization, the percentage of production capacity manufacturers actually use, decreased to 77.6% during the second quarter of 2008, down from a 78.7% rate during the previous quarter. The current capacity utilization rate of 77.6% is 3.4 percentage points below its 1972-2007 average rate of 81.0%. Capacity utilization was at 79.4% in both 2006 and 2007.

New orders for goods made in U.S. factories, up four consecutive months, increased in June 2008 by 1.7% to $457.6 billion, which follows a 0.9% increase in May. New orders for durable goods—items intended to last for three years or more — increased 0.8% to $215.3 billion in June and follows a 0.1% increase in the previous month. New orders for nondurable goods, such as food and clothing, increased 2.5% to $242.3 billion in June.

The Institute for Supply Management reported that its monthly Manufacturing Index increased slightly to 50.2 in June 2008. This follows a 49.6 reading in May and a 48.6 reading at the end of the first quarter of 2008. Any reading above 50.0 suggests growth, whereas a reading below 50.0 indicates contraction.

Economic Outlook

Despite the continued slowing in the housing market and rising gasoline prices, the U.S. economy, boosted by $90 billion in stimulus checks, grew during the second quarter of 2008. While it is debatable whether the economy is currently in the midst of a recession and if another round of stimulus checks are needed, many of the economists in the financial press feel there will be continued sluggish growth in the second half of this year.

According to Consensus Economics, Inc., publisher of *Consensus Forecasts - USA*, the real GDP is expected to increase by 1.0% in the third quarter and by 0.3% in the fourth quarter of 2008 (percentage change from previous quarter, seasonally adjusted annual rates). For both 2008 and 2009, the real GDP growth rate is expected to be 1.5% (average percentage change on previous calendar year). In the long term, the real GDP is expected to grow

by 2.7% for 2010-2018 (average percentage change over previous year).
According to the survey, consumer prices will increase 4.3% in 2008 and 2.8% in 2009. In the long term, *Consensus Forecasts - USA* also predicts consumer prices will grow by 2.2% for 2010-2018 (average percentage change over previous year). Producer prices are expected to increase 7.1% in 2008 and 2.5% in 2009.

Interest rates on three-month Treasury bills and 10-year Treasury bonds will rise over the next year, according to the forecasters of *Consensus Forecasts - USA*. According to the survey, three-month Treasury bills will rise from 1.9% at the end of October 2008 to 2.5% by the end of July 2009. The yield on 10-year Treasury bonds is expected to rise from 4.1% at the end of October 2008 to 4.4% by the end of July 2009. According to the survey, the three-month Treasury rate will average 4.4% for the years 2010-2018, while the 10-year Treasury bond yield is expected to average 5.1% over the same time period.

The forecasters polled by *The Livingston Survey* in June 2008 posted less optimistic expectations about the level of the S&P 500 index in 2008 and 2009 than they did in the December 2007 survey. *The Livingston Survey*, which reports the median value across the 34 forecasters on the survey's panel, predicts that the S&P 500 index will rise steadily during the next two years. The June 2008 survey estimates that the index will reach 1447.0 by December 31, 2008, while the December 2007 survey estimated the index would reach 1619.1 over the same time period. The index is projected to rise to 1496.5 by June 30, 2009 and to 1555.0 by the end of 2009. The growth rate in after-tax corporate profits is expected to be 1.3% in 2008 followed by 3.5% in 2009.

Due to recent financial market turmoil and continued difficulties in the housing sector, the semiannual White House economic forecast, which was released on November 29, 2007, predicted a slowdown in economic growth over the next several years, as well as a low unemployment rate and continued job growth. The administration's new forecast calls for the economy to grow 2.7% in 2008, which was revised down 0.4 percentage points from the last forecast issued in June 2007. The forecast predicted CPI inflation to grow at 2.1% in 2008 and 2.2% in 2009, which were both revised downward from the previous survey. The White House also predicted that the nation would add about 109,000 jobs a month in 2008 and that the unemployment rate would be 4.9% in 2008 and 2009. The same source forecasts that the Federal Reserve will raise short-term interest rates and 10-year Treasury notes over the next four years.

The FOMC decided to decrease the target for the federal funds rate by 25 basis points this quarter to bring the target down to 2.0%. The Board of Governors of the Federal Reserve System also approved the decision to decrease the discount rate by 25 basis points this quarter to 2.25%. At the end of the quarter, the FOMC stated that, "Recent information indicates that overall economic activity continues to expand, partly reflecting some firming in household spending. However, labor markets have softened

further and financial markets remain under considerable stress. Tight credit conditions, the ongoing housing contraction, and the rise in energy prices are likely to weigh on economic growth over the next few quarters." The FOMC went on to comment on inflation, which they believe will moderate later this year and next year.

ECONOMIC OUTLOOK UPDATE 2Q 2008 DATA SOURCES

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State Economic Conditions and Outlook[22]

In June, the South Carolina Leading Index, the barometer of future economic activity, fell by 0.2 percentage points. The drop is small when compared with declines in the second half of 2007. In the previous three months, the index has remained flat at around 139 points, providing hope that the state's economy may not deteriorate in the coming months, in spite of rising inflation and unemployment, along with continuing bad news in the finance and housing across the United States.

Yet a closer look at the components of the leading index shows that the South Carolina economy is still under significant pressure. This month, with the exception of residential construction, all components of the index dropped. The declines were small, however, and not clearly indicative of a worsening economic climate. Initial claims for unemployment had a marginal increase of one percent compared with April. At 6,900 claims per month, the level is now 25 percent higher than last year. Two other indicators of manufacturing activity showed small declines as well.

[22] All of the contents of the South Carolina economic outlook section of this valuation report are quoted from the South Carolina Economic Indicators, Volume 43, No. 8, prepared by the Division of Research, Moore School of Business, University of South Carolina. The editors, while considering the contents to be accurate as of the date of publication of the outlook, take no responsibility for the information contained therein. Relation of this information to this valuation engagement is the sole responsibility of the author of this valuation report.

The average manufacturing workweek dropped from 42.9 to 42.7 hours, and inflation-adjusted (real) earnings dropped by 1.3 percent. Despite evidence of increased foreign demand for U.S. manufactured goods induced by the weak dollar, the South Carolina manufacturing sector lost 600 jobs in June. While this should be of concern, note that during the expansionary period of 2002-2007, the South Carolina economy lost approximately 800 jobs in manufacturing every month. Surprisingly, the only leading indicator with a positive reading for June was residential construction, which increased 4.7 percent with respect to the previous month. Actually, a look at recent values points to a stabilizing housing market. Since reaching the lowest value (2,000 units per month) in November 2007, the seasonally-adjusted number of newly constructed units has averaged 2,200. This number is much more in line with that of single family housing permits which averaged 2,100 in the last 12 months. Thus, in the coming months, more significant drops in construction employment are not expected. It should be noted that, between October 2007 and June this year, the construction sector lost 17,500 jobs. With about 112,000 workers, the construction industry in South Carolina employs as many workers as it did before the construction boom of 2004-2007.

Finally, the state leading indicator includes the national leading indicator as a component. In June, the U.S. leading indicator dropped 0.1 percentage point. In recent months the decline in the U.S. leading index has moderated, but weaknesses its components persist. Next consider the South Carolina Coincident Index, a measure of current economic activity. The index exhibited a small increase of 0.4 percent in June. Two of its three components, inflation adjusted retail sales and total nonfarm employment, decreased during the month. The improvement in the index is explained by a drop in the unemployment rate. After surging 0.6 points in May (from 5.9 to 6.5 percent), unemployment fell back to 6.2 percent. However, this is not a sustained drop in the unemployment rate. In the last nine months, the Palmetto economy has been unable to create additional jobs, while layoffs have increased steadily since the beginning of the year. In June 2008, total nonfarm employment stood at 1,958,300, practically unchanged from the count observed in September 2007.

APPENDIX F – HISTORICAL FINANCIAL STATEMENTS AND INDUSTRY COMPARISON

Mason Holding Company, Inc.
Historical Balance Sheets[1,2]
As of December 31, except where noted

	2004	2005	2006	2007	2008*
ASSETS					
Current Assets:					
Cash & Equivalents	$ 746,489	$ 1,085,061	$ 1,346,711	$ 618,610	$ 242,787
Trade Receivables (Net)	759,832	338,082	384,741	451,658	301,338
Inventory	522,489	394,751	596,712	622,979	664,413
Other Current Assets	81,795	1,042	7,265	31,574	48,797
Total Current Assets	**2,110,605**	**1,818,936**	**2,335,429**	**1,724,820**	**1,257,335**
Fixed Assets:					
Total Gross Fixed Assets	785,462	810,263	813,316	2,251,755	2,264,228
Less: Accumulated Depreciation	(681,860)	(717,401)	(747,874)	(804,074)	(878,879)
Total Net Fixed Assets	**103,602**	**92,862**	**65,442**	**1,447,681**	**1,385,349**
Other Non-Current Assets:					
Other Assets	10,196	197,721	197,824	580,147	441,297
Total Other Non-Current Assets	**10,196**	**197,721**	**197,824**	**580,147**	**441,297**
Total Assets	***$ 2,224,403***	***$ 2,109,519***	***$ 2,598,695***	***$ 3,752,648***	***$ 3,083,981***
LIABILITIES & OWNERS' EQUITY					
Current Liabilities:					
Accounts Payable	$ 926,598	$ 458,024	$ 466,912	$ 437,747	$ 289,427
Notes Payable	23,969	26,851	11,345	63,264	116,194
Other Current Liabilities	39,883	67,423	66,952	35,956	32,404
Total Current Liabilities	**990,450**	**552,298**	**545,209**	**536,967**	**438,025**
Long Term Debt:					
Long-Term Liabilities	494,249	645,267	963,944	2,168,434	1,496,555
Total Long Term Debt	**494,249**	**645,267**	**963,944**	**2,168,434**	**1,496,555**
Total Liabilities	**1,484,699**	**1,197,565**	**1,509,153**	**2,705,401**	**1,934,580**
Owners' Equity	**739,704**	**911,954**	**1,089,542**	**1,047,247**	**1,149,401**
Total Liabilities & Owners' Equity	***$ 2,224,403***	***$ 2,109,519***	***$ 2,598,695***	***$ 3,752,648***	***$ 3,083,981***

* From 2008 tax returns which were used as a proxy for annualized 2008 performance.
1. Summary of information contained in the income tax returns prepared by Irwin Levine.
2. Numbers may appear incorrect due to rounding.

Mason Holding Company, Inc.
Historical Common Size Balance Sheets[1,2]
As of December 31, except where noted

	2004	2005	2006	2007	2008*
ASSETS					
Current Assets:					
Cash & Equivalents	33.6%	51.4%	51.8%	16.5%	7.9%
Trade Receivables (Net)	34.2%	16.0%	14.8%	12.0%	9.8%
Inventory	23.5%	18.7%	23.0%	16.6%	21.5%
Other Current Assets	3.7%	0.0%	0.3%	0.8%	1.6%
Total Current Assets	**94.9%**	**86.2%**	**89.9%**	**46.0%**	**40.8%**
Fixed Assets:					
Total Gross Fixed Assets	35.3%	38.4%	31.3%	60.0%	73.4%
Less: Accumulated Depreciation	-30.7%	-34.0%	-28.8%	-21.4%	-28.5%
Total Net Fixed Assets	**4.7%**	**4.4%**	**2.5%**	**38.6%**	**44.9%**
Other Non-Current Assets:					
Other Assets	0.5%	9.4%	7.6%	15.5%	14.3%
Total Other Non-Current Assets	**0.5%**	**9.4%**	**7.6%**	**15.5%**	**14.3%**
Total Assets	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***
LIABILITIES & OWNERS' EQUITY					
Current Liabilities:					
Accounts Payable	41.7%	21.7%	18.0%	11.7%	9.4%
Notes Payable	1.1%	1.3%	0.4%	1.7%	3.8%
Other Current Liabilities	1.8%	3.2%	2.6%	1.0%	1.1%
Total Current Liabilities	**44.5%**	**26.2%**	**21.0%**	**14.3%**	**14.2%**
Long Term Debt:					
Long-Term Liabilities	22.2%	30.6%	37.1%	57.8%	48.5%
Total Long Term Debt	**22.2%**	**30.6%**	**37.1%**	**57.8%**	**48.5%**
Total Liabilities	**66.7%**	**56.8%**	**58.1%**	**72.1%**	**62.7%**
Total Owners' Equity	**33.3%**	**43.2%**	**41.9%**	**27.9%**	**37.3%**
Total Liabilities & Owners' Equity	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***

* From 2008 tax returns which were used as a proxy for annualized 2008 performance.
1. Summary of information contained in the income tax returns prepared by Irwin Levine.
2. Numbers may appear incorrect due to rounding.

Mason Holding Company, Inc.
Historical Income Statements[1,2]
Years Ended December 31, except where noted

	2004	2005	2006	2007	2008*
Revenue					
Revenues	$ 6,155,230	$ 5,907,750	$ 6,645,453	$ 6,888,596	$ 6,152,830
Revenues - Holding Company	94	903	41,658	61,290	141,289
Total Revenue	6,155,324	5,908,653	6,687,111	6,949,886	6,294,119
Year over Year Growth		*-4.0%*	*13.2%*	*3.9%*	*-9.4%*
Cost of Sales					
Cost of Sales	2,816,126	2,720,985	3,168,864	3,278,780	3,250,720
Gross Profit	3,339,198	3,187,668	3,518,247	3,671,106	3,043,399
Total Operating Expenses	3,088,444	2,873,793	3,200,274	3,512,959	3,107,949
EBITDA	250,754	313,875	317,973	158,147	(64,550)
Percentage of Revenue	*4.1%*	*5.3%*	*4.8%*	*2.3%*	*-1.0%*
Depreciation and Amortization	98,017	58,612	52,531	78,160	76,521
Earnings before Interest and Tax Expense	152,737	255,263	265,442	79,987	(141,072)
Interest	28,504	52,145	960	26,453	96,908
Earnings before Taxes	124,233	203,118	264,482	53,534	(237,980)
Income Tax Expense	22,580	30,868	48,556	41,680	31,383
Net Income (Loss)	***$ 101,653***	***$ 172,250***	***$ 215,926***	***$ 11,854***	***$ (269,363)***
Percentage of Revenue	*1.7%*	*2.9%*	*3.2%*	*0.2%*	*-4.3%*

* From 2008 tax returns which were used as a proxy for annualized 2008 performance.
1. Summary of information contained in the income tax returns prepared by Irwin Levine.
2. Numbers may appear incorrect due to rounding.

Mason Holding Company, Inc.
Historical Common Size Income Statement[1,2]
Years Ended December 31, except where noted

	2004	2005	2006	2007	2008*
Revenue					
Revenues	100.0%	100.0%	99.4%	99.1%	97.8%
Revenues - Holding Company	0.0%	0.0%	0.6%	0.9%	2.2%
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales					
Cost of Sales	45.8%	46.1%	47.4%	47.2%	51.6%
Gross Profit	54.2%	53.9%	52.6%	52.8%	48.4%
Total Operating Expenses	50.2%	48.6%	47.9%	50.5%	49.4%
EBITDA	4.1%	5.3%	4.8%	2.3%	-1.0%
Depreciation and Amortization	1.6%	1.0%	0.8%	1.1%	1.2%
Earnings before Interest & Tax	2.5%	4.3%	4.0%	1.2%	-2.2%
Interest	0.5%	0.9%	0.0%	0.4%	1.5%
Earnings before Taxes	2.0%	3.4%	4.0%	0.8%	-3.8%
Income Tax Expense	0.4%	0.5%	0.7%	0.6%	0.5%
Net Income (Loss)	***1.7%***	***2.9%***	***3.2%***	***0.2%***	***-4.3%***

* From 2008 tax returns which were used as a proxy for annualized 2008 performance.
1. Summary of information contained in the income tax returns prepared by Irwin Levine.
2. Numbers may appear incorrect due to rounding.

Mason Holding Company, Inc.
Historical Operating Expenses[1,2]
Years Ended December 31, except where noted

	2004	2005	2006	2007	2008*
Operating Expenses:					
Officers' Compensation	$ 159,418	$ 188,582	$ 194,227	$ 255,056	$ 83,039
Salaries and Wages	1,615,927	1,548,978	1,673,874	1,713,063	1,743,549
Repairs and Maintenance	45,829	28,522	37,140	48,543	25,421
Bad Debts	7,053	5,142	13,790	5,835	19,283
Rents	439,898	442,661	434,576	452,879	495,455
Taxes and Licenses	195,595	184,195	195,279	218,663	196,762
Advertising	117,094	63,887	51,334	111,719	66,614
Pension and Profit Sharing	8,936	5,382	287	-	-
Employee Benefits	43,640	50,763	41,111	33,507	60,374
Insurance	147,588	123,624	120,329	133,352	102,599
Utilities	31,882	33,391	34,814	44,044	44,942
Administrative Expenses	-	-	-	-	-
Other	275,584	198,666	403,513	496,297	269,910
Total Cash Operating Expenses	3,088,444	2,873,793	3,200,274	3,512,959	3,107,949

* From 2008 tax returns which were used as a proxy for annualized 2008 performance.
1. Summary of information contained in the income tax returns prepared by Irwin Levine.
2. Numbers may appear incorrect due to rounding.

Mason Holding Company, Inc.
Historical Common Size Operating Expenses[1,2]
Years Ended December 31, except where noted

	2004	2005	2006	2007	2008*
Operating Expenses:					
Officers' Compensation	2.6%	3.2%	2.9%	3.7%	1.3%
Salaries and Wages	26.3%	26.2%	25.0%	24.6%	27.7%
Repairs and Maintenance	0.7%	0.5%	0.6%	0.7%	0.4%
Bad Debts	0.1%	0.1%	0.2%	0.1%	0.3%
Rents	7.1%	7.5%	6.5%	6.5%	7.9%
Taxes and Licenses	3.2%	3.1%	2.9%	3.1%	3.1%
Advertising	1.9%	1.1%	0.8%	1.6%	1.1%
Pension and Profit Sharing	0.1%	0.1%	0.0%	0.0%	0.0%
Employee Benefits	0.7%	0.9%	0.6%	0.5%	1.0%
Insurance	2.4%	2.1%	1.8%	1.9%	1.6%
Utilities	0.5%	0.6%	0.5%	0.6%	0.7%
Administrative Expenses	0.0%	0.0%	0.0%	0.0%	0.0%
Other	4.5%	3.4%	6.0%	7.1%	4.3%
Total Cash Operating Expenses	50.5%	48.7%	48.0%	51.1%	49.8%

* From 2008 tax returns which were used as a proxy for annualized 2008 performance.
1. Summary of information contained in the income tax returns prepared by Irwin Levine.
2. Numbers may appear incorrect due to rounding.

Ratio Analysis and Industry Comparison
As of December 31, except where noted

	2004	2005	2006	2007	2008*	Weighted Average	441320 RMA
Operating Results							
Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross Profit	54.2%	53.9%	52.6%	52.8%	48.4%	53.1%	31.1%
Operating Expenses	51.8%	49.6%	48.6%	51.7%	50.6%	50.4%	29.0%
Operating Profit	2.5%	4.3%	4.0%	1.2%	-2.2%	2.8%	2.2%
All Other Expenses (net)	-0.5%	-0.9%	0.0%	-0.4%	-1.5%	-0.4%	0.1%
Profit Before Taxes	2.0%	3.4%	4.0%	0.8%	-3.8%	2.4%	2.3%
ASSETS:							
Cash & Equivalents	33.6%	51.4%	51.8%	16.5%	7.9%	35.8%	9.0%
Accounts Receivables - (net)	34.2%	16.0%	14.8%	12.0%	9.8%	15.9%	25.7%
Inventory	27.2%	18.8%	23.2%	17.4%	23.1%	20.4%	37.7%
All Other Current	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.1%
Total Current	94.9%	86.2%	89.9%	46.0%	40.8%	72.1%	74.4%
Fixed Assets (net)	4.7%	4.4%	2.5%	38.6%	44.9%	17.5%	21.4%
Intangibles (net)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%
All Other Non-Current	0.5%	9.4%	7.6%	15.5%	14.3%	10.4%	3.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LIABILITIES & Net Worth:							
Notes Payable-Short Term	1.1%	1.3%	0.4%	1.7%	3.8%	1.2%	9.0%
Cur. Mat.-L/T/D	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.2%
Accounts Payables	41.7%	21.7%	18.0%	11.7%	9.4%	18.6%	32.6%
Income Taxes Payable	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
All Other Current	1.8%	3.2%	2.6%	1.0%	1.1%	2.0%	4.9%
Total Current	44.5%	26.2%	21.0%	14.3%	14.2%	21.7%	49.8%
Long Term Debt	22.2%	30.6%	37.1%	57.8%	48.5%	42.6%	10.9%
Deferred Taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%
All Other Non-Current	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%
Net Worth	33.3%	43.2%	41.9%	27.9%	37.3%	35.7%	37.7%
Total Liabilities & Net Worth	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

APPENDIX G – BUTLER-PINKERTON MODEL

The Butler Pinkerton Model ("BPM") uses market derived data to objectively quantify Company Specific Risk.[23] BPM uses a "total beta" concept, which was popularized by Professor Aswath Damodaran at New York University who used it to develop the Total Cost of Equity for publicly-traded stocks.[24] Total beta measures the total risk, or volatility, of an individual stock relative to the total risk, or volatility, of the market. In other words, total beta recognizes the stand-alone risk of an individual company whereas beta considers the individual company risk in a risk-averse portfolio. The BPM essentially solves for the total beta to determine the Total Cost of Equity ("TCOE"). Because the only unknown element in the Total Cost of Equity (in a Build-Up Model) is the Company Specific Risk Premium, we are able to solve for it using the total beta concept.

METHODOLOGY

The BPM uses comparable public companies to determine the TCOE. These comparables do not have to be perfect, nor do they have to be sufficient enough to warrant the use of the Guideline Public Company method for valuation purposes. The stand-alone risk ("total beta") for each comparable is calculated using an appropriate market index, which is no different than calculating a conventional beta for financial analysis.

The comparables were based on publicly traded companies within the NAICS Code 441320 "Tire Dealers." Five companies were selected which were deemed similar to the Company. Because we are relying on an income approach method as previously mentioned, the companies do not necessarily have to be sufficiently comparable to use the Guideline Public Company method.

For each comparable company, stand-alone risk was calculated relative to the market[25] using weekly data during the 261 weeks preceding the Valuation Date. We used the same risk-free rate and equity risk premium from the discount rate build-up used in the discounted future benefits method. As stated in the valuation analysis, smaller companies tend to be more risky. The aforementioned Morningstar data were used.

The BPM regresses the weekly returns on the comparable versus the market, utilizing the least squares method to determine beta. Because we are measuring the systematic risk for the interest

[23] Complete methodologies, including the formulas and related proofs, of the Butler-Pinkerton Model can be found at BV Resources at http://www.bvmarketdata.com/defaulttextonly.asp?f=bpmintro.

[24] The concept of total beta was "invented" at least as far back as 1981 and referred to as the beta quotient. See Camp, Robert C. and Eubank, Jr., Arthur A. "The Beta Quotient: A New Measure of Portfolio Risk." *Journal of Portfolio Management* (Summer 1981) pp. 53 – 57, as cited at BVResources.com.

[25] The S&P 500 index served as a proxy for the market.

holder of the Company and we have not made any adjustment for debt financing arrangements, a levered beta is used. Each calculation was deemed statistically significant and was thus considered. Because the square of the Correlation Coefficient ("R"), or Coefficient of Determination (R^2), represents the portion of the risk attributable to the market, the beta is divided by R to determine the stand-alone risk, or total beta. Total beta is then used to determine the TCOE. The following table summarized the calculation for each of the comparable companies:

Mason Holding Company, Inc.
Company Specific Risk Calculation
As of August 5, 2008

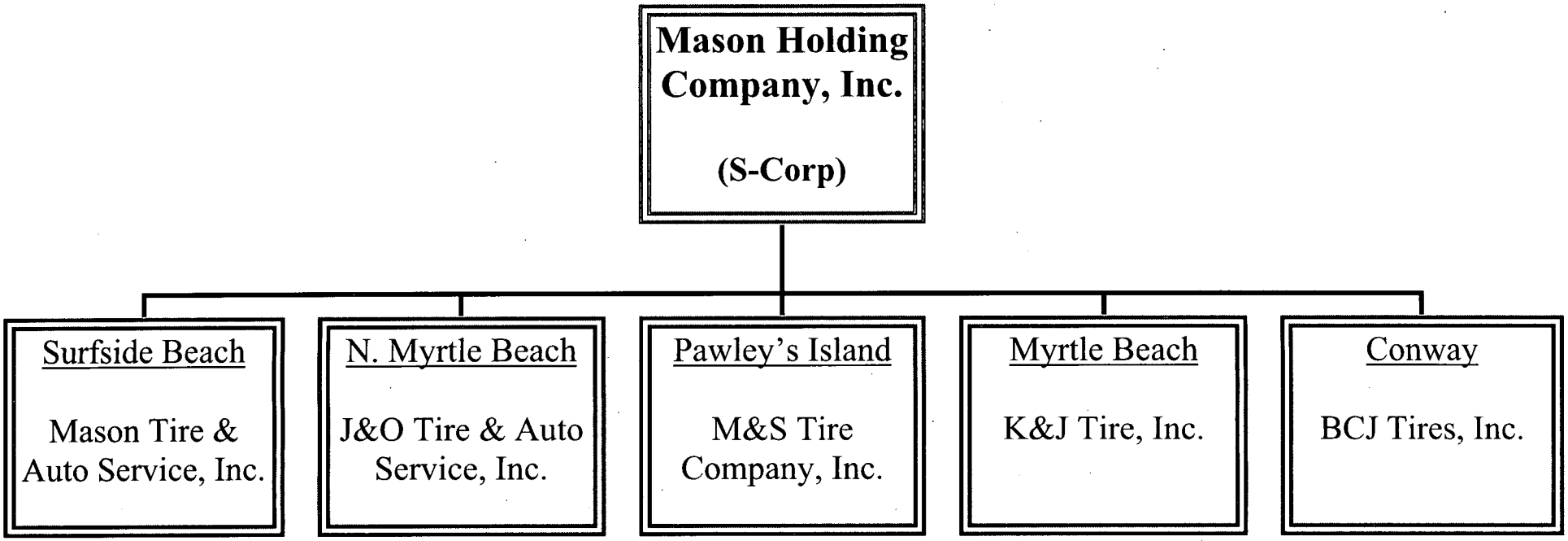
Company	Risk-Free Rate	Equity Risk Premium	Levered Beta	Correlation Coefficient	Total Beta	Total Cost of Equity	Company Specific Risk Premium
	[a]	[b]	[c]	[d]	[c]/[d]=[e]	([b]*[e])+[a]=[f]	[f]-[a]-([b]*[c])=[h]
Advance Auto Parts, Inc.	4.67%	7.10%	1.05	0.43	2.44	22.01%	9.88%
AutoZone, Inc	4.67%	7.10%	1.10	0.50	2.20	20.29%	7.81%
Mile Marker International, Inc.	4.67%	7.10%	1.01	0.17	5.94	46.85%	35.01%
O'Reilly Automotive, Inc.	4.67%	7.10%	1.14	0.53	2.15	19.94%	7.18%
Pep Boys Manny Moe & Jack	4.67%	7.10%	1.81	0.48	3.77	31.44%	13.92%
							CSRP
				First Quartile			7.81%
				Median			9.88%
				Third Quartile			13.92%
				Maximum			35.01%

CONCLUSION

The CSRP for the Company was estimated to be 6.0%. Based on the Company's relatively small size (being less able to diversify); lack of barriers to entry; and customer concentration, we have concluded it to be most comparable to the companies within the first quartile.[26] Our conclusion of a 6.0% CSRP for the Company is within the range of the first quartile premium as determined by the Butler Pinkerton Model.

[26] The high range of each quartile is displayed.

MASON TIRE CORPORATE STRUCTURE



Subsidiaries are wholly owned with the exception of BCJ Tires, Inc.,
which is owned by Mason Holding Company, Inc. (48%) and Defendant Irwin Levine (52%).

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Robert Y. Knowlton, Esquire
Haynsworth, Sinkler, Boyd, P.A.
1201 Main Street, 22nd Floor
Post Office Box 11889
Columbia, South Carolina 29211-1889

Dear Mr. Knowlton,

Pursuant to your request, I have amended my valuation conclusions contained in my expert report on the valuation of Mason Holding Company, Inc., (the "Company") dated March 2, 2011. Additionally, I have included in this document a summary of the differences in assumptions and valuation conclusions in my expert report and amended report compared to the original and updated expert report submitted by Sherry Smith, expert for the Defendants.

Additional Financial Information

After completing my original expert report in March, I received internal financial records for July 31, 2008 for the Company, its four wholly-owned subsidiaries, and its 48% interest in BCJ Tires, Inc. (the Conway store). This additional information is more contemporaneous to the valuation date of August 5, 2008 and therefore has necessitated this amendment, as my previous report relied on year-end financial statements. I have also received the following additional information:

- Sherry Smith updated report
- Letter authored by Henry Beckham of Beckham Appraisal Services
- Mason Tire & Auto Service Tax Analysis Report by WebsterRogers LLP
- Deposition of Kathy St. Blanchard
- Deposition of Irwin Levine
- Carolina First Bank statement of mortgage balance for Conway store

I. AMENDED VALUATION CONCLUSION

Income Approach

As stated in my original report, there were reservations concerning the reliability of certain of the Company's financial records. Those reservations have been reinforced by the additional information received after the original appraisal.

Based on additional information, I have substituted the mortgage balance indicated in the Carolina First document and have removed Mason Holding Company investment revenues in the cash flow calculation. These adjustments result in a downward adjustment to normalized earnings from $269,365 in the original report, to $252,455 in this amendment, which, after adjustments, yields a cash flow to equity estimate of $271,274. When capitalized at 21.6%, the cash flow to equity estimate yields an indicated value of operations of $1,316,866. The estimated value of the non-operating real estate held in Mason Holding Company is then added and results in an income approach indicated value of $1,694,000.

Mason Holding Company, Inc.
Capitalization of Benefits[1]
As of August 5, 2008

Cash Flow	
Net Income	$ 252,455
Add: Depreciation and Amortization	60,692
Minus: Change in Net Working Capital	(16,044)
Minus: Capital Expenditures	(25,828)
Add: Change in Debt	-
Cash Flow to Equity	271,274
Divided by Capitalization Rate	20.6%
Indicated Value of Operations	1,316,866

1. Numbers may appear incorrect due to rounding.

Mason Holding Company, Inc.
Income Approach Indicated Value of Equity[1]
As of August 5, 2008

Indicated Value of Operations	1,316,866
Plus: Non-Operating Assets	
Real Estate	1,292,000
Mortgage on Real Estate	(914,944)
Total Non-Operating Assets	377,056
Indicated Equity Value, Prior to Discounts	$ 1,693,922
Indicated Equity Value, Prior to Discounts (rounded)	$ 1,694,000

1. Numbers may appear incorrect due to rounding.

Market Approach

I have recalculated my estimate of the equity value of the Company by eliminating from the original report the discretionary earnings multiple, adjusting the debt balance to July 31, 2008, and making an inventory adjustment to the IBA multiple. The resulting indicated value of operations is $3,296,000. Adding the non-operating asset estimate value results in a market approach indicated value of $3,673,000 (see below).

Mason Holding Company, Inc.
Market Approach Indicated Value[1]
As of August 5, 2008

	Multiple (Median)	Number in Sample	Calculated 2008 Value	Add: Cash, A/R Inventory[4]	Less: Work. Capital Liabilities	Indicated Total Equity Value	Less: Int. Bearing Debt[5]	Equity Value
Biz Comps								
Price to Annual Gross	0.39	10	$2,630,550	$2,633,638	$ (2,027,791)	$3,236,398	$ -	$3,236,398
IBA								
Price to Gross Sales	0.54	12	3,594,774	1,787,810	(2,027,791)	3,354,794	-	3,354,794
					Average	3,295,596		3,295,596
					Rounded	$3,296,000		$3,296,000

1. Numbers may appear incorrect due to rounding.
2. (Bizcomps) SDE: Defined as: Net Income + Owners' Compensation + Depreciation + Interest
3. (IBA) Discretionary Earnings: Reported Annual Earnings Before Owner's Compensation, Interest And Taxes
4. BizComps includes cash, accounts receivable and inventory, IBA includes cash and receivables only
5. Included in current liabilities.

Mason Holding Company, Inc.
Valuation Summary[1]
As of August 5, 2008

Indicated Value of Operations	$ 3,296,000
Plus: Non Operating Assets	1,292,000
Less: Related Debt	(914,944)
Indicated Value of a 100% Controlling Interest	$ 3,673,000

1. Numbers may appear incorrect due to rounding.

Valuation Conclusion

As in the original report, I assigned no weight to the income approach based on my conclusion as to the unreliability of the consolidated financial statements. Therefore my amended conclusion of value for a 100% marketable, controlling interest in the Company as of August 5, 2008 is $3,673,000.

II. COMPARISON OF SMITH AND WOODSIDE AMENDED EXPERT REPORTS

Income Approach

Conclusions

Both reports provide an estimate of value using the Capitalization of Earnings method. The capitalization of earnings method yields a value by dividing the single period cash flow to equity estimate by the capitalization rate.

Smith value of 100% interest	$ 500,000
Woodside value of 100% interest	$ 1,694,000

Cash Flow Estimates

The Smith updated report calculates earnings by averaging the previous two years revenues and multiplying the average by the industry median profit margin of 1% (First Research). The obvious assumption is that the Company would be equal to the median company with no consideration for any characteristics unique to Mason. Earnings are adjusted to cash flows to equity by the following:

Normalized net income	$ 65,000
Depreciation	50,000
Capital expenditures	(10,000)
Cash flow to equity	$ 105,000

The Woodside report estimates normalized earnings by calculating a weighted average of reported revenues for the years 2004-2008 and then deducting cost of goods sold and operating expenses based on historical averages. I have also adjusted the earnings for certain discretionary expenses, rent and excess officer/owner compensation. The weighted average of these adjustments totals $130,424. The resulting cash flow to equity estimate is $271,274.

Capitalization Rate

Both the Smith and Woodside reports use virtually the same discount rate:

Smith	21%
Woodside	20.6%

Excess Owner Compensation

The Smith updated report assumed that compensation levels at the valuation date were reasonable and no adjustment was made to reported compensation. The Smith report apparently relied on compensation studies prepared by Salary.com (in October 2011), for the following positions: Chief Executive Officer, Accounting Director, and Accountant I. The report was based on wholesale and retail firms with revenues of $5-10 million in the Charleston SC market.

The Woodside report analyzed salary data for Chief Executive Officers based on the 2008 Occupational Employment Statistics published by the Bureau of Labor Statistics for Chief Executives. More specifically, data relied on was for Chief Executives in the Myrtle Beach-North Myrtle Beach-Conway area and for NAICS 441300 (retail auto parts, accessories and tire stores). The Woodside report adjusts for reasonable salaries by reducing compensation for 2004-2007 and increasing reported compensation for 2008. The weighted average reduction in compensation totals $27,578.

Non-operating Real Estate

The Company owns the land and improvements on Highway 544 which are leased to BCJ, Inc. (the Conway store). Both Smith and Woodside separated this asset from the Company's consolidated operations and treated it as a non-operating asset. The cost of this facility was $1,292,000 and the mortgage balance at the valuation date was $914,994. The facility was placed into operations approximately nine months prior to the valuation date. There is no appraisal of the property at the valuation date.

Smith value	$ 0
Woodside value	$ 377,056

The original Smith report assumes that as of May 31, 2009, the net value of the property was zero, that is, the value of the property was equal to the mortgage balance. The amended report also assumes no net value as of August 5, 2008. The Smith amended report is supported by a "preliminary investigation" performed by Beckham Appraisal Services LLC that is based on 2011 valuation indicators.

The Woodside report differs greatly in the calculation and resulting value of this non-operating asset. My primary concern with the Beckham investigation is that it is based on current information and does not reflect conditions at the valuation date. It is well known that the commercial real estate market in

the greater Myrtle Beach area, as in most other regions, has suffered during the current real estate recession. Although the recession was underway in 2008, the severe decline in values took place in 2009 and has continued thereafter. (See Exhibit 1 which contains a commercial property value index as an indicator of the magnitude and timing of commercial property value changes). There well could have been positive net value of the real estate at the valuation date. I assumed that the book equity of this property at the appraisal date since there was no other information available at that time.

Income Approach Valuation Summary

Smith indicated value of operations ($105,000 / .21)	$ 500,000
Smith Non-operating assets	0
Smith Indicated value	$ 500,000
Woodside indicated value of operations ($271,274 / .206)	$ 1,316,866
Woodside Non-operating assets (real estate)	377,056
Woodside Indicated value	$ 1,694,000

Market Approach

The market approach is based on applying multiples derived from actual private company transactions to the subject company's data. Both the Smith and Woodside reports considered a revenue multiple. The calculation of the equity value is found by: (1) multiplying the assumed revenue by the revenue multiple, and (2) adjusting the result from (1) for certain assets and liabilities.

Conclusions

Smith value of 100% marketable, control interest	$ 1,914,000
Woodside value of 100% marketable, control interest	$ 3,673,000

Selection of Multiple

The Smith report uses a revenue multiple of .35 and is based on multiples for SIC code 5531 as reported in the IBA database. The sample included 55 observations, with transactions for companies with revenues ranging from $87,000 to $3,808,000 and transaction dates ranging from 1989 to 2007.

The Woodside report uses two revenue multiples, which are based on 22 transactions as reported in the IBA and BIZCOMPS databases. The sample included 12 observations from IBA and 10 observations from

BIZCOMPS that covered transactions for companies with revenues ranging from $1,050,000 to $5,228,000 and transaction dates ranging from 2003 to 2008. The IBA revenue multiple was .54 and the BIZCOMPS multiple was .39.

Revenue Estimates

The Smith report uses the 2008 year-end consolidated revenues of $6,152,830. The Woodside report uses the weighted average revenues for 2004-2008 of $6,685,007.

Adjustments

Both the Smith and Woodside reports make the same asset and liability adjustments to the indicated sales prices based on IBA data. In addition, the Woodside report considers the BIZCOMPS multiple, which requires a different asset/liability adjustment in that it includes inventory whereas the IBA multiple does not.

Market Approach Valuation Conclusion

The Smith market approach indicated equity value, based on the revenue multiple of .35, is $1,914,000. The Woodside report value averages the results of the application of the IBA and BIZCOMPS multiples and adds the non-operating real estate value of $377,056 to yield an indicated equity value of $3,673,000.

Valuation Conclusion

Smith report valuation conclusion (100% marketable, control interest)	$ 1,348,000
Woodside report valuation conclusion (100% marketable, control interest)	$ 3,673,000

The Smith report calculates a weighted average of the income and market approaches by assigning a 40% weight to the income approach and a 60% weight to the market approach. The Woodside report does not assign any weight to the income approach for the reasons previously discussed.

In addition, the Smith report excludes any Company expense data in the income approach (it was based on an industry median) and ignores an earnings-based multiple in the market approach because "we do not believe that an income approach based on reported or corrected income is reliable." (Smith Updated Report, p.3). Despite concern for reliability, in the Smith conclusion of value the industry-based income approach is weighted 40%.

November 15, 2011

B. Perry Woodside, III, Ph.D.

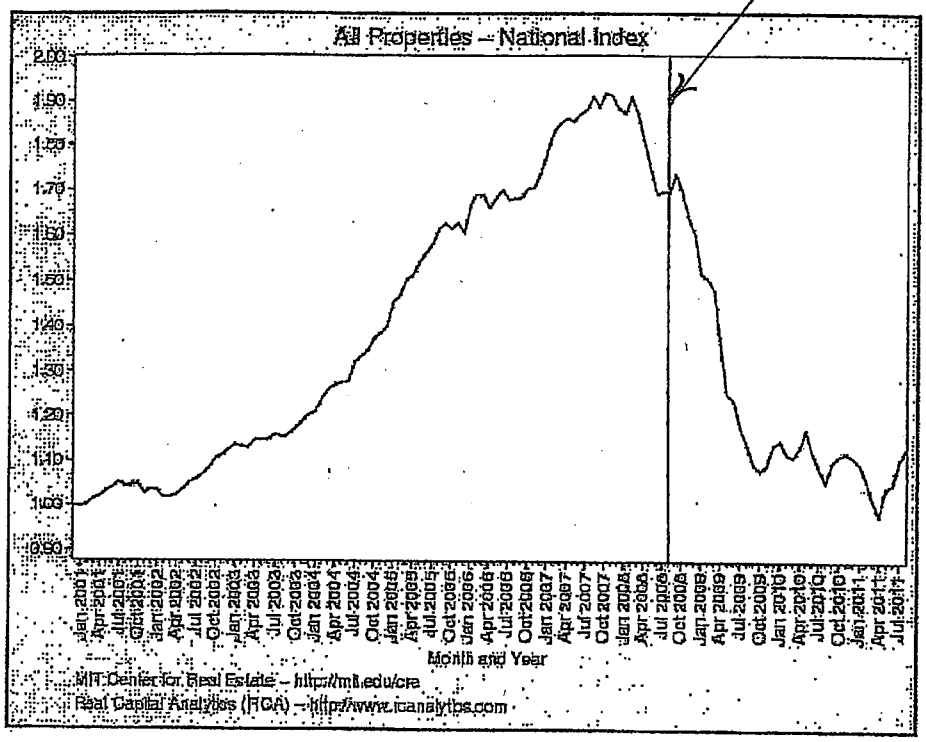
EXHIBIT 1

MIT Center for Real Estate

August 2008
Valuation Date

Moodys/REAL Commercial Property Price Index (CPPI)

Methodology developed at MIT's Center for Real Estate



Latest Results

November 7, 2011 update: The latest results of the Moodys/REAL CPPI (published by Moody's on October 24) show a price change return of positive 2.4% in August for the all properties national index.

The Moodys/REAL CPPI will be published first by Moodys and will appear here on the MIT/CRE website shortly afterwards. The MIT/CRE is publishing the Moodys/REAL commercial property index results monthly as a service to the real estate academic and industry research communities. It should be noted that these indices are a statistical product that may contain estimation error, and that MIT makes no claim or warranty regarding its accuracy or use. The MIT/CRE is publishing the CPPI due to our role in the development of this pioneering commercial property repeat-sales price index (launched December 2006 on this site). MIT does not endorse, nor recommend this particular index over other econometrically valid such indices that may be developed subsequent to the CPPI.

What is the Moodys/REAL Commercial Property Index (CPPI)?

The Moodys/REAL commercial property index (CPPI) is a periodic same-property round-trip investment price change index of the U.S. commercial investment property market based on data from MIT Center for Real Estate industry partner Real Capital Analytics, Inc (RCA). The methodology for index construction has been developed by the MIT/CRE through a project undertaken in cooperation with a consortium of firms including RCA and ***Real Estate Analytics, LLC*** (REAL). The index has been developed with the objective of supporting the trading of commercial property price derivatives. The index is designed to track same-property realized round-trip price changes based purely on the documented prices in completed, contemporary property transactions. The index uses no appraisal valuations. The methodology employed to construct the index is a repeat-sales regression (RSR), as described in detail in Geltner & Pollakowski (2007). The data source for the index is described in detail in a white paper available from RCA.

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IBA

Summary

SIC	Business Description	Sales	DE	Price	Price/Sales	Price/DE	State	Sale Date
5531	Auto Repair and Tire Dealer	1,068	21	270	0.25	13.00	GA	05/30/06
5531	Tire & Automotive Center	1,320		280	0.21		IA	10/31/07
5531	Automotive Tire Dealer	1,362	91	780	0.57	8.67	NJ	01/08/07
5531	Automotive Tire Dealer	1,515	0	700	0.46		FL	05/01/07
5531	Automotive Tire Dealer	1,515	10	650	0.43	65.00	AL	05/01/07
5531	Automotive Tire Dealer	1,515	0	765	0.50		TX	08/30/07
5531	Tire Dealer and Service	1,970	47	718	0.36	15.28	GA	01/31/08
5531	Automotive Tire Dealer	3,155	497	1,800	0.57	3.62	FL	03/04/04
5014	Tire Dealer	3,155		1,800	0.57		FL	01/03/05
5531	Automotive Tire Dealer	3,808	282	2,250	0.59	8.59	WV	03/13/06
5531	Automotive Tire Dealer	3,808	859	2,250	0.59	12.62	FL	02/04/07
5531	Automotive Tire Dealer	4,099	781	2,350	0.57	3.22	FL	06/09/08

Minimum	0.21	2.62
Median	0.54	6.10
Maximum	0.59	13.00
Mean	0.47	6.60
Standard Deviation	0.13	4.12
Coefficient of Variance	0.28	0.62
Count	12	6

BIZCOMPS

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Transaction ID	SIC Code	SIC Sub Code	SIC Code General	NAICS General	NAICS Code	Business Description	Area	Country	Annual Gross	Sale Date	SDE	SalePrice	AskPrice	SDEtoAnnual Gross	SalePriceToAnnual Gross	SalePriceToSDE
3304	5531	0000	55	441	44132	Retail-Tire Dealer	San Diego, CA	United States	$ 1,050	4/6/2003	210	405	480	0.2	0.386	1.929
10255	5531	0000	55	441	44132	Retail-Tire Sales	Florida	United States	$ 1,250	9/12/2007	223	600	625	0.178	0.48	2.691
3264	5531	0000	55	441	44132	Retail-Tire Dealer	Florida	United States	$ 1,362	5/11/2006	262	505	560	0.192	0.371	1.927
3272	5531	0000	55	441	44132	Retail-Tire Store	Glendale, AZ	United States	$ 1,395	6/30/2003	346	560	660	0.248	0.401	1.618
3314	5531	0000	55	441	44132	Retail-Tire Dealer	Phoenix, AZ	United States	$ 1,415	6/30/2006	200	600	600	0.141	0.424	3
11364	5531	0000	55	441	44132	Retail-Tires & Rims	California	United States	$ 1,452	5/1/2008	234	520	590	0.161	0.358	2.222
10256	5531	0000	55	441	44132	Retail-Tire Sales	Florida	United States	$ 1,737	9/12/2007	320	1,245	1,315	0.184	0.717	3.891
11751	5531	0000	55	441	44132	Retail-Tire Dealer	Florida	United States	$ 2,108	12/10/2007	317	1,470	1,470	0.15	0.697	4.637
11365	5531	0000	55	441	44132	Whsle-Commercial Tires	Las Vegas, NV	United States	$ 4,686	11/30/2007	(117)	1,300	1,300	-0.025	0.277	
11367	5531	0000	55	441	44132	Whsle-Commercial Tires	Las Vegas, NV	United States	$ 5,228	2/23/2006	972	1,475	1,475	0.186	0.282	1.517

High	5,228.00	39,569.00	972.00	1,475.00	0.25	0.72	4.64
Low	1,050.00	37,717.00	(117.00)	405.00	(0.03)	0.28	1.52
Average	2,168.30	38,912.10	296.70	868.00	0.16	0.44	2.60
Median	1,433.50	39,117.50	248.00	600.00	0.18	0.39	2.22
Standard Deviation	1,502.32	666.28	270.39	442.89	0.07	0.15	1.07
Coefficient of Variance	0.69	0.02	0.91	0.51	0.45	0.35	0.41
Number in Sample	10	10	9	10	9	10	9

- 1150 -

— date → understanding

STATE OF SOUTH CAROLINA COUNTY OF HORRY Joseph E. Mason, Jr., Plaintiff, vs. Catherine L. Mason, Joseph E. Mason, Sr., Kathy St. Blanchard, Mason Holding Company, Inc., and Irwin Levine, Defendants.	IN THE COURT OF COMMON PLEAS Civil Action No. 2008-CP-26-6169 **REVISED EXPERT REPORT OF B. PERRY WOODSIDE, Ph.D.**

I, B. Perry Woodside, III, Ph.D., have been engaged by Haynsworth Sinkler Boyd, P.A.in the above-referenced matter. I currently serve as a Director with the firm of Dixon Hughes PLLC and have been providing consulting services in economics and finance for over 30 years. This report has been prepared solely for the purpose of the above-referenced litigation and is not intended for any other use. It is not to be reproduced or used for any other purpose, other than that stated above, without my written permission in each specific instance.

QUALIFICATIONS

My curriculum vitae, including education and professional experiences, is attached as Exhibit A.

INTRODUCTION

The purpose of this analysis is to determine the value of financial loss suffered by Joseph E. Mason, Jr. who was terminated from Mason Holding Company, a family owned corporation, on July 30, 2008. Mr. Mason served the Corporation as its President. At the date of termination,

Mr. Mason was 51 years old and was living in Myrtle Beach, South Carolina with his wife and children.

OPINIONS AND BASIS

My current opinion, regarding the financial loss in this matter, is contained in the table below. The current value, as of an assumed trial or settlement date of November 16, 2011, is **$ 1,161,585** and is comprised of the elements shown in the table below.

Element of Damage	*Before-Trial*	*After-Trial*	*Total*
Expected Earnings	$ 496,816	$ 1,476,554	$ 1,973,370
Benefits	103,299	274,903	378,202
Mitigating Earnings	(282,922)	(907,066)	(1,189,987)
Total	$ 317,194	$ 844,391	$ 1,161,585

Work-life Expectancy

Mr. Mason was born on July 30, 1957 and was 51.0 years old at the time of his termination. For purposes of this report, a work-life expectancy of 11.86 additional years[1] from the date of termination was used.

Expected Earnings

Prior to his termination from Mason Holding Company, Mr. Mason served as its President. In 2007, his earnings were $140,438 and up to the date of termination in July 2008, his earnings were $87,923 (or $151,446 annualized). The average of his 2007 and annualized 2008 earnings is $145,942 and was used as a basis for calculating his pre-termination earnings.

Mitigating earnings consists of Mr. Mason's employment with Atlantic Coast Enterprises, LLC (ACE) where he began working in August 2008. His earnings with ACE for 2008 through 2010 were as follows:

[1] "The Markov Model of Labor Force Activity," Gary R. Skoog and James E. Ciecka, *Journal of Legal Economics, Vol 11 Nr. 1, Spring/Summer 2001*

2008	2009	2010
$23,843	$80,350	$93,661

The wage growth rate used for the pre and post-termination periods for Mason Holding Co. and ACE is based on the earnings forecast of the Office of the Actuary of the Social Security Administration. Back pay represents projected earnings from the termination date to the assumed trial or settlement date. Front pay represents the present value of projected earnings after trial until work-life expectancy.

Benefits

According to Mr. Mason, Mason Holding Company provided many benefits that are not provided by his current employer, ACE. In 2006, Mr. Mason received approximately $29,100 in benefits including vehicle payments and expenses, health insurance, life insurance, professional tax services, and clothing allowance. In 2007, the value of these benefits was $30,609. The average of his 2006 and 2007 benefits, adjusted for inflation, equals $31,078 which was used as a base for calculating Mr. Mason's loss of employee benefits. The growth rate used is based on the Consumer Price Index forecast from the Office of the Actuary of the Social Security Administration. According to Mr. Mason, ACE only provides reimbursement for cell phone services.

Present Value

The purpose of the present value calculation is to determine the amount of money as of November 16, 2011 to fund or provide for the yearly net economic loss. The pre-tax discount rate used to determine the present value of the yearly losses is one that minimizes the risks (default, liquidity, interest rate) to the claimant. For this analysis, the discount rate reflected the yields on U.S. Treasury stripped securities associated with each year for the projected losses.

EXHIBITS

The attached tables provide details of the present value calculations of the financial loss due to the termination of Joseph Mason, Jr. Selected information from this report may be incorporated into demonstrative exhibits for purposes of trial testimony.

RESTRICTIONS and RIGHT TO AMEND

This report has been prepared solely for the purpose of the above-referenced litigation and is not intended for any other use. It is not to be reproduced or used for any other purpose, other than that stated above, without my written permission in each specific instance. The opinions set forth in this report, which are my present opinions, are based in part upon my review of documents provided to me. In the event additional documents, other discovery and/or testimony are made available to me after the submission of this report, I respectfully reserve the right to amend this writing as appropriate. In addition to the substance of the attached report, my testimony at the hearing may also include rebuttal testimony, as required.

This is a true and correct preliminary report prepared by me that examines and analyzes the financial loss suffered in the above-referenced matter.

November 16, 2011

B. Perry Woodside, III, Ph.D.

Table 1
Joseph Mason, Jr.

Earnings

Date of Assumed Settlement or Trial:	November 16, 2011
Date of Termination:	July 30, 2008
Expected Retirement :	June 8, 2020
Discount Rate	Treasury Strips
Potential Annual Increase	OASDI
Expected Annual Salary (2008)	$ 145,942
Expected Annual Benefits (2008)	31,078
Mitigating Earnings (2010)	$ 93,661

Present Value of Potential Damages **$ 1,161,585**

Period	Earnings Lost		Benefits		Mitigating Earnings		Total
	Earnings	PV	Value	PV	Earnings	PV	PV
Back Pay							
Jul. 30 - Dec. 31, 2008	$ 60,809	$ 60,809	$ 12,949	$ 12,949	$ 23,843	$ 23,843	$ 49,915
2009	145,066	145,066	30,861	30,861	80,350	80,350	95,577
2010	152,465	152,465	31,478	31,478	93,661	93,661	90,282
Jan. 1 - Nov.. 16, 2011	138,476	138,476	28,011	28,011	85,068	85,068	81,420
	496,816	496,816	103,299	103,299	282,922	282,922	317,194
Front Pay							
Nov. 17 - Dec. 31, 2011	19,782	19,777	4,002	4,001	12,153	12,149	11,628
2012	165,696	164,781	32,749	32,568	101,789	101,227	96,122
2013	173,650	170,363	33,634	32,997	106,675	104,656	98,704
2014	181,638	173,911	34,575	33,105	111,582	106,836	100,180
2015	189,448	175,487	35,543	32,924	116,380	107,804	100,607
2016	197,784	175,461	36,539	32,415	121,501	107,788	100,088
2017	206,289	174,826	37,562	31,833	126,726	107,398	99,261
2018	214,953	174,087	38,613	31,272	132,048	106,944	98,415
2019	223,766	172,328	39,695	30,570	137,462	105,863	97,035
Jan. 1 - Jun. 8, 2020	101,685	75,532	17,796	13,219	62,467	46,400	42,351
	1,674,691	1,476,554	310,707	274,903	1,028,784	907,066	844,391
Total	$2,171,508	$1,973,370	$414,007	$378,202	$1,311,706	$1,189,987	$1,161,585

MASON TIRE & AUTO SERVICE

750 HIGHWAY 17 N
SURFSIDE BEACH, SC 29575
(843)238-3339
FEDERAL TAX ID# 57 0801371

INVOICE
289042

03/18/04 03/18/04
03:11 PM 03:30 PM
TERR: 9931
NONSIG: 152234

PAGE: 01 COPY: 02

BILL TO: CAROLINA HAULER
1265 2ND STREET
NORTH MYRTLE BEACH, SC 29582

PHONE 1..... (843)236-5600
PHONE 2.....
DATE REQUESTED 03/18/04
TIME REQUESTED
RETURN PARTS.. YES
SALESMAN..... 002 / 002

VEH YEAR/MAKE.
VEHICLE MODEL.
VEHICLE COLOR.
LICENSE/STATE.
ODOMETR IN/OUT 000000 / 000000

ACCOUNT #	CC3	TC	CUST#	TYPE/STATE	PAYMENT METHOD
993100001	4	01	NOHIST	1 - SC	CASH

SLSM	TECH	PRODUCT CODE	BC	QTY	DESCRIPTION		PARTS	LBR/EXCISE	LINE TOTAL
002		256-139-110-0	R	10-	295/75R22.5	RADIAL TRUCK CASING	55.88	.00	558.80-

DEPOSITION EXHIBIT
25- Joe Mason, Jr.
11.3.10
PENDAD 800-631-6989

D1

		PARTS TOTAL.....	558.80-
		LABOR TOTAL.....	.00
CASH AMOUNT.....	558.80-	SUB TOTAL.....	558.80-
TAXABLE AMOUNT	.00	SALES TAX.....	.00
			$558.80-

X.....
CUSTOMER AUTHORIZATION FOR TOTAL

CASH CREDIT

REFERENCE NO#. 589456 REFERENCE DTE. 03/08/04 BUY CASINGS IN LOW PRO

SEE REVERSE SIDE FOR IMPORTANT SAFETY WARNING AND WARRANTY INFORMATION

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Please tell our store manager. We value your opinion as much as your business. Should you need additional assistance, call our
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FEDERAL TAX ID# 57 0801371

INVOICE
279772

08/25/03 08/25/03
04:49 PM 04:51 PM
TERR: 9931
NONSIG: 152234

PAGE: 01 COPY: 02

BILL TO: CONWAY HAULER
MYRTLE BEACH, SC 29577

PHONE 1.....
PHONE 2.....
DATE REQUESTED 08/25/03
TIME REQUESTED
RETURN PARTS.. YES
SALESMAN..... 002 / 002

VEH YEAR/MAKE.
VEHICLE MODEL.
VEHICLE COLOR.
LICENSE/STATE.
ODOMETR IN/OUT 000000 / 000000

ACCOUNT #	COB	TC	CUST#	TYPE/STATE	PAYMENT METHOD
993100001	4	01	NOHIST	1 SC	CASH

SLSM	TECH	PRODUCT CODE	BC	QTY	DESCRIPTION		PARTS	LBR/EXCISE	LINE TOTAL
002		256-138-200-0	R	6-	11R225	TRUCK RADIAL CASING	67.10	.00	402.60-

Δ2

Ok
9

DEPOSITION EXHIBIT
26 - Joe Mason, Jr.
11.3.16
PENGAD 800-631-6989

		PARTS TOTAL.....	402.60-
		LABOR TOTAL.....	.00
CASH AMOUNT.....	402.60-	SUB TOTAL.....	402.60-
TAXABLE AMOUNT	.00	SALES TAX.....	.00
			$402.60-

X_____
CUSTOMER AUTHORIZATION FOR TOTAL

CASH CREDIT

REFERENCE N#. 001111 REFERENCE DTE. 08/25/03 RECEIVED 6 VIRGIN CASEING

SEE REVERSE SIDE FOR IMPORTANT SAFETY WARNING AND WARRANTY INFORMATION

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(843)238-8329
FEDERAL TAX ID# 57 0801371

INVOICE
917128

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TERR: 9931
NONSIG: 152234

PAGE: 01

BILL TO: CAROLINA HAULER
NORTH MYRTLE BEACH, SC 29582

PHONE 1..... NONE
PHONE 2.....
DATE REQUESTED 11/10/05
TIME REQUESTED
RETURN PARTS.. YES
SALESMAN..... 002 / 002

VEH YEAR/MAKE.
VEHICLE MODEL.
VEHICLE COLOR.
LICENSE/STATE.
ODOMETR IN/OUT 000000 / 000000

ACCOUNT #	COB	TC	CUSTI	TYPE/STATE	PAYMENT METHOD
9931000001	4	01	MOHIST	1 SC	CASH

SLSM	TECH	PRODUCT CODE	BC	QTY	DESCRIPTION		PARTS	LBR/EXCISE	LINE TOTAL
002		256-136-200-0	A	11-	11R225	TRUCK RADIAL CASING	61.00	.00	671.00-

DEPOSITION EXHIBIT
27 - Mason Jr.
11.3.10
PENGAD 800-631-6989

13

		PARTS TOTAL.....	671.00-
		LABOR TOTAL.....	.00
CASH AMOUNT.....	671.00-	SUB TOTAL.....	671.00-
TAXABLE AMOUNT	.00	SALES TAX.....	.00
			$671.00-

X _____
CUSTOMER AUTHORIZATION FOR TOTAL

CASH CREDIT

REFERENCE NO#. [redacted] REFERENCE DTE. 11/10/05 BOUGHT CASINGS FROM CUSTOMER

SEE REVERSE SIDE FOR IMPORTANT SAFETY WARNING AND WARRANTY INFORMATION

MASON TIRE & AUTO SERVICE

750 HIGHWAY 17 N
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(843)238-3339
FEDERAL TAX ID# 57 0801371



INVOICE
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TERR: 9931
NONSIG: 152234

PAGE: 01 COPY: 01

BILL TO: CAROLINA HAULER
MYRTLE BEACH, SC 29577

PHONE 1..... NONE
PHONE 2.....
DATE REQUESTED 07/21/04
TIME REQUESTED
RETURN PARTS.. YES
SALESMAN..... 003 / 003

VEH YEAR/MAKE.
VEHICLE MODEL.
VEHICLE COLOR.
LICENSE/STATE.
ODOMETR IN/OUT / NA

ACCOUNT #	COI	TC	CUST#	TYPE/STATE	PAYMENT METHOD
993100001	4	01	NOHIST	9 SC	CASH

SLSM	TECH	PRODUCT CODE	BC	QTY	DESCRIPTION		PARTS	LBR/EXCISE	LINE TOTAL
003		256-138-200-0	R	10-	11R225	TRUCK RADIAL CASING	60.00	.00	600.00-

DEPOSITION EXHIBIT
29 - Joe Mason, Jr.
11-3-10
PENGAD 800-631-6989

PARTS TOTAL..... 600.00-
LABOR TOTAL..... .00
SUB TOTAL..... 600.00-
SALES TAX..... .00
$600.00-

CASH AMOUNT..... 600.00-
TAXABLE AMOUNT .00

X.....
CUSTOMER AUTHORIZATION FOR TOTAL

CASH CREDIT

REFERENCE NO#. 123456 REFERENCE DTE. 07/21/04 NEED CASINGS

SEE REVERSE SIDE FOR IMPORTANT SAFETY WARNING AND WARRANTY INFORMATION

HAVE A QUESTION OR PROBLEM?
Please tell our store manager. We value your opinion as much as your business. Should you need additional assistance, call our
CUSTOMER ASSISTANCE LINE 1-800-321-2136

MASON TIRE & AUTO SERVICE

750 HIGHWAY 17 N
GURFSIDE BEACH, SC 29575
(843)238-3339
FEDERAL TAX ID# 57 0801371

INVOICE
321817

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TERR: 9931
NONSIG: 152234

PAGE: 01

BILL TO: CAROLINA HAULER
MYRTLE BEACH, SC 29577

PHONE 1..... NONE
PHONE 2.....
DATE REQUESTED 03/08/06
TIME REQUESTED
RETURN PARTS.. YES
SALESMAN..... 002 / 002

VEH YEAR/MAKE.
VEHICLE MODEL.
VEHICLE COLOR.
LICENSE/STATE.
ODOMETR IN/OUT 000000 / 000000

ACCOUNT #	COB	TC	CUST#	TYPE/STATE	PAYMENT METHOD
9931000(1	4	01	NONTST	I SC	CASH

SLSM	TICB	PRODUCT CODE	BC	QTY	DESCRIPTION	PARTS	LBR/EXCISE	LINE TOTAL
002		256-377-391-0	R	3-	445/65R22.5 TRUCK CASING	93.64	.00	280.92-
002		256-138-200-0	R	2-	11R22S TRUCK RADIAL CASING	61.00	.00	122.00-

Δ7

DEPOSITION EXHIBIT
Joe Mason, Jr.
11.3.10
PENGAD 800-631-6989

PARTS TOTAL..... 402.92-
LABOR TOTAL..... .00
SUB TOTAL..... 402.92-
SALES TAX..... .00
$402.92-

CASH AMOUNT..... 402.92-
TAXABLE AMOUNT .00

X _____
CUSTOMER AUTHORIZATION FOR TOTAL

CASH CREDIT

REFERENCE NO#. 123606 REFERENCE DTE. 03/08/06 BOUGHT CASINGS

SEE REVERSE SIDE FOR IMPORTANT SAFETY WARNING AND WARRANTY INFORMATION

MASON TIRE & AUTO SERVICE

730 HIGHWAY 17 N
SURFSIDE BEACH, SC 29575
(843)238-3339
FEDERAL TAX ID# 57 0801371

INVOICE
#236166

PAGE: 01

06/06/06 06/06/06
04:37 PM 04:37 PM
TERR: 9931
NONSIG: 152234

BILL TO: CAROLINA HAULING CO
CONWAY, SC 29528

PHONE 1..... NONE
PHONE 2.....
DATE REQUESTED 06/06/06
TIME REQUESTED
RETURN PARTS.. YES
SALESMAN..... 078 / 078

VEH.YEAR/MAKE.
VEHICLE MODEL.
VEHICLE COLOR.
LICENSE/STATE.
ODOMETR IN/OUT 000000 / 000000

ACCOUNT #	COB	TC	CUST#	TYPE/STATE	PAYMENT METHOD
993100001	4	01	NONLST	SC	CASH

SLSM	TECH	PRODUCT CODE	SC	QTY	DESCRIPTION	PARTS	LBR/EXCISE	LINE TOTAL
078		256-180-200-0	R	8-	118225 TRUCK RADIAL CASING	58.00	.00	464.00-

D8

DEPOSITION EXHIBIT
32- Joe Mason, Jr.
11.3.10
PENGAD 800-631-6989

CUSTOMER AUTHORIZATION FOR TOTAL

CASH CREDIT

CASH AMOUNT..... 464.00-
TAXABLE AMOUNT .00

PARTS TOTAL..... 464.00-
LABOR TOTAL..... .00
SUB TOTAL..... 464.00-
SALES TAX..... .00
$464.00-

REFERENCE NUM. 123456
REFERENCE DTE. 06/06/06
BOUGHT CASINGS

SEE REVERSE SIDE FOR IMPORTANT SAFETY WARNINGS AND WARRANTY INFORMATION

MASON TIRE & AUTO SERVICE

750 HIGHWAY 17 N
SURFSIDE BEACH, SC 29575
(843)238-3339
FEDERAL TAX ID# 57 0801371

INVOICE
345808

07/24/07 07/24/07
04:42 PM 04:42 PM
TERR: 9931
NONSIG: 152234

PAGE: 01

BILL TO: CAROLINA HAULING
NORTH MYRTLE BEACH, SC 29582

PHONE 1..... NONE
PHONE 2.....
DATE REQUESTED 07/24/07
TIME REQUESTED
RETURN PARTS.. YES
SALESMAN..... 004 (004)

VEH YEAR/MAKE.
VEHICLE MODEL.
VEHICLE COLOR.
LICENSE/STATE.
ODOMETR IN/OUT 000000 / 000000

ACCOUNT #	COB	TC	CUST#	TYPE/STATE	PAYMENT METHOD
993100001	4	01	NOHIST	1 SC	CASH

SLSM	TECH	PRODUCT CODE	BC	QTY	DESCRIPTION		PARTS	LBR/EXCISE	LINE TOTAL
004		256-138-200-0	R	15-	11R225	TRUCK RADIAL CASING	60.00	.00	900.00-

D9

DEPOSITION EXHIBIT
Joe
33-Mason Jr.
11.3.10
FENGAD 800-631-6989

PARTS TOTAL..... 900.00-
LABOR TOTAL..... .00
SUB TOTAL..... 900.00-
SALES TAX..... .00
$900.00-

CASH AMOUNT..... 900.00-
TAXABLE AMOUNT .00

X_____
CUSTOMER AUTHORIZATION FOR TOTAL

CASH CREDIT

REFERENCE NO#. 123456 REFERENCE DTE. 07/23/07 BOUGHT CASINGS FOR CAP

SEE REVERSE SIDE FOR IMPORTANT SAFETY WARNING AND WARRANTY INFORMATION

MASON TIRE & AUTO SERVICE

750 HIGHWAY 17 N
SURFSIDE BEACH, SC 29575
(843)238-3339
FEDERAL TAX ID# 57 0801371

INVOICE
3313028

10/11/06 10/11/06
03:22 PM 03:22 PM
TERR: 9931
NONSIG: 152234

PAGE: 01

BILL TO: CAROLINA HAULER
MYRTLE BEACH, SC 29577

PHONE 1..... NONE
PHONE 2.....
DATE REQUESTED 10/11/06
TIME REQUESTED
RETURN PARTS.. YES
SALESMAN..... 004 / 004

VEH YEAR/MAKE.
VEHICLE MODEL.
VEHICLE COLOR.
LICENSE/STATE.
ODOMETR IN/OUT 000000 / 000000

ACCOUNT #	CDB	TC	CUST#	TYPE/ETATE	PAYMENT METHOD
9931000011	4	01	NONHST	1 SC	CASH

SLSM TIDY	PRODUCT CODE	BC	QTY	DESCRIPTION		PARTS	LBR/EXCISE	LINE TOTAL
004	254-138-200-0	R	15-	11R225	TRUCK RADIAL CASING	60.00	.00	900.00-

A12

DEPOSITION EXHIBIT
36 - Joe Mason, Jr.
11.3.10
PENGAD 800-631-6989

PARTS TOTAL..... 900.00-
LABOR TOTAL..... .00
SUB TOTAL..... 900.00-
SALES TAX..... .00
$900.00-

CASH AMOUNT..... 900.00-
TAXABLE AMOUNT .00

CUSTOMER AUTHORIZATION FOR TOTAL

CASH CREDIT

REFERENCE NO#. 123456 REFERENCE DTE. 10/11/06 BOUGHT CASINGS FROM TRUCKER

SEE REVERSE SIDE FOR IMPORTANT SAFETY WARNING AND WARRANTY INFORMATION

MASON TIRE & AUTO SERVICE

750 HIGHWAY 17 N
SURFSIDE BEACH, SC 29575
(843)238-3339
FEDERAL TAX ID# 57 0801371

INVOICE
382812

04/19/06 04/19/06
03:02 PM 03:02 PM
TERR: 9931
NONSIG: IS2234

PAGE: 01

BILL TO: CAROLINA HAULING
NORTH MYRTLE BEACH, SC 29582

PHONE 1..... NONE
PHONE 2.....
DATE REQUESTED 04/19/06
TIME REQUESTED
RETURN PARTS.. YES
SALESMAN..... 008 / 002

VEH YEAR/MAKE.
VEHICLE MODEL.
VEHICLE COLOR.
LICENSE/STATE.
ODOMETR IN/OUT 000000 / 000000

ACCOUNT #	COB	TC	CUST#	TYPE/STATE	PAYMENT METHOD
9931000-1	4	01	NOHIAT	1 SC	CASH

SLSM	TECH	PRODUCT CODE	BC	QTY	DESCRIPTION	PARTS	LBR/EXCISE	LINE TOTAL
002		256-138-200-0	R	14-	11R225 TRUCK RADIAL CASING	61.00	.00	854.00-

DEPOSITION EXHIBIT
37 - Mason Jr.
11.3.10
PENGAD 800-631-6989

		PARTS TOTAL.....	854.00-
		LABOR TOTAL.....	.00
CASH AMOUNT.....	854.00-	SUB TOTAL.....	854.00-
TAXABLE AMOUNT	.00	SALES TAX.....	.00
			$854.00-

X _____
CUSTOMER AUTHORIZATION FOR TOTAL

CASH CREDIT

REFERENCE NO#. 123456 REFERENCE DTE. 04/19/06 BUS CASINOSNSS

SEE REVERSE SIDE FOR IMPORTANT SAFETY WARNING AND WARRANTY INFORMATION

MASON TIRE & AUTO SERVICE

750 HIGHWAY 17 N
SURFSIDE BEACH, SC 29575
(843)238-3339
FEDERAL TAX ID# 57 0801371

INVOICE
3214603

PAGE: 01

11/15/06 11/15/06
02:56 PM 03:56 PM
TERR: 9931
NONSIG: 152234

BILL TO: CAROLINA HAULING
CONWAY, SC 29582

PHONE 1..... NONE
PHONE 2.....
DATE REQUESTED 11/15/06
TIME REQUESTED
RETURN PARTS.. YES
SALESMAN..... 002 / 002

VEH YEAR/MAKE.
VEHICLE MODEL.
VEHICLE COLOR.
LICENSE/STATE.
ODOMETR IN/OUT 000000 / 000000

ACCOUNT #	CDB	TC	CUST#	TYPE/STATE	PAYMENT METHOD
993100C01	4	01	NONIST	1 SC	CASH

SLSM	TECH	PRODUCT CODE	BC	QTY	DESCRIPTION		PARTS	LBR/EXCISE	LINE TOTAL
002		256-138-200-0	R	15-	11R22S	TRUCK RADIAL CASING	60.00	.00	900.00-
002		256-888-391-0	R	3-	255/70R22S	TRUCK CASING	42.00	.00	126.00-

Δ14

DEPOSITION EXHIBIT
38 - Joe Mason Jr.
11.3.10
PENGAD 800-631-6989

PARTS TOTAL..... 1026.00-
LABOR TOTAL..... .00
SUB TOTAL..... 1026.00-
SALES TAX..... .00
$1,026.00-

CASH AMOUNT..... 1026.00-
TAXABLE AMOUNT .00

X _____
CUSTOMER AUTHORIZATION FOR TOTAL

CASH CREDIT

REFERENCE NO#. 123456 REFERENCE DTE. 11/15/06 BOUGHT CASINGS

SEE REVERSE SIDE FOR IMPORTANT SAFETY WARNING AND WARRANTY INFORMATION

MASON TIRE & AUTO SERVICE

750 HIGHWAY 17 N
SURFSIDE BEACH, SC 29575
(843)238-9339
FEDERAL TAX ID# 57 0801271

INVOICE
321944

07/07/06 07/07/06
05:24 PM 05:24 PM
TERR: 9931
NONSIG: 152234

PAGE: 01

BILL TO: CAROLINA HAULING
MYRTLE BEACH, SC 29577

PHONE 1..... NONE
PHONE 2.....
DATE REQUESTED 07/07/06
TIME REQUESTED
RETURN PARTS.. YES
SALESMAN..... 002 / 002

VEH YEAR/MAKE.
VEHICLE MODEL.
VEHICLE COLOR.
LICENSE/STATE.
ODOMETR IN/OUT 000000 / 000000

ACCOUNT #	COB	TC	CUST#	TYPE/STATE	PAYMENT METHOD
9931000031	4	01	NONTST	1/ SC	CASH

SLSM	TICK	PRODUCT CODE	BC	QTY	DESCRIPTION		PARTS	LBR/EXCISE	LINE TOTAL
002		256-138-200-0	R	15-	11R22S	TRUCK RADIAL CASING	61.00	.00	915.00-

D15

DEPOSITION EXHIBIT
Joe
39-Mason Jr.
11.3.10
PENGAD 800-631-6989

PARTS TOTAL..... 915.00-
LABOR TOTAL..... .00
SUB TOTAL..... 915.00-
SALES TAX..... .00
$915.00-

CASH AMOUNT..... 915.00-
TAXABLE AMOUNT .00

CUSTOMER AUTHORIZATION FOR TOTAL

CASH CREDIT

REFERENCE NUM. 123456 REFERENCE DTE. 07/07/06 PURCHASE CASINGS

SEE REVERSE SIDE FOR IMPORTANT SAFETY WARNING AND WARRANTY INFORMATION

MASON TIRE & AUTO SERVICE

750 HIGHWAY 17 N
SURFSIDE BEACH, SC 29575
(843)238-3339
FEDERAL TAX ID# 57 0801371

INVOICE
325149

05/16/06 05/16/06
04:32 PM 04:32 PM
TERR: 9931
NON6IG: 152284

PAGE: 01

BILL TO: CAROLINA HAULING
CONWAY, SC 29582

PHONE 1..... NONE
PHONE 2.....
DATE REQUESTED 05/16/06
TIME REQUESTED
RETURN PARTS.. YES
SALESMAN..... 002 / 002

VEH YEAR/MAKE.
VEHICLE MODEL.
VEHICLE COLOR.
LICENSE/STATE.
ODOMETR IN/OUT 000000 / 000000

ACCOUNT #	COB	TC	CUST#	TYPE/STATE	PAYMENT METHOD
9931000001	4	01	NONIST	I SC	CASH

SLSM	TECH	PRODUCT CODE	BC	QTY	DESCRIPTION	PARTS	LBR/EXCISE	LINE TOTAL
002		256-277-391-0	R	10-	445/65R22.5 TRUCK CASING	95.00	.00	950.00-

D16

DEPOSITION EXHIBIT
40-Mason, Jr.
11.3.10
PENGAD 800-631-6989

PARTS TOTAL..... 950.00-
LABOR TOTAL..... .00
SUB TOTAL..... 950.00-
SALES TAX..... .00
$950.00-

CASH AMOUNT..... 950.00-
TAXABLE AMOUNT .00

CUSTOMER AUTHORIZATION FOR TOTAL

CASH CREDIT

REFERENCE NO#. 123456 REFERENCE DTE. 05/16/06 BOUGHT CASINGS

SEE REVERSE SIDE FOR IMPORTANT SAFETY WARNING AND WARRANTY INFORMATION

Caro

CAROLINA FIRST

Account Summary | Account History | Stop Payment | Alerts | Help | Log Off

CHECK IMAGE

Zoom Out | Zoom In | Print

[redacted]

09/24/2007

This is a LEGAL COPY of your check. You can use it the same way you would use the original check.

⑆053200183⑆ 09/21/2007 ⑈0001001203365⑈

MASON TIRE & AUTO SERVICE
750 HWY. 17 N.
SURFSIDE BEACH, SC 29575
(843) 238-5339

12056

DATE 9-21-07

PAY TO THE ORDER OF Turner Ardell $ 10,000.00

Ten Thousand Dollars 00/100 DOLLARS

CAROLINA FIRST
SURFSIDE BEACH, SC 29575

FOR Corp Attorney Retainer [redacted]

[redacted]

[redacted]

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE
RESERVED FOR FINANCIAL INSTITUTION USE

For Deposit Only
Turner Padget Graham & Laney Trust Acct

[redacted]

09/24/2007

↓Do not endorse or write below this line.↓

DEPOSITION EXHIBIT
Joe Mason Jr.
11.3.10

PENGAD 800-631-6989

D18

LAW OFFICES OF
TURNER, PADGET, GRAHAM & LA[illegible]EY, P.A.
PO BOX 2115
[illegible]

SOUTH CAROLINA BANK AND TRUST
COLUMBIA, SC

1008

[illegible] NUMBER 1008

PAY TEN THOUSAND AND [illegible] DOLLARS

TO THE
ORDER OF

DATE
09-28-07

AMOUNT
$*****10,000.00

Mason Tire and Auto Service

Surfside Beach, SC 29575

MYRTLE BEACH TRUST ACCOUNT

[illegible]

[redacted] 3663

D19

DEPOSITION EXHIBIT
7 - Joe Mason, Jr.
11.3.10
FormAD 800-631-6989

TURNER PADGET
POWER PERSONAL ATTORNEYS LAWYERS

CHARLESTON
COLUMBIA
FLORENCE
GREENVILLE
MYRTLE BEACH

J. Munford Scott, Jr.

REPLY TO:

E-Mail: MScott@TurnerPadget.com
Writer's Direct Dial: (843) 213-5506
Direct Fax: (843) 213-5606

September 28, 2007

Joseph E. Mason, Jr.
Mason Tire & Auto Service, Inc.
[redacted]
Myrtle Beach, SC [redacted]

Re: Retention Agreement

Dear Mr. Mason:

I am writing this letter to you on behalf of the Firm in the absence of Mr. R. Wayne Byrd. On August 30, 2007, you engaged Turner Padget Graham & Laney P.A. and specifically Mr. R. Wayne Byrd to represent your interest in Mason Tire & Auto Service, Inc. consolidated group. On September 21, 2007, this office received a $10,000.00 retainer check on Mason Tire & Auto Service. Although many of the issues which you have raised with Mr. Byrd do in fact involve the corporation and its books and records, our retention was not by the corporation but was by you individually. Because of potential conflicts that might develop in the future, we do not feel that we could represent both you and the corporation. For that reason, we are forwarding to you undercover of this letter a refund of the $10,000.00 retainer paid by Mason Tire & Auto Service. You will find enclosed with this letter our Firm check in the amount of $10,000.00.

We look forward to representing you personally in this matter. Thank you for your consideration.

With kind regards,

Yours very truly,

TURNER, PADGET, GRAHAM & LANEY, P.A.

J. Munford Scott, Jr.

JMS:bk
Enc.

A20

DEPOSITION EXHIBIT
8 - Mason, Jr.
11.3.10
PENGAD 800-631-6989

BUSINESS • LITIGATION • SOLUTIONS

Founders Centre • 2411 North Oak Street • Suite 301 (29577) • PO Box 2116 • Myrtle Beach, SC 29578
Phone (843) 213-5500 • Fax (843) 213-5555 • turnerpadget.com

CHECK REQUEST FORM

DATE 10-17-07

REQUESTING STORE: SURFSIDE X
PAWLEY'S ____
NMB ____
MYRTLE ____
HOLDING ____

PAYABLE TO: JOE MASON

ITEM OR SERVICE REQUESTED:

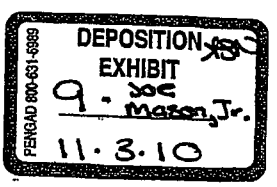
REIMBURSEMENT FOR ATTORNEY FEES

AMOUNT 17,301.66

DEPARTMENT/CODE ____

REQUESTED BY JM Jr.

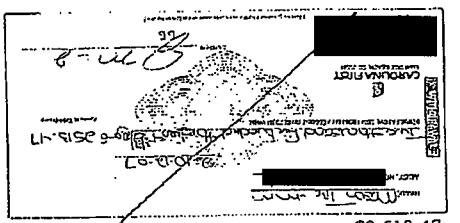
A22



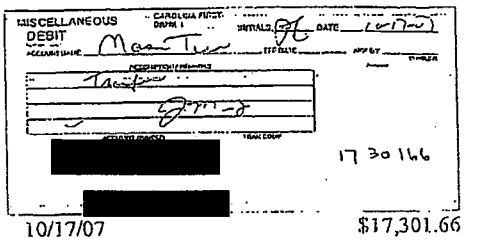
MASON TIRE AND AUTO SERVICE INC
SURFSIDE OFFICE

Account Number 7100170154
Page 11 of 11

This is a legal copy of your image.



10/16/07 $2,513.47



10/17/07 $17,301.66

D23

DEPOSITION EXHIBIT
10 - Doc Mason, Jr.
11.3.10
PENGAD 800-631-6989

MASON TIRE & AUTO SERVICE

750 HIGHWAY 17 N
SURFSIDE BEACH, SC, 29575
(843)238-3339

CASH RECEIPT
003949
PAGE 01

TERR 9931
05/27/05
04:03 PM

THANK YOU FOR YOUR BUSINESS - HAVE A GOOD DAY

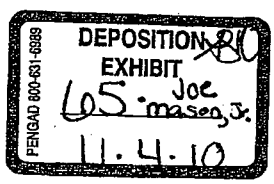
CARQUEST CARQUEST

ACCOMMODATION CHECK

AMOUNT	
-435.45	CASH
435.45	CHECK
0.00	TOTAL AMOUNT CREDITED

RECEIVED BY
J E M

A58



DEPOSIT TICKET

BRANCH 01354

MASON TIRE & AUTO SERVICE, INC.
MONEY MARKET ACCOUNT

#C9131

DATE 5-27 05

DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL.
ENDORSE & LIST CHECKS SEPARATELY OR ATTACH LIST.

CAROLINA FIRST
SURFSIDE BEACH, SC 29587

[redacted]

TOTAL ITEMS

	DOLLARS	CENTS
CURRENCY	1069	00
COIN		12
TOTAL CASH		
CHECKS		
1 Dietz	188.	62
2 Hogan	154	29
3 Bishop	40.	00
4 Ray	621.	05
5 Collins	26	25
6 Smith	40.	00
7 Rishel	112.	26
8 Coleman	44	16
9 Crawford	356	10
10 Surfside Locality	1775.	86
11 Santee Cooper	996.	24
12 H.C. Council	25.	37
13 Grand Strand	259.	51
14 Water & Sewer		
* 15 Circuit	455.	45
16		
17		
18		
19		
20		
21		
22		
23		
TOTAL FROM ATTACHED LIST		
PLEASE RE-ENTER TOTAL HERE	TOTAL	5952.22

$ 5952.22

CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE AND ANY APPLICABLE COLLECTION AGREEMENT.

Δ49

WR WebsterRogers LLP
Certified Public Accountants ◦ Consultants

www.websterrogers.com

MASON TIRE & AUTO SERVICE

TAX ANALYSIS REPORT

AUGUST 23, 2011

MASON TIRE & AUTO SERVICE

TABLE OF CONTENTS

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WR WebsterRogers LLP
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

Myrtle Beach • Florence • Columbia • Georgetown • Charleston • Sumter • Litchfield • Summerville

To: File of Mason Tire and Auto Service
From: Laura DuRant, CPA
Date: August 23, 2011
Re: Prior Years Tax Liabilities

I have reviewed the work papers supporting the calculations of the tax liabilities for the years ending December 31, 2003 and December 31, 2006 and the potential refunds for 2007 and 2008 for Mason Tire & Auto Service, Inc., a C corporation.

These calculations were derived from the numbers presented to us by Irvin Levin who prepared the tax returns for those years. Levine did so at the direction of Joe Mason, Jr., chief operating officer of Mason Tire at the time the tax returns were filed. Our calculations of the corrected tax liabilities, penalties and interest are based on the representations of Mr. Levine and other information that we have obtained from the other shareholders of the company (Kathy St. Blanchard and Joe Mason, Sr.)

The adjustments of primary concern and our focus are the adjustments to inventory in 2003 ($440,000) and 2006 ($300,000). These increases in inventory amounts filtered down into increases in the cost of goods sold expense. The effect on the income tax returns was a significant decrease in both the federal and state income tax liabilities. Based on our information and belief, these adjustments for 2003 and 2006 represented false and fictitious entries solely for the purpose of reducing the income tax liabilities of the corporation.

Our computations of the corrected income tax liabilities for these tax years are:

Federal	2003	2006	2007	2008
Income tax	$161,350	$110,391	($57,448)	($24,726)
Interest - §6601(a)	83,493	28,400		
Penalty interest - §6601(e)	62,620	21,300		
Late payment penalty - §6651(a)(2)	40,338	27,598		
Fraud penalty - §6663(a)	121,013	82,793	-	-
Total federal tax due	$468,814	$270,482	($57,448)	($24,726)

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To: File of Mason Tire and Auto Service
Date: August 23, 2011

State	2003	2006	2007	2008
Income tax	$22,000	$15,000	($9,513)	($8,170)
Interest	11,403	3,869		
Negligence - §12-54-43(F)(1)	6,802	2,682		
Late payment penalty - §12-54-43(D)	5,500	3,750		
Fraud penalty §12-5-43(G)(1)	22,202	13,185	-	-
Total state tax due	$67,907	$38,486	($9,513)	($8,170)
Total federal and State tax due	$536,721	$308,968	($66,961)	($32,896)

Net federal and state tax liabilities computed $745,832

The late payment penalty (also known as the FTP, or Failure to Pay penalty) under IRC §6651(a)(2) applies where the tax shown on the return is not paid by the time prescribed for payment of such tax and is computed at .5% per month, not to exceed 25% in the aggregate.

The fraud penalty (also known as the "civil fraud penalty") in IRC §6663(a) is an amount equal to 75% of the underpayment attributable to fraud. If the fraud penalty is asserted, the accuracy penalty of IRC §6662(a) is inapplicable. The accuracy related penalty is 20% of the underpayment and is imposed where there is a substantial understatement of income tax, or if there is negligence or disregard for the rules and regulations.

To: File of Mason Tire and Auto Service
Date: August 23, 2011

In addition to the tax due, since these understatements of tax liability appear to be intentional, it would be appropriate for the Internal Revenue Service and the South Carolina Department of Revenue to pursue criminal fraud charges that could result in penalties associated with a criminal conviction. Even if the corporate officers were successful in their defense against such charges, the cost of legal representation would be substantial.

South Carolina assesses the following penalties included above:

1. Failure to timely pay (§12-54-43(D) which equals ½% per month for a maximum of 25%.

2. Negligence or disregard of regulation (§12-54-43(F)(1) which provides a penalty equal to an additional 5% of the underpayment plus 50% of the interest due.

3. An additional penalty, if fraud is involved, of 75% of the underpayment plus 50% of the interest due.

IMPORTANT DISCLOSURE INFORMATION

This report was drafted August 23, 2011. All penalty and interest calculations are accurate as of this date. Penalties and interest will continue to accrue until amended returns are filed.

The statute of limitations for amending the 2007 and 2008 returns would expire three years from the date that the original returns were filed.

EVENT SUMMARY REPORT
Taxpayer name...:
Taxpayer ID#....:

TaxInterest Version 2010.4
08-23-11
Page 1

Events	Date	Amount	Event Date Balance (1)
Tax Due - Amended	03-15-04	161,350.00	282,362.50
Interest Computation Date	08-18-11		468,813.34

(1) Balance includes any interest and penalties accrued as of the Event Date

Summary as of 08-18-11

	Amount	Payments	Deposits	Balance
Tax	161,350.00	0.00	0.00	161,350.00
Interest	83,493.32	0.00	0.00	83,493.32
Penalty interest	62,620.02	0.00	0.00	62,620.02
6651(a)(2) Late pay	40,337.50	0.00	0.00	40,337.50
Fraud	121,012.50	0.00	0.00	121,012.50
Totals	468,813.34	0.00	0.00	468,813.34

Prepared using: FEDERAL IRS Interest Rates
Table end date: 09-30-11 USER Table

INTEREST AND PENALTY DETAIL REPORT — TaxInterest Version 2010.4
Taxpayer name....: — 10-11-11
Taxpayer ID#....: — Page 1

Events	Date	Amount	Event Date Balance (1)
Tax	03-15-07	110,391.00	193,184.25
Interest Computation Date	08-18-11		270,482.37

(1) Balance includes any interest and penalties accrued as of the Event Date

Summary as of 08-18-11

	Amount	Payments	Deposits	Balance
Tax	110,391.00	0.00	0.00	110,391.00
Interest	28,400.08	0.00	0.00	28,400.08
Penalty interest	21,300.04	0.00	0.00	21,300.04
6651(a)(2) Late pay	27,598.00	0.00	0.00	27,598.00
Fraud	82,793.25	0.00	0.00	82,793.25
Totals	270,482.37	0.00	0.00	270,482.37

Prepared using: FEDERAL — IRS Interest Rates
Table end date: 09-30-11 — USER Table

SOUTH CAROLINA DEPARTMENT OF REVENUE
Penalty and Interest Calculator

Tax Amount Due
22000
Due Date
03/15/2004
Date You Intend to Mail Payment
08/23/2011

~~**Fail-to-File Penalty**~~
~~$5,500.00~~
Fail-to-Pay Penalty
$5,500.00
~~**Total Penalty**~~
~~$11,000.00~~
Compounded Interest
$11,402.54
Penalty + Interest
$22,402.54
Total Amount Due
$44,402.54 * This amount reflects the Late File/Late Pay Penalty
Status :
SUCCESSFUL PROCESS.

7

SOUTH CAROLINA DEPARTMENT OF REVENUE
Penalty and Interest Calculator

Tax Amount Due
15000
Due Date
03/15/2007
Date You Intend to Mail Payment
08/23/2011

~~**Fail-to-File Penalty**~~
~~$3,750.00~~
Fail-to-Pay Penalty
$3,750.00
~~**Total Penalty**~~
~~$7,500.00~~
Compounded Interest
$3,869.35
Penalty + Interest
$11,369.35
Total Amount Due
$26,369.35 * This amount reflects the Late File/Late Pay Penalty
Status :
SUCCESSFUL PROCESS.

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SUBTITLE F -- PROCEDURE AND ADMINISTRATION

Chapter 67 -- Interest
Subchapter A -- Interest on Underpayments

Sec. 6601 Interest on underpayment, nonpayment, or extensions of time for payment, of tax

Background Notes
26 U.S.C. 6601 Regulations
1996 Taxpayer Bill of Rights Act
Special Note: Annual Report
1997 Taxpayer Relief Act
1998 Internal Revenue Service Restructuring and Reform Act
Special Note: Administration of Interest and Penalties
2005 Tax Technical Corrections Act (title IV of the Gulf Opportunity Zone Act of 2005)

Year 2011 Inflation-Adjusted Items
Year 2010 Inflation-Adjusted Items

(a) General rule

If any amount of tax imposed by this title (whether required to be shown on a return, or to be paid by stamp or by some other method) is not paid on or before the last date prescribed for payment, interest on such amount at the underpayment rate established under section 6621 shall be paid for the period from such last date to the date paid.

(b) Last date prescribed for payment

For purposes of this section, the last date prescribed for payment of the tax shall be determined under chapter 62 with the application of the following rules:

(1) Extensions of time disregarded

The last date prescribed for payment shall be determined without regard to any extension of time for payment or any installment agreement entered into under section 6159.

(2) Installment payments

In the case of an election under section 6156(a) to pay the tax in installments--

(A) The date prescribed for payment of each installment of the tax shown on the return shall be determined under section 6156(b), and

(B) The last date prescribed for payment of the first installment shall be deemed the last date prescribed for payment of any portion of the tax not shown on the return.

(3) Jeopardy

The last date prescribed for payment shall be determined without regard to any notice and demand for payment issued, by reason of jeopardy (as provided in chapter 70), prior to the last date otherwise prescribed for such payment.

(4) Accumulated earnings tax

In the case of the tax imposed by section 531 for any taxable year, the last date prescribed for payment shall be deemed to be the due date (without regard to extensions) for the return of tax imposed by subtitle A for such taxable year.

(5) Last date for payment not otherwise prescribed

In the case of taxes payable by stamp and in all other cases in which the last date for payment is not otherwise prescribed, the last date for payment shall be deemed to be the date the liability for tax arises (and in no event shall be later than the date notice and demand for the tax is made by the Secretary).

(c) Suspension of interest in certain income, estate, gift, and certain excise tax cases

In the case of a deficiency as defined in section 6211 (relating to income, estate, gift, and certain excise taxes), if a waiver of restrictions under section 6213(d) on the assessment of such deficiency has been filed, and if notice and demand by the Secretary for payment of such deficiency is not made within 30 days after the filing of such waiver, interest shall not be imposed on such deficiency for the period beginning immediately after such 30th day and ending with the date of notice and demand and interest shall not be imposed during such period on any interest with respect to such deficiency for any prior period. In the case of a settlement under section 6224(c) which results in the conversion of partnership items to nonpartnership items pursuant to section 6231(b)(1)(C), the preceding sentence shall apply to a computational adjustment resulting from such settlement in the same manner as if such adjustment were a deficiency and such settlement were a waiver referred to in the preceding sentence.

(d) Income tax reduced by carryback or adjustment for certain unused deductions

(1) Net operating loss or capital loss carryback

If the amount of any tax imposed by subtitle A is reduced by reason of a carryback of a net operating loss or net capital loss, such reduction in tax shall not affect the computation of interest under this section for the period ending with the filing date for the taxable year in which the net operating loss or net capital loss arises.

(2) Foreign tax credit carrybacks

If any credit allowed for any taxable year is increased by reason of a carryback of tax paid or accrued to foreign countries or possessions of the United States, such increase shall not affect the computation of interest under this section for the period ending with the filing date for the taxable year in which such taxes were in fact paid or accrued, or, with respect to any portion of such credit carryback from a taxable year attributable to a net operating loss carryback or a capital loss carryback from a subsequent taxable year, such increase shall not affect the computation of interest under this section for the period ending with the filing date for such subsequent taxable year.

(3) Certain credit carrybacks

(A) In general

If any credit allowed for any taxable year is increased by reason of a credit carryback, such increase shall not affect the computation of interest under this section for the period ending with the filing date for the taxable year in which the credit carryback arises, or, with respect to any portion of a credit carryback from a taxable year attributable to a net operating loss carryback, capital loss carryback, or other credit carryback from a subsequent taxable year, such increase shall not affect the computation of interest under this section for the period ending with the filing date for such subsequent taxable year.

(B) Credit carryback defined

For purposes of this paragraph, the term "credit carryback" has the meaning given such term by section 6511(d)(4)(C).

(4) Filing date

For purposes of this subsection, the term "filing date" has the meaning given to such term by section 6611(f)(4)(A).

(e) Applicable rules

Except as otherwise provided in this title--

(1) Interest treated as tax

Interest prescribed under this section on any tax shall be paid upon notice and demand, and shall be assessed, collected, and paid in the same manner as taxes. Any reference in this title (except subchapter B of chapter 63, relating to deficiency procedures) to any tax imposed by this title shall be deemed also to refer to interest imposed by this section on such tax.

(2) Interest on penalties, additional amounts, or additions to the tax

(A) In general

Interest shall be imposed under subsection (a) in respect of any assessable penalty, additional amount, or addition to the tax (other than an addition to tax imposed under section 6651(a)(1), or 6653 or under part II of subchapter A of chapter 68) only if such assessable penalty, additional amount, or addition to the tax is not paid within 21 calendar days from the date of notice and demand therefor (10 business days if the amount for which such notice and demand is made equals or exceeds $100,000), and in such case interest shall be imposed only for the period from the date of the notice and demand to the date of payment.

(B) Interest on certain additions to tax

Interest shall be imposed under this section with respect to any addition to tax imposed by section 6651(a)(1), or 6653 or under part II of subchapter A of chapter 68 for the period which--

(i) begins on the date on which the return of the tax with respect to which such addition to tax is imposed is required to be filed (including any extensions), and

(ii) ends on the date of payment of such addition to tax.

(3) Payments made within specified period after notice and demand

If notice and demand is made for payment of any amount and if such amount is paid within 21 calendar days (10 business days if the amount for which such notice and demand is made equals or exceeds $100,000) after the date of such notice and demand, interest under this section on the amount so paid shall not be imposed for the period after the date of such notice and demand.

(f) Satisfaction by credits

If any portion of a tax is satisfied by credit of an overpayment, then no interest shall be imposed under this section on the portion of the tax so satisfied for any period during which, if the credit had not been made, interest would have been allowable with respect to such overpayment. The preceding sentence shall not apply to the extent that section 6621(d) applies.

(g) Limitation on assessment and collection

Interest prescribed under this section on any tax may be assessed and collected at any time during the period within which the tax to which such interest relates may be collected.

(h) Exception as to estimated tax

This section shall not apply to any failure to pay any estimated tax required to be paid by section 6654 or 6655.

(i) Exception as to Federal unemployment tax

This section shall not apply to any failure to make a payment of tax imposed by section 3301 for a calendar quarter or other period within a taxable year required under authority of section 6157.

(j) 2-percent rate on certain portion of estate tax extended under section 6166

(1) In general

If the time for payment of an amount of tax imposed by chapter 11 is extended as provided in section 6166, then in lieu of the annual rate provided by subsection (a)--

(A) interest on the 2-percent portion of such amount shall be paid at the rate of 2 percent, and

(B) interest on so much of such amount as exceeds the 2-percent portion shall be paid at a rate equal to 45 percent of the annual rate provided by subsection (a).

For purposes of this subsection, the amount of any deficiency which is prorated to installments payable under section 6166 shall be treated as an amount of tax payable in installments under such section.

(2) 2-percent portion

For purposes of this subsection, the term "2-percent portion" means the lesser of--

(A)

(i) the amount of the tentative tax which would be determined under the rate schedule set forth in section 2001(c) if the amount with respect to which such tentative tax is to be computed were the sum of $1,000,000 and the applicable exclusion amount in effect under section 2010(c), reduced by

(ii) the applicable credit amount in effect under section 2010(c), or

(B) the amount of the tax imposed by chapter 11 which is extended as provided in section 6166.

(3) Inflation adjustment

In the case of estates of decedents dying in a calendar year after 1998, the $1,000,000 amount contained in paragraph (2)(A) shall be increased by an amount equal to--

(A) $1,000,000, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting "calendar year 1997" for "calendar year 1992" in subparagraph (B) thereof.

If any amount as adjusted under the preceding sentence is not a multiple of $10,000, such amount shall be rounded to the next lowest multiple of $10,000.

(4) Treatment of payments

If the amount of tax imposed by chapter 11 which is extended as provided in section 6166 exceeds the 2-

percent portion, any payment of a portion of such amount shall, for purposes of computing interest for periods after such payment, be treated as reducing the 2-percent portion by an amount which bears the same ratio to the amount of such payment as the amount of the 2-percent portion (determined without regard to this paragraph) bears to the amount of the tax which is extended as provided in section 6166.

(k) No interest on certain adjustments

For provisions prohibiting interest on certain adjustments in tax, see section 6205(a).

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SUBTITLE F -- PROCEDURE AND ADMINISTRATION

Chapter 68 -- Additions to the Tax, Additional Amounts, and Assessable Penalties
Subchapter A -- Additions to the Tax, Additional Amounts
Part I -- General provisions

Sec. 6651 Failure to file tax return or to pay tax

Background Notes
26 U.S.C. 6651 Regulations
1996 Taxpayer Bill of Rights Act
1998 Internal Revenue Service Restructuring and Reform Act
Special Note: Illegal Tax Protesters
2008 Heroes Earnings Assistance and Relief Tax Act

(a) Addition to the tax

In case of failure--

(1) to file any return required under authority of subchapter A of chapter 61 (other than part III thereof), subchapter A of chapter 51 (relating to distilled spirits, wines, and beer), or of subchapter A of chapter 52 (relating to tobacco, cigars, cigarettes, and cigarette papers and tubes), or of subchapter A of chapter 53 (relating to machine guns and certain other firearms), on the date prescribed therefor (determined with regard to any extension of time for filing), unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there shall be added to the amount required to be shown as tax on such return 5 percent of the amount of such tax if the failure is for not more than 1 month, with an additional 5 percent for each additional month or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate;

(2) to pay the amount shown as tax on any return specified in paragraph (1) on or before the date prescribed for payment of such tax (determined with regard to any extension of time for payment), unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there shall be added to the amount shown as tax on such return 0.5 percent of the amount of such tax if the failure is for not more than 1 month, with an additional 0.5 percent for each additional month or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate; or

(3) to pay any amount in respect of any tax required to be shown on a return specified in paragraph (1) which is not so shown (including an assessment made pursuant to section 6213(b)) within 21 calendar days from the date of notice and demand therefor (10 business days if the amount for which such notice and demand is made equals or exceeds $100,000), unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there shall be added to the amount of tax stated in such notice and demand 0.5 percent of the amount of such tax if the failure is for not more than 1 month, with an additional 0.5 percent for each additional month or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate.

In the case of a failure to file a return of tax imposed by chapter 1 within 60 days of the date prescribed for filing of such return (determined with regard to any extensions of time for filing), unless it is shown that such failure is due to reasonable cause and not due to willful neglect, the addition to tax under paragraph (1) shall not be less than the lesser of $135 or 100 percent of the amount required to be shown as tax on such return.

(b) Penalty imposed on net amount due

For purposes of--

(1) subsection (a)(1), the amount of tax required to be shown on the return shall be reduced by the amount of any part of the tax which is paid on or before the date prescribed for payment of the tax and by the amount of any credit against the tax which may be claimed on the return,

(2) subsection (a)(2), the amount of tax shown on the return shall, for purposes of computing the addition for any month, be reduced by the amount of any part of the tax which is paid on or before the beginning of such month and by the amount of any credit against the tax which may be claimed on the return, and

(3) subsection (a)(3), the amount of tax stated in the notice and demand shall, for the purpose of computing the addition for any month, be reduced by the amount of any part of the tax which is paid before the beginning of such month.

(c) Limitations and special rule

(1) Additions under more than one paragraph

With respect to any return, the amount of the addition under paragraph (1) of subsection (a) shall be reduced by the amount of the addition under paragraph (2) of subsection (a) for any month (or fraction thereof) to which an addition to tax applies under both paragraphs (1) and (2). In any case described in the last sentence of subsection (a), the amount of the addition under paragraph (1) of subsection (a) shall not be reduced under the preceding sentence below the amount provided in such last sentence.

(2) Amount of tax shown more than amount required to be shown

If the amount required to be shown as tax on a return is less than the amount shown as tax on such return, subsections (a)(2) and (b)(2) shall be applied by substituting such lower amount.

(d) Increase in penalty for failure to pay tax in certain cases

(1) In general

In the case of each month (or fraction thereof) beginning after the day described in paragraph (2) of this subsection, paragraphs (2) and (3) of subsection (a) shall be applied by substituting "1 percent" for "0.5 percent" each place it appears.

(2) Description

For purposes of paragraph (1), the day described in this paragraph is the earlier of--

(A) the day 10 days after the date on which notice is given under section 6331(d), or

(B) the day on which notice and demand for immediate payment is given under the last sentence of section 6331(a).

(e) Exception for estimated tax

This section shall not apply to any failure to pay any estimated tax required to be paid by section 6654 or 6655.

(f) Increase in penalty for fraudulent failure to file

If any failure to file any return is fraudulent, paragraph (1) of subsection (a) shall be applied--

(1) by substituting "15 percent" for "5 percent" each place it appears, and

(2) by substituting "75 percent" for "25 percent".

(g) Treatment of returns prepared by Secretary under section 6020(b)

In the case of any return made by the Secretary under section 6020(b)--

(1) such return shall be disregarded for purposes of determining the amount of the addition under paragraph (1) of subsection (a), but

(2) such return shall be treated as the return filed by the taxpayer for purposes of determining the amount of the addition under paragraphs (2) and (3) of subsection (a).

(h) Limitation on penalty on individual's failure to pay for months during period of installment agreement

In the case of an individual who files a return of tax on or before the due date for the return (including extensions), paragraphs (2) and (3) of subsection (a) shall each be applied by substituting "0.2" for "0.5" each place it appears for purposes of determining the addition to tax for any month during which an installment agreement under section 6159 is in effect for the payment of such tax.

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SUBTITLE F -- PROCEDURE AND ADMINISTRATION

Chapter 68 -- Additions to the Tax, Additional Amounts, and Assessable Penalties

Subchapter A -- Additions to the Tax, Additional Amounts

Part II -- Accuracy-related and fraud penalties

Sec. 6663 Imposition of fraud penalty

26 U.S.C. 6664 Regulations
Background Notes

(a) Imposition of penalty

If any part of any underpayment of tax required to be shown on a return is due to fraud, there shall be added to the tax an amount equal to 75 percent of the portion of the underpayment which is attributable to fraud.

(b) Determination of portion attributable to fraud

If the Secretary establishes that any portion of an underpayment is attributable to fraud, the entire underpayment shall be treated as attributable to fraud, except with respect to any portion of the underpayment which the taxpayer establishes (by a preponderance of the evidence) is not attributable to fraud.

(c) Special rule for joint returns

In the case of a joint return, this section shall not apply with respect to a spouse unless some part of the underpayment is due to the fraud of such spouse.

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Print | Close Window

99

Subject: RE: journal tickets
From: jmasonjr@masontire.net
Date: Tue, Oct 23, 2007 11:39 am
To: kathy@masontire.net

Kathy

Surfside:
Parts inventory was understated, Sport wheels was overstated, Misc Merchandise had revenue that needed to be taken and FET was out of line based on inventory values.

NMB:
Parts Inventory was understated, Misc Merchandise had revenue that needed to be taken and FET was out of line based on Inventory values.

Pawleys:
Parts Inventory is overstated and Misc Merchandise has revenue in it so I off set the lose and gain to a zero net effect on them.

Myrtle Beach:
Inventory of Sport wheels is overstated and Misc Merchandise has revenue so I off set these two. Then FET was off based on Inventory values so I adjusted to correct it.

Hope this answer your question.
Joe

> ------ Original Message ------
> Subject: journal tickets
> From: kathy@masontire.net
> Date: Tue, October 23, 2007 11:02 am
> To: jmasonjr@masontire.net
>
> Could you please give me the basis behind your journal tickets you gave Sandra to enter this morning.
>
> Thanks,
>
> Kathy

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DX50

STANDARD JOURNAL TICKET

ISSUING LOCATION 9931 J.T. NO 017345 DATE 10/23/07 PAGE 1 OF 2
MASON TIRE & AUTO SERVICE EMPLOYEE NO 16
750 HIGHWAY 17 N REASON FOR ISSUANCE
PER JOE
SURFSIDE BEACH SC
29575 (843) 238-3339

TERR NUMBER	ACCOUNT CODE	ACCOUNTING CODE DESCRIPTION	DEBIT AMOUNT	CREDIT AMOUNT
9931	11900	INV SERVICE PARTS	16000.00	
9931	42700	MDSE OVER OR SHORT - CYCLE B		16000.00
9931	12100	INV SPORT WHEELS		10000.00
9931	42700	MDSE OVER OR SHORT - CYCLE B	10000.00	
9931	12900	INV MISC MERCHANDISE	4260.00	
9931	42700	MDSE OVER OR SHORT - CYCLE B		4260.00
9931	15000	INV EXCISE TAX	3956.00	
9931	42800	MDSE OVER OR SHORT-CYCLE A		3956.00
7386	11900	INV SERVICE PARTS	20000.00	
7386	42700	MDSE OVER OR SHORT - CYCLE B		20000.00
7386	12900	INV MISC MERCHANDISE	3000.00	
7386	42700	MDSE OVER OR SHORT - CYCLE B		3000.00
7386	15000	INV EXCISE TAX	4934.00	
7386	42800	MDSE OVER OR SHORT-CYCLE A		4934.00
7323	11900	INV SERVICE PARTS		3000.00
7323	42700	MDSE OVER OR SHORT - CYCLE B	3000.00	
7323	12900	INV MISC MERCHANDISE	3000.00	
7323	42700	MDSE OVER OR SHORT - CYCLE B		3000.00
1531	12100	INV SPORT WHEELS		1300.00
1531	42700	MDSE OVER OR SHORT - CYCLE B	1300.00	
1531	12900	INV MISC MERCHANDISE	1300.00	
1531	42700	MDSE OVER OR SHORT - CYCLE B		1300.00

STANDARD JOURNAL TICKET

ISSUING LOCATION 9931
MASON TIRE & AUTO SERVICE
750 HIGHWAY 17 N

SURFSIDE BEACH SC
29575 (843) 238-3339

J.T. NO 017345

REASON FOR ISSUANCE
PER JOE

DATE 10/23/07 PAGE 2 OF 2
EMPLOYEE NO 16

TERR NUMBER	ACCOUNT CODE	ACCOUNTING CODE DESCRIPTION	DEBIT AMOUNT	CREDIT AMOUNT
1531	15000	INV EXCISE TAX	1497.00	
1531	42800	MDSE OVER OR SHORT-CYCLE A		1497.00
		TOTAL	72247.00	72247.00

AUTHORIZED SIGNATURE _____

END OF LISTING

Journal Entry

9931

Parts	16,000	Debit 11900
	16,000	Credit 42700
Spare Wheels	10,000	Credit 12100
	10,000	Debit 42700
Misc Merchand	4,260	Debit 12900
	4,260	Credit 42700
Fet	3,956	D 15000
	3,956	C 42800

+14,216

7386

Parts	20,000	D 11900
	20,000	C 42700
Misc Merchand	3,000	D 12900
	3,000	C 42700
Fet	4,934	D 15000
	4,934	C 42800

+27,934

Journal Entry

7323

Boots	3,000	C	11900
	3,000	D	42700
Misc Merchand	3,000	D	12900
	3,000	C	42700

-0-

1531

Sport Wheels	1300	C	12100
	1300	D	42700
Misc Merchand	1300	D	12900
	1300	C	42700
~~Ret~~	1497	D	15000
	1497	C	42800

+ 1497

MASON TITLE & AUTO SERVICE
12012
DATE 8-6-07
PAY TO THE ORDER OF Black Tree
$93,500.00
DOLLARS
FOR 5454
08/06/07
12012
$93,500.00

DX 5-5

Zephyr

FINANCIAL CORP.

November 7, 2011

J. Jackson Thomas, Esquire
Emma Ruth Brittain, Esquire
Thompson & Henry, P.A.
Post Office Box 1290
Myrtle Beach, SC 29578

Re: *Mason v. Mason*
Your file: 08922.00101
Revised Valuation Opinion

Dear Mr. Thomas and Ms. Brittain:

At your request, I prepared a report calculating the fair market value of a 30% shareholder interest in Mason Holding Company, Inc. (the "Company") with a valuation date of May 31, 2009 and an issue date of September 9, 2009 (the "Report"). I will now revisit several issues which have arisen since that date, and I will update my valuation conclusions.

1. **Valuation Date** – When I was retained in June of 2009 to prepare the report, settlement negotiations were in progress, and you asked that my calculations accommodate the most recent financial information available. Therefore, the Report showed a valuation date of May 31, 2009. In the revised calculations below, I will use a valuation date of August 5, 2008, the date of the filing of the original Complaint in this case.

   The consolidated balance sheets for the Company and its subsidiaries, as of July 31, 2008 (the most recent financials preceding the valuation date of August 5, 2008) were as follows:

5616 Country Club Drive ▪ Myrtle Beach, South Carolina 29577
843-222-5954 ▪ Email: sherry.smith@zephyrfinancial.net

EXHIBIT 4-8 (REVISED)
CONSOLIDATED BALANCE SHEETS
As of July 31, 2008 – for the Company, its Wholly-Owned Subsidiaries and Conway

7/31/2008	Company	Surfside	NMB	Pawleys Island	Myrtle Beach	Conway x 48%	(Elimin-ations)	Consol-idated
Assets								
Cash	$ 12,665	$ 115,722	$ 102,458	$ 50,926	$ 101,694	$ 19,665		$ 403,130
Accounts Receivable	$ -	$ 398,772	$ 71,300	$ 111,550	$ 67,877	$ 192,050		$ 841,549
Inventories	$ -	$ 241,216	$ 109,959	$ 205,618	$ 107,832	$ 181,203		$ 845,828
Common Stocks	$ 505,000	$ -	$ -	$ -	$ -	$ -	$ (505,000)	$ -
Other Current Assets	$ -	$ 485,024	$ 12,983	$ 10,448	$ 28,450	$ 6,229		$ 543,134
Current Assets	$ 517,665	$ 1,240,734	$ 296,700	$ 378,542	$ 305,853	$ 399,147	$ (505,000)	$ 2,633,641
Fixed Assets	$ 1,383,492	$ 310,861	$ 136,213	$ 195,956	$ 115,386	$ 85,090		$ 2,226,998
Less Depreciation	$ (13,900)	$ (296,732)	$ (128,642)	$ (188,858)	$ (115,356)	$ (36,176)		$ (779,664)
Net Fixed Assets	$ 1,369,592	$ 14,129	$ 7,571	$ 7,098	$ 30	$ 48,913	$ -	$ 1,447,333
Other Assets	$ -	$ -	$ -	$ -	$ -	$ -		$ -
Total Assets	$ 1,887,257	$ 1,254,863	$ 304,271	$ 385,640	$ 305,883	$ 448,060	$ (505,000)	$ 4,080,974
Liabilities & Equity								
Accounts Payable	$ -	$ 235,822	$ 78,624	$ 204,925	$ 220,327	$ 303,410		$ 1,043,108
Current Loans	$ 1,301,118	$ 457,307	$ -	$ -	$ -	$ 70,908		$ 1,829,333
Other Current Liabilities	$ 1,910	$ 12,903	$ 15,791	$ 26,963	$ 8,836	$ 3,940		$ 70,343
Current Liabilities	$ 1,303,028	$ 706,032	$ 94,415	$ 231,888	$ 229,163	$ 378,258		$ 2,942,784
Long-term Liabilities	$ -	$ -	$ -	$ -	$ -	$ -		$ -
Total Liabilities	$ 1,303,028	$ 706,032	$ 94,415	$ 231,888	$ 229,163	$ 378,258		$ 2,942,784
Shareholders' Equity	$ 584,229	$ 548,831	$ 209,856	$ 153,752	$ 76,720	$ 69,802	$ (505,000)	$ 1,138,190
Total Liab. & Equity	$ 1,887,257	$ 1,254,863	$ 304,271	$ 385,640	$ 305,883	$ 448,060	$ (505,000)	$ 4,080,974

Source: Balance sheet for the Company and trial balances for the subsidiaries furnished by Management.
Notes: We have eliminated the Company's investment in its subsidiaries to avoid double-counting. Also, we have considered inter-company lending to be current assets (of the lenders) and current liabilities (of the borrowers) so that these transactions will be netted against each other in the Market Approach below. The Company's current loans includes its mortgage to Carolina First Bank on the Conway real estate; the loan balance as of August 5, 2008 was $914,994.

2. **Income Approach** – We now know that the Company's tax returns, on which I based my income approach to valuation, were incorrect. According to information furnished to me by Tyler Courtright of WebsterRogers LLP, the Company's consolidated income was understated by $300,000 in 2006, overstated by $298,000 in 2007, and overstated by $442,000 in 2008. If Normalized Pre-Tax Income were corrected in Exhibit 4-10 of the Report, we would see wild swings from income of $617,024 in 2006, to losses of ($147,081) in 2007 and ($356,772) in 2008. There are also expense normalization issues and transfer pricing issues between the subsidiaries and the Company which make it difficult to estimate normalized income.

   Based on these factors, we do not believe that an income approach based on reported or corrected income is reliable. Instead, an approach based on industry averages may be more indicative of a hypothetical buyer's perception. We know from Exhibit 4-3 of the Report that the wholly owned subsidiaries had gross sales of approximately $6.2 million in 2004, $5.9 million in 2005, $6.6 million in 2006, $6.6 million in 2007, and $5.6 million in 2008. The Company's share of the Conway subsidiary (48%) would add another $250,000 in 2007 and $505,000 in 2008. These reported revenues are not in question. We also know from First Research Industry profiles that the median net income (after-tax) margin for companies in this industry is 1%. Therefore, we may estimate industry median after-tax income as follows:

EXHIBIT 4-10 (REVISED)
Normalized Net Income

	2004	2005	2006	2007	2008
Gross sales, wholly-owned subs (Ex. 4-3)	$ 6,155,230	$ 5,907,750	$ 6,645,453	$ 6,637,760	$ 5,647,547
Gross sales, Conway x 48% (Ex. 4-4)	$ -	$ -	$ -	$ 250,836	$ 505,283
Total gross sales for operating entities	$ 6,155,230	$ 5,907,750	$ 6,645,453	$ 6,888,596	$ 6,152,830
Five-year average					$ 6,349,972
Most recent two-year average					$ 6,520,713
Assumed gross sales	$ 6,500,000				
Median after-tax income margin	1%				
Estimated after-tax income	$ 65,000				

Sources: as noted.

We believe that the previous two years represents a more compelling estimate of future gross sales, because the Conway subsidiary was not open before 2007. (Note

that we are including 2008 year-end results, even though the valuation date is August 5, 2008, because conceivably this total could have been estimated at mid-year. The valuation report prepared by Dixon-Hughes made this same assumption.) Based on this analysis, we believe that $6.5 million is a reasonable assumed gross sales estimate for the consolidated Company, and a 1% net after-tax profit margin would yield after-tax net income of approximately $65,000.

We may then revise Exhibit 5-4 (Estimated Net Cash Flow to Equity) as follows:

EXHIBIT 5-4 (REVISED)
Estimated Net Cash Flow to Equity

	Estimated
Normalized After-Tax Income	$ 65,000
Depreciation	$ 50,000
Capital Expenditures	$ (10,000)
Estimated Net Cash Flow to Equity	**$ 105,000**

Estimates by appraiser.

Therefore, our estimated cash flow stream is $105,000. Now, in order to calculate a value based on this stream, we must estimate a rate of return on equity as of August 5, 2008. The revised Exhibit 5-5 is as follows:

EXHIBIT 5-5 (REVISED)
Expected Rate of Return for Equity

Symbol	Component	Increment	Rate
		-	
	Long-term Treasury Bond Yield[1]		4.67%
+	Equity Risk Premium[2]		7.10
=	Average Market Return		11.77
	Specific Risk Adjustments		
+	Risk Premium for Size, microcap stocks[2]	2.82	
+	Industry Risk[2]	4.06	
+	Management Depth[3]	1.00	
+	Diversification - Customer and Geographic[3]	2.00	
+	Financial Risk[3]	2.00	
		-	
=	**Net Cash Flow Discount Rate - Next Year's**		**23.65**
	Rounded		**24%**
	Less Long-Term Growth		**-3%**
	Capitalization Rate – This Year's		**21%**

Notes:
(1) Source: Federal Reserve, Statistical Release, 20-year bond rate in effect on the date of the appraisal.
(2) Source: *Ibbotson 2008 Yearbook, Stocks, Bonds, Bills and Inflation.*
(3) See description of specific risk factors below in the Report.

Now, with the income stream estimated, and our capitalization rate built up, we can calculate the value of the Company by the income approach (single period capitalization method) as follows:

EXHIBIT 5-6 (REVISED)
SINGLE PERIOD CAPITALIZATION METHOD
Equity Model (as if freely traded)

Net Cash Flow to Equity (Exhibit 5-4)	$ 105,000
Divided by Capitalization Rate (Exhibit 5-5)	21%
Value of all Equity, control, marketable basis	**$ 500,000**

Source: as noted

3. **Market Approach** - In the Report, we also calculated the value of the Company by the Direct Market Data Method, a form of the market approach. We searched the database of the Institute of Business Appraisers and found a total of 232 transactions involving sales of companies in SIC Code 5531 (Auto and Home Supply Stores). The median price-to-sales multiple for this entire population was 0.35x. Because some of the companies in this data were not tire dealers, we scrubbed the data to remove any company that did not have the words "tire dealer" in the description. This scrubbed data, which is detailed in Exhibit 5-1 in the Report, contains a sample size of 55 transactions with a median price-to-sales multiple of 0.35x (the same as the entire population). We also checked the First Research industry profile and found a price-to-sales multiple of 0.3x (see Exhibit 5-2 in the Report).

   The Dixon-Hughes valuation of the Company accesses this same IBA data and narrows the population of 232 transactions down to a sample of 12 observations with a median price-to-sales ratio of 0.54x.

   We believe that the 0.35 multiple used in our calculation is more reasonable and more representative of the industry. We reaffirm our multiple, but we must adjust cash, accounts receivable, other current assets, and liabilities (excluding the real estate mortgage) as of the valuation date. That calculation is as follows:

EXHIBIT 5-7 (REVISED)
Direct Market Data Method
Valuation of Equity

Subsidiary sales, 2008 (Exhibit 4-3)	$ 5,647,547	
Conway sales, 2008 times 48% (Exhibit 4-4)	$ 505,283	
Company Operating Sales, 2008		$ 6,152,830
Price Multiple (Exhibit 5-1)		0.35
Company Selling price		$ 2,153,491
Adjustments to convert value of assets to equity (Exh 4-8):		
Cash	$ 403,130	
Accounts receivable	$ 841,549	
Other Current assets	$ 543,134	
Liabilities (excluding real estate mortgage)	$ (2,027,790)	
Total adjustments		$ (239,977)
Fair Market Value on a Control Marketable Basis		**$ 1,913,513**
Rounded		**$ 1,914,000**

Sources: see referenced exhibits
Notes: We have deducted the real estate mortgage from the Company's liabilities because it relates to the non-operating real estate. Again, we have assumed that 2008 year-end sales figures could have been estimated at mid-year.

4. **Non-Operating Real Estate** - As the Report describes, the Company owns the real estate which is leased to the Conway store. The book cost of this real estate was $1,292,000, and the balance on the mortgage as of the valuation date was $884,837 (as of May 31, 2009; it was $914,994 as of August 5, 2008). There was no current real estate appraisal available, but we did not believe that there was any market value in the real estate beyond the amount of the debt. This belief was based on our discussions with commercial real estate brokers (as described in Section 4.4.1 of the Report). Therefore, we did not add any value to the Company for the non-operating real estate.

   Although there is still no real estate appraisal available, you have given us a preliminary investigation by real estate appraiser Henry H. Beckham, GAA of Beckham Appraisal Service, LLC. His investigation estimates values for the Conway real estate as follows:
   a) Cost Approach – $726,000
   b) Market Approach - $800,000
   c) Income Capitalization Approach - $799,000

   Each of these estimates is less than the debt. He says:

   > *Property values have declined significantly since the subject site was purchased in October of 2006, and all indications point to a situation where the current debt likely exceeds any possible value. As we discussed before, that is certainly not an unusual situation for anybody who bought or developed real estate at the peak of the market during 2006 and 2007.*

   Based on this additional evidence, we reaffirm our decision not to add any value for the real estate owned. A full real estate appraisal may show that the real estate is in fact "under water," and the deficit should be subtracted from the value of the Company. However, without that proof we will take a more conservative approach.

5. **Tax Liabilities**– you have furnished us a memorandum from Laura DuRant, CPA, of WebsterRogers LLP which details the erroneous tax returns filed by the Company in years 2003, 2006, 2007, and 2008. The memorandum calculates total tax liabilities of $745,832 owed by the Company for federal and state tax liabilities. These liabilities should be subtracted from the value of the Company. (It is possible that the Company may be able to negotiate a more favorable settlement of its liabilities, but until this matter is finally settled, it is appropriate to deduct the full amount. It is also possible that these liabilities could drive the Company to liquidation, which would make the Company much less valuable.)

6. **Final Revised Calculations and Reconcilation** – the final effect of the revisions described above is as follows:

EXHIBIT 7-1 (REVISED)
MASON HOLDING COMPANY, INC.
RECONCILIATION OF VALUATION ESTIMATES
30% Shareholder Interest (Equity Basis)

Valuation Method	Value Indicated	Lack of Control	Lack of Marketability	Adjusted Value	Confidence Weight	Adjusted Value
Single Period Capitalization	$ 500,000	-30%	-35%	$ 227,500	40%	$ 91,000
Direct Market Data	$ 1,914,000	-30%	0%	$ 1,339,800	60%	$ 803,880
Fair Market Value of Equity on a Non-control, Non-marketable Basis						$ 894,880
Plus Value of Real Estate, Net of Debt						$ -
Less Tax Liabilities						$ (745,832)
Total Fair Market Value of Equity on a Non-control, Non-marketable Basis						$ 149,048
Subject Interest						30%
Fair Market Value of the Subject Interest on a Non-control, Non-marketable Basis						**$ 44,714**
Rounded						**$ 45,000**

Source: Appraiser's calculations

Note that we have shifted the confidence weight to give more weight to the Direct Market Data Method (Market Approach) because of the problems with the Income Approach described in Section 2 above.

Therefore, based on all the factors contained in the Report and revised in this letter, the fair market value of a 30% interest in Mason Holding Company, Inc., valued as a single block, as of August 5, 2008, subject to the assumptions and limiting conditions contained in the Report and this letter, is FORTY-FIVE THOUSAND ($45,000) DOLLLARS. With 1,000 total shares outstanding, this equates to a value per share of $150 per share on a non-control, non-marketable basis.

Yours truly,

Sherry C. Smith

Sherry C. Smith, CBA, BVAL, MBA
President of Zephyr Financial Corp.

FAIR MARKET VALUE

OF

A 30% SHAREHOLDER INTEREST

IN

MASON HOLDING COMPANY, INC.
A South Carolina Corporation

Valuation date: May 31, 2009
Report date: September 9, 2009

Zephyr
FINANCIAL CORP.

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VALUATION OF
A 30% SHAREHOLDER INTEREST IN
MASON HOLDING COMPANY, INC.
A South Carolina Corporation

SUMMARY AND CONCLUSION

It is the undersigned appraiser's independent opinion, using the valuation methods described herein and subject to certain assumptions and limiting conditions contained in this report, that the fair market value of a 30% shareholder interest in the South Carolina corporation known as MASON HOLDING COMPANY, INC. as of May 31, 2009 is Two Hundred Eighty-Five Thousand ($285,000) Dollars. With One Thousand Shares outstanding, the value per share is $950.

APPRAISER'S CERTIFICATION

1. To the best of the appraiser's knowledge, the statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are the appraiser's personal, unbiased professional analyses, opinions, and conclusions.
3. The appraisal was performed on a basis of non-advocacy, and the appraiser has no present or contemplated interest in the subject of this appraisal nor any personal bias with respect to the parties involved.
4. The appraiser's compensation is not contingent on any action or event resulting from the analyses, opinions, or conclusions in, or the use of, the report.
5. The appraiser's analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Business Appraisal Standards of the Institute of Business Appraisers.
6. No one provided significant professional assistance to the person signing this report.

Authorized reports will carry the appraiser's original signature. Copies which do not bear said signature are unauthorized and incomplete.

Sharon C. Smith

Sharon C. Smith, CBA, BVAL, MBA

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1. INTRODUCTION

1.1 Subject of the Appraisal

The appraiser was retained by Mason Holding Company, Inc. to estimate the fair market value of a 30% shareholder interest (the "Subject Interest") in Mason Holding Company, Inc. (the "Company"). The Company is a corporation formed under the laws of the State of South Carolina.

1.2 Summary Description of the Subject

The Company's primary business is owning and operating (through various subsidiaries) Mason Tire & Auto Service repair shops near Myrtle Beach, South Carolina.

1.3 Nature and Purpose of the Appraisal

The purpose of this appraisal is to estimate the fair market value of the Subject Interest for litigation purposes.

1.4 Standard of Value

Fair market value is defined as:

> *the price at which property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of the relevant facts. Court decisions frequently state in addition that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and to be well informed about the property and concerning the market for such property.*[1]

This definition includes the following assumptions: (i) that the hypothetical buyer is prudent but without synergistic benefit; (ii) that the business will continue as a going concern and not be liquidated; and (iii) that the hypothetical sale will be for cash.

The buyer under fair market value is a financial buyer but not a strategic buyer. This definition excludes the buyer who holds other business interests which could either enhance the value of the company being appraised or derive additional value from it. Further, it excludes buyers who are already owners, creditors, or related or controlled

[1] Revenue Ruling 59-60: 1959-1, Congressional Bulletin 237.

entities who may be willing to acquire the interest at a higher or lower price due to considerations not typically made by an arms-length financial buyer.

According to Revenue Ruling 59-60, the appraiser should consider at least eight fundamental factors in order to determine fair market value:

(1) *"The nature of the business and the history of the enterprise from its inception."* The appraiser should consider all relevant factors about the nature of the firm, including products or services, operating and investment assets, capital structure, plant facilities, sales records and management, giving more weight to recent events. This factor will be explored in Section 3 of this report.

(2) *"The economic outlook in general and the condition and outlook of the specific industry in particular."* Here, the appraiser should review the economic conditions affecting the nation and the subject company's industry, with a discussion of how the company performs versus its competitors. See Section 2 of this report.

(3) *"The book value of the stock and the financial condition of the business."* The appraiser should review balance sheets for at least two years and examine key ratios. See Section 4 of this report.

(4) *"The earning capacity of the company."* The appraiser should review income statements, preferably for five or more years, and use this history to predict future returns. See Section 4 of this report.

(5) *"The dividend-paying capacity."* Here, the appraiser should consider the ability to pay dividends, rather than the actual history of dividend payments. We will determine a value using the income approach (Single Period Capitalization Method) in Section 5.4 of this report.

(6) *"Whether or not the enterprise has goodwill or other intangible value."* The value of goodwill rests on the excess of net earnings over a fair return on the net tangible assets. We will review the balance sheet in Section 4, but we will not value goodwill separately as an asset, since that analysis is not relevant to this assignment.

(7) *"Sales of stock and the size of the block of stock to be valued."* The appraiser should carefully investigate any previous transactions in the subject company's stock to be sure the transactions were made at arm's length. This is discussed in Section 3.4 of this report.

(8) *"The market price of stocks of corporations engaged in the same or a similar line of business having their stocks actively traded in a free and open market,*

either on an exchange or over-the-counter." Here the appraiser should be careful to choose only comparable public companies. We will discuss the market approach to valuation in Section 5.5 of this report.

1.5 Date of Valuation

The valuation date is May 31, 2009.

1.6 Ownership and Control

As of the valuation date, the ownership and control were as follows:

EXHIBIT 1-1
Ownership of the Company

Shareholders	% Interest
Joseph E. Mason, Sr.	20%
Catherine L. Mason	20%
Catherine J. St. Blanchard	30%
Joseph E. Mason, Jr.	30%
	100%

Source: 2008 Federal tax returns, schedule K-1.

1.7 Scope of the Assignment

Mr. Joseph E. Mason, Sr. and Ms. Catherine J. St. Blanchard (sometimes referred to in this report as "Management") have represented and warranted to the appraiser that all information and documentation provided by them, or their agents, is true, correct, and complete to the best of their knowledge and belief. We are authorized to rely on this information without independent investigation or corroborative procedure as fairly and accurately representing the condition of the business. Therefore, neither our engagement nor this report can be relied upon to disclose any misrepresentation, fraud, or deviation from Generally Accepted Accounting Principles (GAAP) or other errors or irregularities.

Management has represented that there is no litigation, regulatory compliance issue, environmental hazard, or limitation in the Company's articles, bylaws, minutes or agreements, pending or in place, among the owners or involving any third parties, which would have a negative material impact on the value or transferability of the interest being valued, other than the Stockholder Agreement described in Section 1.9 below.

The appraiser was retained to value the Company as a going concern without determining an opinion of value under an assumption of liquidation.

The appraiser assumes no responsibility whatsoever for legal or tax matters relative to its finding. Values are stated without reference to applicable legal or tax claims unless so noted. The Company's full compliance with all applicable federal, state and local laws and regulations is assumed.

1.8 Definitions

Except as otherwise specified herein, the terms used in this report are used in the context of the definition of terms located in Appendix A.

1.9 Principal Sources of Information

Sources of information used in the appraisal include the following:

- Federal tax returns for the fiscal years ended 2004, 2005, 2006, 2007, and 2008 prepared by Irwin H. Levine.
- Internal financial statements for the period ended May 31, 2009.
- 2008 depreciation schedules furnished by Management.
- Stockholder Agreement dated November 2, 1998 (the "Agreement").
- The leases described in Exhibit 3-2.
- The financing agreements described in Section 4.2.1.
- Verbal information provided to appraiser during a tour of the locations and interview of Management.
- Information provided by the Company's attorney.
- Studies of financial performance of other companies in the same industry.
- Industry statistics, studies and forecasts.
- Economic data, as specified.
- Market data as specified.
- Other sources as specified herein.

1.10 Assumptions and Limiting Conditions

The business valuation process requires certain assumptions and limiting conditions, many of which may have significant influence on the valuation conclusion.

This report, the procedures used and its conclusions are also influenced by the assumptions and limiting conditions contained in the body of the report, including Appendix B.

2 ECONOMIC CONDITIONS AND INDUSTRY DATA

This discussion on the condition of the economy is as of the appraisal's effective date, as are all of the observations and conclusions in this report.

2.1 Overview of the National Economy

The year 2008 was catastrophic for the United States' economy, as it was for most economies throughout the world, with very few bright spots. What began as a real estate slow-down, became a sub-prime debt crisis, escalated into an overall credit-market freeze, which led to a sharp drop in consumer spending, with massive foreclosures and layoffs. From January through December 2008, unemployment rose 23.8%, housing starts dropped 18.3%, and consumer sentiment fell 23.8%.[2] "This recession, which officially began in December 2007, now appears virtually certain to be the longest downturn—and possibly the most severe—since the end of World War II, as evidenced by...grim reports on jobs, sales and public confidence."[3]

In order to get the economy functioning again, the Federal government approved a $700 billion stimulus package, largely aimed at banks with some spending to prop up the automobile manufacturing sector. The Federal Reserve slashed its target interest rate to between zero and 0.25%, and the rates on 3-month treasury bills tumbled to near zero.[4]

By spring of 2009, economists saw signs that the pace of decline was beginning to moderate, with modest growth expected in the third quarter. The 53 economists surveyed by the *Wall Street Journal* in early April, on average, expected the unemployment rate to reach 9.5% (up from 8.5% in March), although the rate of decline was slowing. Most participants in the survey expected the recession would end in September. The biggest risk, they believed, was in the credit markets: "Once the virtuous cycle starts, the chief headwind will be credit availability," according to Kurt Karl of Swiss Re.[5]

In its April, 2009 Beige Book Report, the Federal Reserve commented that overall economic activity remained weak. Specifically, manufacturing "weakened," nonfinancial service activity "continued to contract," and retail spending "remained sluggish." The Fed noted price pressure in all districts, although wages and salaries were down because of the soft labor markets. In addition, "travel and tourism

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[2] John Cassidy, "Worst of Times," *Conde Nast Portfolio*, December 2008/January 2009.
[3] Michael M. Grynbaum, "In String of Bad News, Omens of a Long Recession," *The New York Times*, December 8, 2008.
[4] Jon Hilsenrath, "Fed Cuts Rates to Historic Low," *The Wall Street Journal Online*, December 16, 2008.
[5] Phil Izzo, "Economists See a Rebound in September," *The Wall Street Journal Online*, April 9, 2009.

activity contracted further in several reporting Districts, as households and businesses continued to scale back on discretionary travel spending."[6]

U. S. retail sales "unexpectedly plunged" during March, which cast doubt on the recent signs of improvement in the economy. In particular, auto and parts retail sales had fallen 23.5% since March, 2008. Then March 2009 sales fell 2.3% compared to the prior month.[7]

2.2 Overview of the State Economy

South Carolina is part of the Federal Reserve Board's Fifth District (Richmond). According to the *Beige Book* published by the Federal Reserve in April, 2009, "On balance, the Fifth District economy softened further in recent weeks, although business contacts were beginning to provide scattered positive reports." Retail sales declined, "particularly for big ticket items." Sales of automobiles and light trucks were weak across the District, and dealers blamed lack of credit for prospective buyers.[8]

South Carolina's Leading Index, used to predict future economic strength or weakness, is based on readings from five variables: new jobless claims, residential construction activity, the U.S. leading index, the average manufacturing workweek, and weekly earnings. South Carolina's Leading Index remained unchanged in the March report (data through January) and "seems to have halted its eight month long uninterrupted decline." All five variables showed considerable weakness, though. Economists at the University of South Carolina's Moore School of Business saw signs that the state economy was moving in tandem with the national economy, so they hoped that a national recovery would bring quick relief to South Carolina.[9]

South Carolina was once a leader in manufacturing, but now tourism is its largest industry.

2.3 Overview of the Local Economy

The Company's tire dealerships are located in and near Myrtle Beach, in Horry and Georgetown Counties, South Carolina. The Myrtle Beach area, also known as South Carolina's Grand Strand, has a 60-mile stretch of coastline. The area boasts over 100 golf courses and nearly 2000 restaurants. There are approximately 460 hotels and more than 89,000 total accommodations units. "The Grand Strand is a key cog in the

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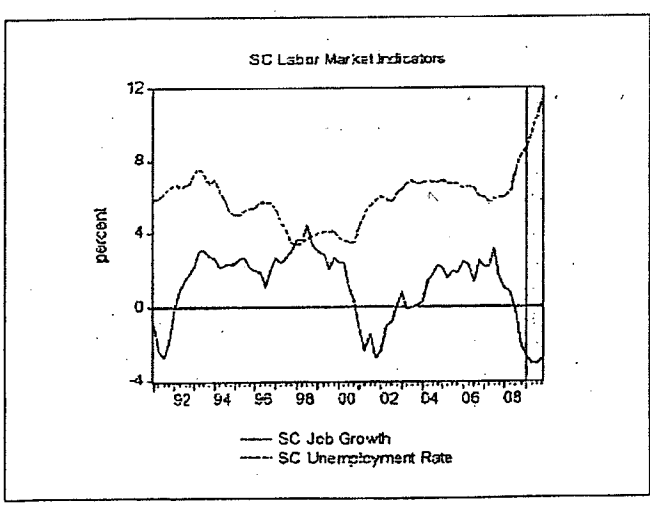
[6] "Summary of Commentary on Current Economic Conditions by Federal Reserve District," April, 2009.
[7] Jeff Bater and Tom Barkley, "U.S. Retail Sales Show New Weakness; Producer Prices Drop," *The Wall Street Journal Online*, April 14, 2009.
[8] "Summary of Commentary on Current Economic Conditions by Federal Reserve District," April, 2009.
[9] *South Carolina Economic Indicators Online*, The Moore School of Business at the University of South Carolina, Volume 44, Number 3, March, 2009.

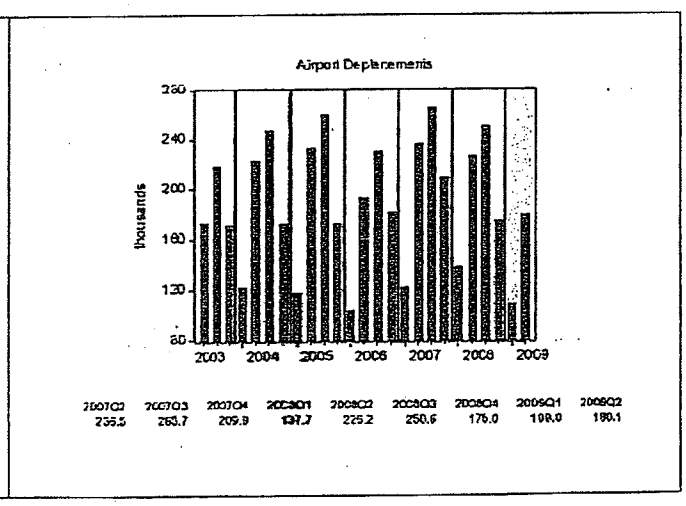
state's number one industry, tourism, and is billed as one of the nation's top vacation destinations attracting close to 14 million visitors each year."[10]

Myrtle Beach saw some of the state's largest year-over-year economic losses in 2008. Through September, retail sales fell 3.5 percent, residential construction dropped 48.1 percent, and the unemployment rate spiked 2 percentage points to 6.9 percent. According to University of South Carolina economist Doug Woodward, Myrtle Beach has a "roller coaster economy" because its reliance on tourism makes it so susceptible to the economy's dips and peaks.[11]

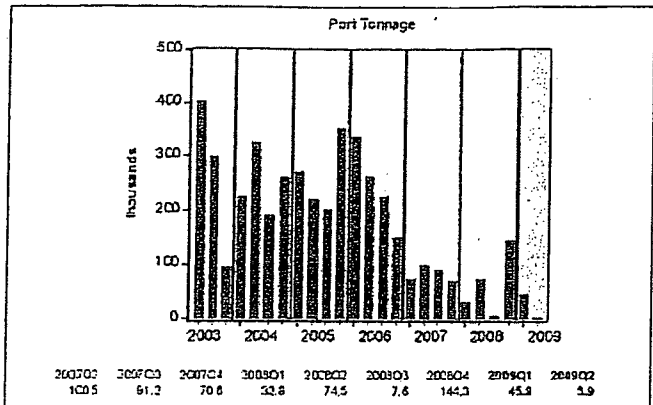
Coastal Carolina University research economist Don Schunk expected that unemployment rates nationwide and "tightfisted consumers" would put a damper on local business income through the summer. "You're still going to see a lot of tourists. The stores are going to be busy, the roads are going to be busy," Schunk said, but "they're not going to be spending as much." During his speech to the Grand Strand Economic Outlook Board, Mr. Schunk predicted that retail sales would decline 12.1 % in Horry County and 13.6% in Georgetown County.[12]

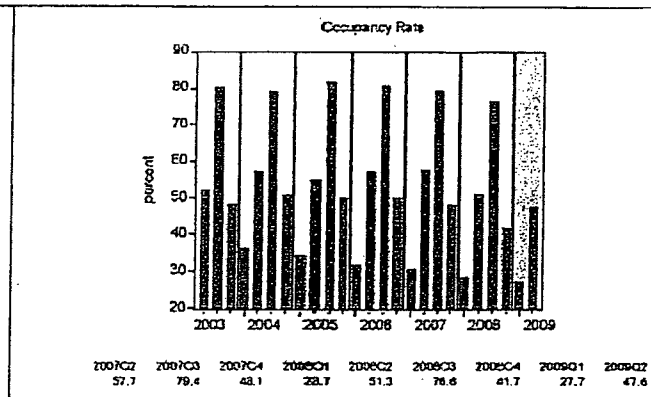
EXHIBIT 2-1
Selected Grand Strand Indicators

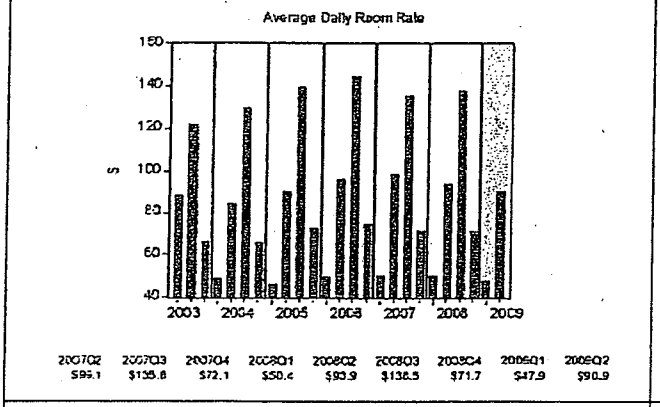


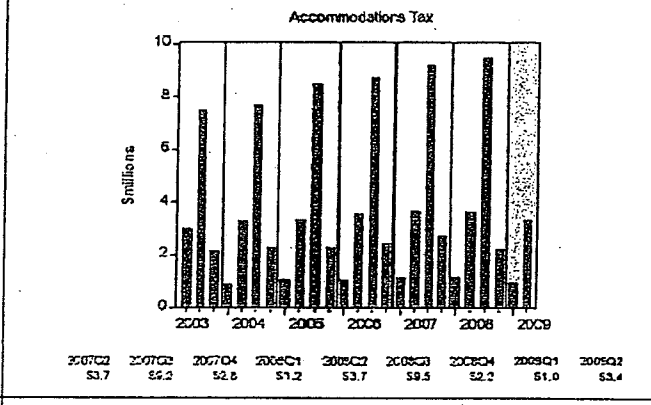


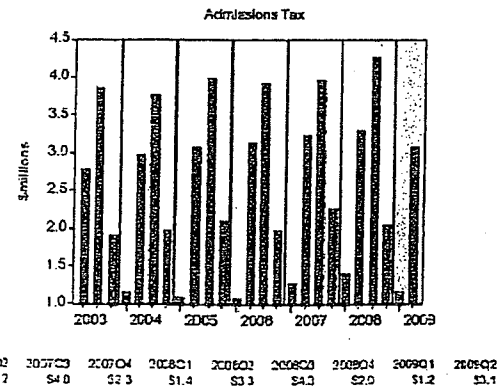
[10] Terry Ward, "Grand Strand Tourism: The Fuel of South Carolina's Economy," *Greater Pee Dee Business Journal*, June, 2008.
[11] Jessica Foster, "CCU Economist Offers Glum Summer Forecast," *The Sun News*, May 21, 2009, page 1C.
[12] Jessica Foster, op cit.

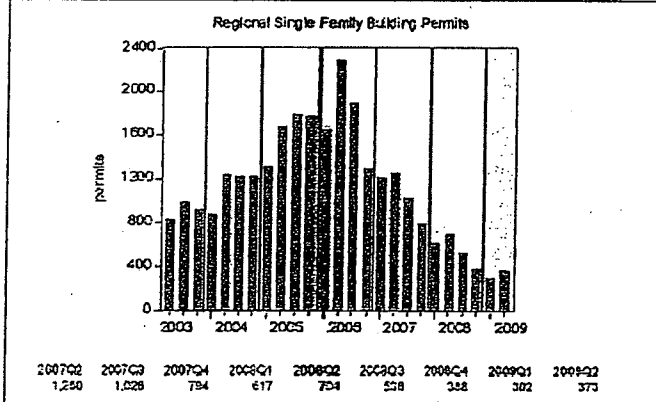

Port Tonnage
thousands
500
400
300
200
100
0
2003 2004 2005 2006 2007 2008 2009
2007Q2 2007Q3 2007Q4 2008Q1 2008Q2 2008Q3 2008Q4 2009Q1 2009Q2
100.5 91.2 70.6 32.8 74.5 7.6 144.3 45.9 3.9

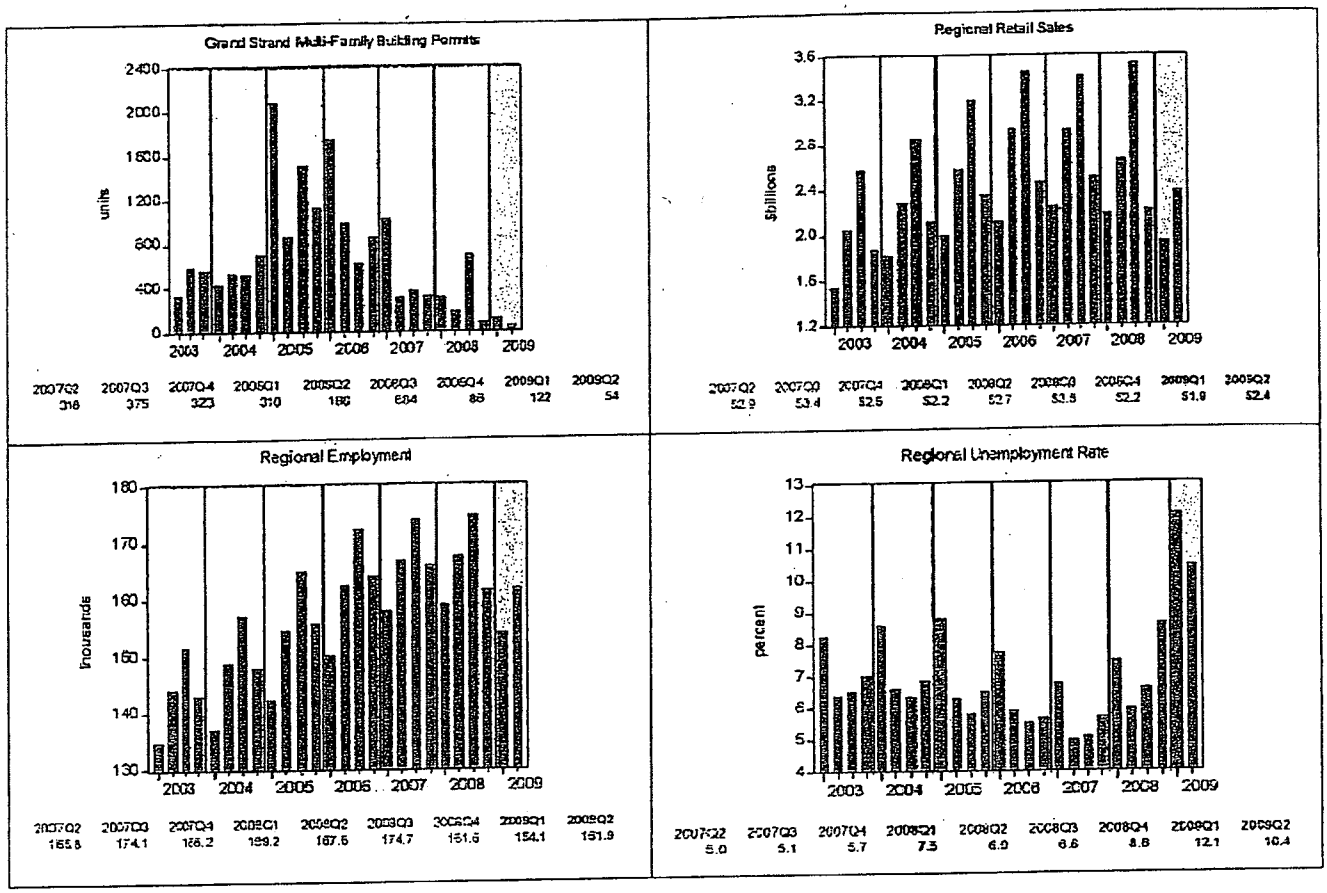

Occupancy Rate
percent
90
80
70
60
50
40
30
20
2003 2004 2005 2006 2007 2008 2009
2007Q2 2007Q3 2007Q4 2008Q1 2008Q2 2008Q3 2008Q4 2009Q1 2009Q2
57.7 79.4 48.1 28.7 51.3 76.6 41.7 27.7 47.6


Average Daily Room Rate
$
160
140
120
100
80
60
40
2003 2004 2005 2006 2007 2008 2009
2007Q2 2007Q3 2007Q4 2008Q1 2008Q2 2008Q3 2008Q4 2009Q1 2009Q2
$99.1 $135.8 $72.1 $50.4 $93.9 $138.5 $71.7 $47.9 $90.9


Accommodations Tax
$millions
10
8
6
4
2
0
2003 2004 2005 2006 2007 2008 2009
2007Q2 2007Q3 2007Q4 2008Q1 2008Q2 2008Q3 2008Q4 2009Q1 2009Q2
$3.7 $5.2 $2.8 $1.2 $3.7 $5.5 $2.2 $1.0 $3.4


Admissions Tax
$millions
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
2003 2004 2005 2006 2007 2008 2009
2007Q2 2007Q3 2007Q4 2008Q1 2008Q2 2008Q3 2008Q4 2009Q1 2009Q2
$3.2 $4.0 $2.3 $1.4 $3.3 $4.3 $2.0 $1.2 $3.1


Regional Single Family Building Permits
permits
2400
2000
1600
1200
800
400
0
2003 2004 2005 2006 2007 2008 2009
2007Q2 2007Q3 2007Q4 2008Q1 2008Q2 2008Q3 2008Q4 2009Q1 2009Q2
1,250 1,028 794 617 754 528 368 302 373



Source: Dr. Don Schunk, Coastal Carolina University. "Waccamaw Regional Economic Outlook, Winter '08 and Spring '09." February 18, 2009, *The Sun News*.

2.4 Implications of Economy for the Subject Company

The Company's primary business is operating tire dealerships, and it is helped by growth in consumer spending and automobile travel. The condition of the economy has the following implications for the Company:

(1) *Revenue Growth* – with the economy in the grips of a recession, revenue growth should be down or flat.

(2) *Operating profit margins* – if some competitors succumb and if labor costs lower, profit margins may ease.

(3) *Interest costs* – with decreases in interest rates by the Federal Reserve offset by inflation and turmoil in the credit markets, interest costs should continue to rise.

(4) *Business risk* – with the economy in a recession, business risk should be increasing.

(5) *Financial risk* – with tighter access to credit, financial risk should also be increasing.

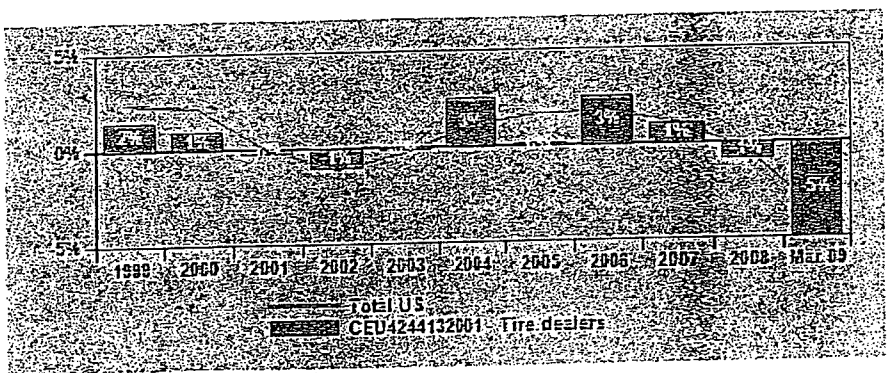
2.5 State of the Industry

According to First Research, the U. S. tire dealer industry includes about 11,000 companies with combined revenues of $22 billion. The largest companies include TBC Corporation, Discount Tire, Les Schwab Tire Centers, and retail units of manufacturers Goodyear and Bridgestone. The industry is fragmented, with the fifty largest companies comprising about 45% of the market.[13]

The demand for replacement tires is tied to vehicle usage, which in turn depends on economic activity. Since the product is largely a commodity, profitability of individual companies depends on effective marketing. Dealers depend on the manufacturers to advertise, thereby creating demand and brand recognition. The market is highly price-sensitive, and cheap imported tires (which comprise about 20% of the market) have kept consumer prices low for a decade. For 2000 to 2006, consumer prices rose only 11%.[14]

The industry is very labor intensive. According to First Research, industry employment growth has been as follows:

EXHIBIT 2-2
INDUSTRY EMPLOYMENT GROWTH



Source: Bureau of Labor Statistics

[13] First Research industry profile for tire dealers, May 11, 2009.
[14] Ibid.

Modern Tire Dealer's website offers the following statistics in its "Tire Dealer Profile 2008":

- There are 29,000 independent retail, wholesale, and commercial tire dealers in the U. S.
- Almost 62% of these dealers are single-store owners
- The typical dealer handles more than 11 different brands
- The average sales volume per store is $1.9 million
- The average age of vehicles serviced by tire dealers is 5.3 years
- Average automotive service profile is as follows:

EXHIBIT 2-3
AVERAGE INDEPENDENT TIRE DEALER'S AUTOMOTIVE SERVICE OPERATIONS

Service as a % of total sales	47%
Service as a % of total earnings	44%
Service bays per outlet	6.4
Technicians per outlet	4.0
Percentage of technicians certified	51%
Percentage offering tire pressure monitoring service	85.4%
Percentage offering air conditioning service	68.6%
Percentage offering nitrogen inflation service	32.8%
Average yearly employee turnover	11%
Percentage with a website	70%

Source: www.moderntiredealer.com

A total of 198 million passenger tire units were shipped in 2008 for the replacement channel, plus another 41.2 million units for the original equipment market. Those numbers were down 3.4% and 14.1%, respectively, from 2007 levels. [15]

Ultra-high performance and high performance tires have been increasing their market share in recent years, up to 24.0% in 2008 from 20.0% in 2004. Of the combined UHP/HP segment, the largest brand was Goodyear, with 16.0% of the market in both 2007 and 2008.[16]

[15] "Tire FAQ," www.moderntiredealer.com
[16] "UHP up, HP down," www.moderntiredealer.com

Industry analyst Saul Ludwig of KeyBank Capital Markets, Inc. was optimistic on the outlook for replacement passenger tire sales, where he saw a 1.8 % increase in shipments in 2009. However, he was more pessimistic on the original equipment side, in all three segments (passenger, light truck, and truck), which will lead to a 1.4% drop in total shipments. Another analyst summarized the industry as follows:

> *"While the operating environment is likely to remain somewhat trying in the short term, we think it is important to remember that easing year-to-year comparisons in miles driven, gasoline prices at the lowest level since early 2004, and the turmoil underway in the original equipment channel should result in heightened demand for aftermarket parts and services as the coming year unfolds," says Tony Cristello, senior vice president and research analyst for BB&T Capital Markets.*

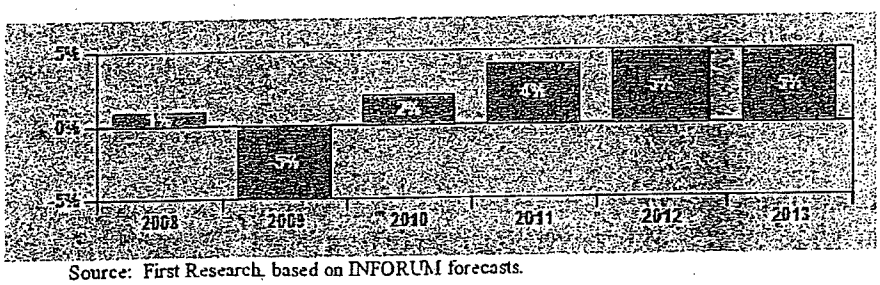
Dr. Kenneth Mayland, president of ClearView Economics LLC agreed that the future looks bright for independent tire dealers. Maintaining cars and light trucks already on the road "is going to be more important, so I think there will be tire purchases along with that."[17]

First Research agrees with Dr. Mayland:

> *U. S. drivers are holding onto their cars and trucks longer as the economic decline continues, according to RL Polk & Co. The typical length of ownership increased to 56.3 months, compared to 49 months in 2003, as consumers' economic anxiety has caused many to hold off on making major purchases. Tire dealers can benefit as cars age because the vehicles need more frequent maintenance and repairs.* [18]

Domestic demand for tires is expected to grow at a compounded annual rate of 2% between 2008 and 2013, as shown below:

EXHIBIT 2-4
TIRE DEMAND PROJECTIONS



Source: First Research, based on INFORUM forecasts.

[17] "Tire Dealer Profile 2008." www.moderntiredealer.com
[18] First Research, op.cit.

2.6 Implications for the Subject Company

The five implication factors are impacted as follows:

(1) *Revenue Growth* – with consumers expected to keep their old cars on the road longer, tire sales should increase.

(2) *Operating Profit Margins* – with high performance and ultra-high performance tires increasing their market share, profit margins would be expected to decrease, because these products carry lower margins.

(3) *Interest Costs* – with the slight improvement in the industry, interest costs would be expected to decrease.

(4) *Business Risk* – with the improvement in the industry, business risk would be expected to decrease.

(5) *Financial Risk* – with improving revenues and margins, financial risk would be expected to decrease.

3 SURVEY OF THE SUBJECT FIRM

3.1 History

Mason Tire & Auto Service, Inc. was originally founded in 1985 and J&O Tire & Auto Service, Inc. was formed in 1990. Then, in 1998, the Company was incorporated as a holding company for its various subsidiaries. M & S Tire Company, Inc. was added in 1998, K & J Tire, Inc. in 1999, and BCJ Tires, Inc. in 2007.

3.2 Form of Organization

The Company is a corporation under the laws of South Carolina and a Sub-Chapter S corporation under the Internal Revenue Code. Its subsidiaries are "C" corporations.

3.3 Restrictions on Sale of Subject Interests

The Subject Interest is bound by the terms of the Agreement, which requires that a shareholder first offer the interest to the Company and then to all of the other shareholders before transferring.

3.4 Prior Ownership Transactions

Oswaldo J. St. Blanchard was an original shareholder of the Company and a party to the Agreement. He surrendered his shares to his ex-wife Catherine J. St. Blanchard as a part of the divorce settlement in 2005.

3.5 Subsidiaries and Affiliates

The Company's subsidiaries may be summarized as follows:

EXHIBIT 3-1
Subsidiaries

Reference	Name	Location	% Owned
"Surfside"	Mason Tire & Auto Service, Inc.	750 Highway 17-N, Surfside Beach	100%
"NMB"	J & O Tire & Auto Service, Inc.	1201 Highway 17-S, North Myrtle Beach	100%
"Pawleys Island"	M & S Tire Company, Inc.	9571 Ocean Hwy, Pawleys Island	100%
"Myrtle Beach"	K & J Tire, Inc.	1921-10th Avenue North, Myrtle Beach	100%
"Conway"	BCJ Tires, Inc.	1700 Highway 544, Conway	48%

Source: The Company's internal financial statements.

As shown above, the Company owns 48% of the Conway subsidiary. The remaining 52% is owned by Irwin H. Levine, the Company's accountant in Fort Lauderdale, Florida. For internal accounting purposes, the Company consolidates 100% of Conway's results with the other subsidiaries.

3.6 Management

The Company's key managers include: Frankie Fisher (General Manager), Joe Mason, Sr. (President), Catherine Mason (Vice President), and Catherine St. Blanchard (Secretary/Treasurer).

3.7 Employees and Independent Contractors

The Company employs five store managers, five salesmen, five service managers, 31 mechanics/technicians (of whom seven are certified), and one bookkeeper. Total employees number 47.

3.8 Service Lines

The Company sells and installs Goodyear Tires, along with many other brands of tires. In addition, the Company offers some other automobile services, including lube jobs, battery installations, and tire pressure monitoring. The Company does not have a written dealer agreement with Goodyear, since Mr. Mason's relationship with that manufacturer dates back to 1956.

Of the Company's 2008 sales, approximately 25% was retail tire sales for automobiles and light trucks, 14% was commercial tire sales for large trucks, and 3% was tire sales to the government. Of the remaining revenues, 48% was mechanical/service sales, which is very close to the industry average of 47%.

3.9 Sales and Marketing

The Company spends approximately 2% of consolidated sales on advertising, on radio, television, and direct mail.

3.10 Customer Base

Approximately 90% of the Company's sales are to individual retail customers. Commercial customers account for the other 10%. The Company's largest commercial customers are R. H. Moore (ground preparation business) and Redi-Mix Concrete, both of whom have suffered with the drop in new construction.

3.11 Competition

The Company's key competitors are Black's Tire Service, Firestone Complete Auto Care, Tire Town, Tire Warehouse, Brian's Tire, BackGate Tire, Sam's, Wal-Mart, Discount Tire Center, Harry's Discount Tire Center, and Northgate Tire & Muffler. In all, the Myrtle Beach yellow pages lists more than fifty tire dealers. In addition, all automobile dealerships sell tires, and they are major competitors.

Compared with its competition, the Company enjoys a strong reputation for fair dealing based on a long operating history. The Company's Goodyear tires are the top-rated product with a nationwide warranty.

3.12 Locations

The Company's principal office is located at 750 Highway 17 North, Surfside Beach, South Carolina 29575. The subsidiary locations are listed in Exhibit 3-1 above, subject to the leases shown below:

EXHIBIT 3-2
The Leases

Reference	Landlord/ Lease Date	Premises	Lease Terms
"Surfside"	J.E. Mason, C. L. Mason, H. W. Sanderson, Geraldine Sanderson dated 12/20/00	750 U. S. Highway 17 Business North, Surfside Beach	10-year term ending 12/31/10, monthly rent of $6,430, adjusting with the CPI each 12 months
"NMB"	Joe Mason, Jr. and Catherine St. Blanchard	0.82 acres, corner of Hwy 17 & 12th Ave. S, North Myrtle Beach	Verbal, monthly rent of $6,800
"Pawleys Island"	Catson, LLC dated 1/1/03	Parcel 5-A True Blue Plantation	19-year term ending 12/31/21, monthly rent of $7,500
"Myrtle Beach"	Sublease from Goodyear Tire & Rubber Company, dated 10/11/99	Parcel A-1 containing 0.80 acre, 35,054 square feet, 10th Avenue North	10-year term (expires 2009), min. monthly rent of $8,664.97
"Conway"	The Company	Lots 1 & 2 Block A & 0.52 acre, College Circle, Hwy 544 (total 1.26 acres)	Verbal, monthly rent of $12,500

Source: the Leases described above and Management.

Note that the primary lease between Goodyear and the landlord on the Myrtle Beach location expires this year. Goodyear has indicated its intent not to renew, so the Company will need to negotiate a new lease with the landowner.

Each of the locations has eight work bays, except for Conway, which has ten. These are more than the industry average of 6.4.

3.13 Summary and Implications for the Subject Company

The Company has operated for more than ten years, but Management has many more years of experience.

The five implication factors may be evaluated as follows:

(1) *Revenue growth* – Management is uncertain about revenue growth due to trouble in the economy and in the auto industry.

(2) *Operating profit margins* – Profit margins will be squeezed as costs increase, including salaries which were frozen during the recession.

(3) *Interest costs* – With the Company's long operating history, interest costs should be lower than for more risky borrowers.

(4) *Business risk* – With the large amount of competition, including from "big box" stores like Wal-Mart and Sam's, business risk is increasing.

(5) *Financial risk* – Financial risk is also increasing, with decreasing sales and lower profits.

4 FINANCIAL PERFORMANCE OF THE SUBJECT

4.1 Financial Statements

The company's financial statements are prepared using the accrual basis of accounting. The financial statements, notes, supplementary schedules, and other information are the representations of Management, who is responsible for their integrity and objectivity.

4.2.1 Analysis of the Balance Sheet

The analysis of the balance sheet is presented in Exhibit 4-1 and 4-2.

EXHIBIT 4-1
HISTORICAL BALANCE SHEETS–for the Company and its Wholly-Owned Subsidiaries
For the Years Ended December 31, 2004 – 2008

2004	Company	Surfside	NMB	Pawleys Island	Myrtle Beach	(Elimin-ations)	Consol-idated
Assets							
Cash	$ 7,205	$ 390,588	$ 153,698	$ 40,601	$ 154,397		$ 746,489
Accounts Receivable		$ 525,697	$ 56,951	$ 97,941	$ 79,243		$ 759,832
Inventories		$ 131,756	$ 116,509	$ 183,615	$ 90,609		$ 522,489
Common Stocks	$ 505,000	$ -	$ -	$ -	$ -	$ (505,000)	$ -
Other Current Assets	$ -	$ 23,008	$ 23,572	$ 17,415	$ 17,800		$ 81,795
Current Assets	$ 512,205	$ 1,071,049	$ 350,730	$ 339,572	$ 342,049	$ (505,000)	$ 2,110,605
Fixed Assets	$ -	$ 369,686	$ 128,247	$ 173,803	$ 113,726		$ 785,462
Less Depreciation	$ -	$ 314,119	$ 111,082	$ 159,474	$ 97,185		$ 681,860
Net Fixed Assets	$ -	$ 55,567	$ 17,165	$ 14,329	$ 16,541		$ 103,602
Other Assets	$ -	$ 1,028	$ (20)	$ 608	$ 8,580		$ 10,196
Total Assets	**$ 512,205**	**$ 1,127,644**	**$ 367,875**	**$ 354,509**	**$ 367,170**	**$ (505,000)**	**$ 2,224,403**
Liabilities & Equity							
Accounts Payable	$ -	$ 226,082	$ 162,907	$ 210,969	$ 326,640		$ 926,598
Short-term Loans	$ -	$ 16,500	$ 4,125	$ 1,672	$ 1,672		$ 23,969
Other Current Liabilities	$ 1,946	$ 16,364	$ 5,784	$ 6,895	$ 8,894		$ 39,883
Current Liabilities	$ 1,946	$ 258,946	$ 172,816	$ 219,536	$ 337,206		$ 990,450
Long-term Liabilities	$ -	$ 494,249	$ -	$ -	$ -		$ 494,249
Total Liabilities	$ 1,946	$ 753,195	$ 172,816	$ 219,536	$ 337,206		$ 1,484,699
Shareholders' Equity	$ 510,259	$ 374,449	$ 195,059	$ 134,973	$ 29,964	$ (505,000)	$ 739,704
Total Liabilities & Equity	**$ 512,205**	**$ 1,127,644**	**$ 367,875**	**$ 354,509**	**$ 367,170**	**$ (505,000)**	**$ 2,224,403**

2005	Company	Surfside	NMB	Pawleys Island	Myrtle Beach	(Elimin-ations)	Consol-idated
Assets							
Cash	$ 89,992	$ 770,708	$ 71,481	$ 71,787	$ 81,093		$ 1,085,061
Accounts Receivable	$ -	$ 120,650	$ 53,186	$ 82,362	$ 81,884		$ 338,082
Inventories	$ -	$ 65,550	$ 98,064	$ 157,382	$ 73,755		$ 394,751
Common Stocks	$ 505,000	$ -	$ -	$ -	$ -	$ (505,000)	$ -
Other Current Assets	$ -	$ 1,362	$ (617)	$ 2,355	$ (2,058)		$ 1,042
Current Assets	$ 594,992	$ 958,270	$ 222,114	$ 313,886	$ 234,674	$ (505,000)	$ 1,818,936
Fixed Assets	$ -	$ 381,685	$ 129,907	$ 183,285	$ 115,386		$ 810,263
Less Depreciation	$ -	$ 323,893	$ 115,021	$ 171,989	$ 106,498		$ 717,401
Net Fixed Assets	$ -	$ 57,792	$ 14,886	$ 11,296	$ 8,888		$ 92,862
Other Assets	$ -	$ 145,253	$ 43,999	$ -	$ 8,469		$ 197,721
Total Assets	**$ 594,992**	**$ 1,161,315**	**$ 280,999**	**$ 325,182**	**$ 252,031**	**$ (505,000)**	**$ 2,109,519**
Liabilities & Equity							
Accounts Payable	$ -	$ 217,940	$ 69,737	$ 90,412	$ 79,935		$ 458,024
Short-term Loans	$ -	$ 26,110	$ 247	$ 247	$ 247		$ 26,851
Other Current Liabilities	$ 1,959	$ 43,524	$ 6,198	$ 6,431	$ 9,311		$ 67,423
Current Liabilities	$ 1,959	$ 287,574	$ 76,182	$ 97,090	$ 89,493		$ 552,298
Long-term Liabilities	$ -	$ 456,653	$ -	$ 72,053	$ 116,561		$ 645,267
Total Liabilities	$ 1,959	$ 744,227	$ 76,182	$ 169,143	$ 206,054		$ 1,197,565
Shareholders' Equity	$ 593,033	$ 417,088	$ 204,817	$ 156,039	$ 45,977	$ (505,000)	$ 911,954
Total Liabilities & Equity	**$ 594,992**	**$ 1,161,315**	**$ 280,999**	**$ 325,182**	**$ 252,031**	**$ (505,000)**	**$ 2,109,519**

2006	Company	Surfside	NMB	Pawleys Island	Myrtle Beach	(Elimin-ations)	Consol-idated
Assets							
Cash	$ 147,627	$ 940,356	$ 79,538	$ 67,302	$ 111,888		$ 1,346,711
Accounts Receivable	$ -	$ 140,076	$ 64,238	$ 80,825	$ 99,602		$ 384,741
Inventories	$ -	$ 163,183	$ 141,664	$ 175,178	$ 116,687		$ 596,712
Common Stocks	$ 505,000	$ -	$ -	$ -	$ -	$ (505,000)	$ -
Other Current Assets	$ -	$ 2,910	$ 748	$ 947	$ 2,662		$ 7,267
Current Assets	$ 652,627	$ 1,246,525	$ 286,188	$ 324,252	$ 330,839	$ (505,000)	$ 2,335,431
Fixed Assets	$ 21,500	$ 364,236	$ 128,909	$ 183,285	$ 115,386		$ 813,316
Less Depreciation	$ 13,900	$ 327,652	$ 117,832	$ 175,242	$ 113,248		$ 747,874
Net Fixed Assets	$ 7,600	$ 36,584	$ 11,077	$ 8,043	$ 2,138		$ 65,442
Other Assets	$ -	$ 182,037	$ 7,298	$ -	$ 8,489		$ 197,824
Total Assets	**$ 660,227**	**$ 1,465,146**	**$ 304,563**	**$ 332,295**	**$ 341,466**	**$ (505,000)**	**$ 2,598,697**
Liabilities & Equity							
Accounts Payable	$ -	$ 219,523	$ 75,773	$ 94,617	$ 76,999		$ 466,912
Short-term Loans	$ -	$ 11,345	$ -	$ -	$ -		$ 11,345
Other Current Liabilities	$ 8,427	$ 19,048	$ 14,717	$ 7,391	$ 17,369		$ 66,952
Current Liabilities	$ 8,427	$ 249,916	$ 90,490	$ 102,008	$ 94,368		$ 545,209
Long-term Liabilities	$ -	$ 747,222	$ -	$ 55,023	$ 161,699		$ 963,944
Total Liabilities	$ 8,427	$ 997,138	$ 90,490	$ 157,031	$ 256,067		$ 1,509,153
Shareholders' Equity	$ 651,800	$ 468,008	$ 214,073	$ 175,264	$ 85,399	$ (505,000)	$ 1,089,544
Total Liabilities & Equity	**$ 660,227**	**$ 1,465,146**	**$ 304,563**	**$ 332,295**	**$ 341,466**	**$ (505,000)**	**$ 2,598,697**

2007	Company	Surfside	NMB	Pawleys Island	Myrtle Beach	(Elimin-ations)	Consol-idated
Assets							
Cash	$ (1,479)	$ 374,716	$ 75,948	$ 58,784	$ 94,560		$ 602,529
Accounts Receivable	$ -	$ 105,780	$ 77,272	$ 80,489	$ 50,327		$ 313,868
Inventories	$ -	$ 217,462	$ 101,538	$ 154,858	$ 99,550		$ 573,408
Common Stocks	$ 586,600	$ -	$ -	$ -	$ -	$ (586,600)	$ -
Other Current Assets	$ -	$ 8,577	$ 773	$ 9,588	$ 12,636		$ 31,574
Current Assets	$ 585,121	$ 706,535	$ 255,531	$ 303,719	$ 257,073		$ 1,521,379
Fixed Assets	$ 1,383,492	$ 343,888	$ 132,909	$ 192,618	$ 115,386		$ 2,168,293
Less Depreciation	$ 26,832	$ 324,232	$ 125,404	$ 186,993	$ 114,147		$ 777,608
Net Fixed Assets	$ 1,356,660	$ 19,656	$ 7,505	$ 5,625	$ 1,239		$ 1,390,685
Other Assets	$ 11,900	$ 521,002	$ 37,684	$ -	$ 8,469		$ 579,055
Total Assets	**$ 1,953,681**	**$ 1,247,193**	**$ 300,720**	**$ 309,344**	**$ 266,781**	**$ (586,600)**	**$ 3,491,119**
Liabilities & Equity							
Accounts Payable	$ -	$ 170,871	$ 57,210	$ 83,564	$ 54,019		$ 365,664
Short-term Loans	$ -	$ 22,469	$ -	$ -	$ 8,795		$ 31,264
Other Current Liabilities	$ -	$ 13,644	$ 9,587	$ 5,900	$ -		$ 29,131
Current Liabilities	$ -	$ 206,984	$ 66,797	$ 89,464	$ 62,814		$ 426,059
Long-term Liabilities	$ 1,455,902	$ 519,383	$ -	$ 40,300	$ 104,129		$ 2,119,714
Total Liabilities	$ 1,455,902	$ 726,367	$ 66,797	$ 129,764	$ 166,943		$ 2,545,773
Shareholders' Equity	$ 497,779	$ 520,826	$ 233,923	$ 179,580	$ 99,838	$ (586,600)	$ 945,346
Total Liabilities & Equity	**$ 1,953,681**	**$ 1,247,193**	**$ 300,720**	**$ 309,344**	**$ 266,781**	**$ (586,600)**	**$ 3,491,119**

2008	Company	Surfside	NMB	Pawleys Island	Myrtle Beach	(Elimin-ations)	Consol-idated
Assets							
Cash	$ 4,859	$ (8,565)	$ 74,130	$ 72,398	$ 66,433		$ 209,255
Accounts Receivable	$ -	$ 80,949	$ 28,205	$ 58,098	$ 22,703		$ 189,955
Inventories	$ -	$ 218,236	$ 119,887	$ 167,643	$ 87,627		$ 593,393
Common Stocks	$ 239,200	$ -	$ -	$ -	$ -	$ (239,200)	$ -
Other Current Assets	$ -	$ 24,637	$ 7,277	$ 5,688	$ 10,547		$ 48,149
Current Assets	$ 244,059	$ 315,257	$ 229,499	$ 303,827	$ 187,310	$ (239,200)	$ 1,040,752
Fixed Assets	$ 1,383,492	$ 341,563	$ 136,280	$ 205,854	$ 115,386		$ 2,182,575
Less Depreciation	$ 57,585	$ 333,707	$ 128,934	$ 202,264	$ 114,705		$ 837,195
Net Fixed Assets	$ 1,325,907	$ 7,856	$ 7,346	$ 3,590	$ 681		$ 1,345,380
Other Assets	$ -	$ 373,523	$ 58,137	$ (40)	$ 8,469		$ 440,089
Total Assets	**$ 1,569,966**	**$ 696,636**	**$ 294,982**	**$ 307,377**	**$ 196,460**	**$ (239,200)**	**$ 2,826,221**
Liabilities & Equity							
Accounts Payable	$ -	$ 104,789	$ 41,743	$ 71,716	$ 29,341		$ 247,589
Short-term Loans	$ 36,000	$ 8,434	$ -	$ -	$ -		$ 44,434
Other Current Liabilities	$ -	$ 9,508	$ 7,136	$ 4,619	$ 7,350		$ 28,613
Current Liabilities	$ 36,000	$ 122,731	$ 48,879	$ 76,335	$ 36,691		$ 320,636
Long-term Liabilities	$ 1,385,522	$ -	$ -	$ 47,719	$ 44,851		$ 1,478,092
Total Liabilities	$ 1,421,522	$ 122,731	$ 48,879	$ 124,054	$ 81,542		$ 1,798,728
Shareholders' Equity	$ 148,444	$ 573,905	$ 246,103	$ 183,323	$ 114,918	$ (239,200)	$ 1,027,493
Total Liabilities & Equity	**$ 1,569,966**	**$ 696,636**	**$ 294,982**	**$ 307,377**	**$ 196,460**	**$ (239,200)**	**$ 2,826,221**

Source: federal tax returns

In order to remove any double-counting, we have used the "eliminations" column above to delete the Company's equity in its subsidiaries. Although there is some inter-company lending and borrowing, we have not reversed these transactions because we are reviewing the Company on a consolidated basis, not valuing its subsidiaries individually.

Note that this consolidating balance sheet does not include the Company's 48% in BCJ Tires, Inc. ("Conway"), which it acquired in 2007. According to Conway's federal tax returns, the book value of shareholders' equity in 2007 was $212,294, of which the Company's 48% interest would be $101,901. In 2008, the book value of shareholders' equity was $253,976, of which the Company's 48% interest would be $121,908.

The Company has two long-term loans with Carolina First Bank: (1) a revolving credit line in the amount of $200,000, due August 8, 2009, carrying interest at a fixed rate of 5% payable monthly; and (2) a commercial loan in the original principal amount of $935,000, due April 9, 2017, carrying interest at a fixed rate of 7.25%, principal and interest payable monthly, secured by a mortgage on the Conway property. Both loans are personally guaranteed by the shareholders.

On a common-size basis (in which all lines are shown as a percentage of total assets), the Company compares with its industry as follows:

EXHIBIT 4-2
COMPARATIVE BALANCE SHEETS – CONSOLIDATED
(COMPANY AND SUBSIDIARIES, EXCLUDING CONWAY)
Trend Analysis and Industry Comparison – Selected Accounts
Common-Size (Unadjusted) as a Percentage of Total Assets

	2004	2005	2006	2007	2008	Industry
Assets						
Cash	34%	51%	52%	17%	7%	12.2%
Accounts Receivable	34%	16%	15%	9%	7%	12.0%
Inventories	23%	19%	23%	16%	21%	29.1%
Common Stocks	0%	0%	0%	0%	0%	
Other Current Assets	4%	0%	0%	1%	2%	
Current Assets	95%	86%	90%	44%	37%	54.2%
Fixed Assets	35%	38%	31%	62%	77%	
Less Depreciation	31%	34%	29%	22%	30%	
Net Fixed Assets	5%	4%	3%	40%	48%	15.3%
Other Assets	0%	9%	8%	17%	16%	
Total Assets	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Liabilities & Equity						
Accounts Payable	42%	22%	18%	10%	9%	
Short-term Loans	1%	1%	0%	1%	2%	
Other Current Liabilities	2%	3%	3%	1%	1%	
Current Liabilities	45%	26%	21%	12%	11%	37.4%
Long-term Liabilities	22%	31%	37%	61%	52%	0%
Total Liabilities	67%	57%	58%	73%	64%	
Shareholders' Equity	33%	43%	42%	27%	36%	62.6%
Total Liabilities & Equity	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Debt to Equity	2.01	1.31	1.39	2.69	1.75	0.47
Current Ratio	2.13	3.29	4.28	3.57	3.25	1.96

Source: Calculations by appraiser
Industry data from First Research, Industry Profile: Tire Dealers, small company data.

This analysis shows that the Company has financed its liabilities more with long-term debt than the industry as a whole. Although the Company holds less cash

than its peers, its current ratio shows a stronger liquidity position because current liabilities are lower. Shareholder's equity is much weaker than the industry standard.

4.2.2 Analysis of the Income Statement

The historical income statements for the Company's wholly-owned subsidiaries are summarized in Exhibit 4-3 below:

EXHIBIT 4-3
HISTORICAL INCOME STATEMENTS - SUBSIDIARIES
For the Years Ended December 31, 2004 – 2008

2004	Surfside	NMB	Pawleys Island	Myrtle Beach	Consol-idated
Gross sales	$ 2,291,173	$ 1,191,886	$ 1,517,223	$ 1,154,948	$ 6,155,230
Cost of goods sold	$ 1,079,053	$ 546,740	$ 701,871	$ 488,462	$ 2,816,126
Gross profit	$ 1,212,120	$ 645,146	$ 815,352	$ 666,486	$ 3,339,104
Salaries and wages	$ 488,494	$ 336,286	$ 386,349	$ 325,528	$ 1,536,657
Repairs and maintenance	$ 16,194	$ 10,150	$ 13,281	$ 6,204	$ 45,829
Bad debts	$ 3,189	$ 1,049	$ 1,301	$ 1,514	$ 7,053
Rents	$ 98,346	$ 82,572	$ 158,000	$ 100,980	$ 439,898
Taxes and licenses	$ 59,570	$ 34,312	$ 48,142	$ 30,786	$ 172,810
Interest	$ 27,707	$ 443	$ 177	$ 177	$ 28,504
Depreciation	$ 67,615	$ 4,471	$ 16,651	$ 9,280	$ 98,017
Advertising	$ 10,023	$ 3,307	$ 2,846	$ 2,876	$ 19,052
Pension and profit sharing	$ 2,132	$ 2,935	$ 1,991	$ 1,878	$ 8,936
Employee benefits	$ 23,798	$ 4,447	$ 7,483	$ 2,789	$ 38,517
Insurance	$ 48,968	$ 32,379	$ 37,598	$ 28,643	$ 147,588
Utilities	$ 9,277	$ 6,611	$ 8,195	$ 7,799	$ 31,882
Administrative expenses	$ 195,000	$ 77,000	$ 44,000	$ 102,000	$ 418,000
Other	$ 114,096	$ 50,092	$ 45,858	$ 36,259	$ 246,305
Total Expenses	$ 1,164,409	$ 646,054	$ 771,872	$ 656,713	$ 3,239,048
Net Income	**$ 47,711**	**$ (908)**	**$ 43,480**	**$ 9,773**	**$ 100,056**
Federal Tax	$ 10,348	$ -	$ 8,909	$ 3,323	$ 22,580

2005	Surfside	NMB	Pawleys Island	Myrtle Beach	Consol-idated
Gross sales	$ 2,187,574	$ 1,123,167	$ 1,426,222	$ 1,170,787	$ 5,907,750
Cost of goods sold	$ 1,064,829	$ 501,882	$ 658,780	$ 495,494	$ 2,720,985
Gross profit	$ 1,122,745	$ 621,285	$ 767,442	$ 675,293	$ 3,186,765
Salaries and wages	$ 457,983	$ 304,237	$ 386,920	$ 326,197	$ 1,475,337
Repairs and maintenance	$ 13,339	$ 4,327	$ 3,739	$ 7,117	$ 28,522
Bad debts	$ 2,303	$ 367	$ 1,605	$ 867	$ 5,142
Rents	$ 100,126	$ 82,572	$ 158,000	$ 101,963	$ 442,661
Taxes and licenses	$ 54,231	$ 34,904	$ 46,590	$ 29,845	$ 165,570
Interest	$ 51,488	$ 332	$ 98	$ 227	$ 52,145
Depreciation	$ 32,851	$ 3,938	$ 12,511	$ 9,312	$ 58,612
Advertising	$ 1,869	$ 947	$ 897	$ 941	$ 4,654
Pension and profit sharing	$ 2,746	$ 225	$ 225	$ 225	$ 3,421
Employee benefits	$ 24,861	$ 6,906	$ 11,794	$ 6,029	$ 49,590
Insurance	$ 39,313	$ 31,955	$ 28,444	$ 23,912	$ 123,624
Utilities	$ 9,939	$ 7,159	$ 8,836	$ 7,457	$ 33,391
Administrative expenses	$ 215,000	$ 87,000	$ 34,000	$ 102,000	$ 438,000
Other	$ 56,895	$ 42,672	$ 45,278	$ 38,241	$ 183,086
Total Expenses	$ 1,062,944	$ 607,541	$ 738,937	$ 654,333	$ 3,063,755
Net Income	**$ 59,801**	**$ 13,744**	**$ 28,505**	**$ 20,960**	**$ 123,010**
Federal Tax	$ 14,760	$ 3,956	$ 7,359	$ 4,793	$ 30,868

2006	Surfside	NMB	Pawleys Island	Myrtle Beach	Consol-idated
Gross sales	$ 2,527,810	$ 1,286,385	$ 1,530,942	$ 1,300,316	$ 6,645,453
Cost of goods sold	$ 1,238,989	$ 625,709	$ 743,238	$ 560,928	$ 3,168,864
Gross profit	$ 1,288,821	$ 660,676	$ 787,704	$ 739,388	$ 3,476,589
Salaries and wages	$ 560,125	$ 310,786	$ 397,448	$ 333,893	$ 1,602,252
Repairs and maintenance	$ 15,871	$ 7,377	$ 5,854	$ 8,038	$ 37,140
Bad debts	$ 7,463	$ 104	$ 2,770	$ 3,453	$ 13,790
Rents	$ 92,208	$ 82,572	$ 158,000	$ 101,796	$ 434,576
Taxes and licenses	$ 63,311	$ 35,213	$ 44,486	$ 32,768	$ 175,778
Interest	$ 677	$ 151	$ 6	$ 126	$ 960
Depreciation	$ 18,067	$ 10,559	$ 3,256	$ 6,749	$ 38,631
Advertising	$ 3,297	$ 2,125	$ 1,979	$ 749	$ 8,150
Pension and profit sharing	$ -	$ -	$ 287	$ -	$ 287
Employee benefits	$ 19,557	$ 6,553	$ 11,999	$ 2,289	$ 40,398
Insurance	$ 46,706	$ 24,187	$ 29,820	$ 19,616	$ 120,329
Utilities	$ 11,257	$ 7,071	$ 7,759	$ 8,727	$ 34,814
Administrative expenses	$ 180,000	$ 102,000	$ 34,000	$ 110,500	$ 426,500
Other	$ 197,069	$ 57,557	$ 62,174	$ 58,080	$ 374,880
Total Expenses	$ 1,215,608	$ 646,255	$ 759,838	$ 686,784	$ 3,308,485
Net Income	**$ 73,213**	**$ 14,421**	**$ 27,866**	**$ 52,604**	**$ 168,104**
Federal Tax	$ 22,548	$ 4,903	$ 8,480	$ 12,833	$ 48,764

2007	Surfside	NMB	Pawleys Island	Myrtle Beach	Consol-idated
Gross sales	$ 2,444,955	$ 1,397,121	$ 1,476,769	$ 1,318,915	$ 6,637,760
Cost of goods sold	$ 1,148,789	$ 687,467	$ 749,946	$ 614,881	$ 3,201,083
Gross profit	$ 1,296,166	$ 709,654	$ 726,823	$ 704,034	$ 3,436,677
Salaries and wages	$ 557,873	$ 329,488	$ 377,282	$ 317,885	$ 1,582,528
Repairs and maintenance	$ 24,940	$ 6,367	$ 7,501	$ 9,394	$ 48,202
Bad debts	$ 4,968	$ 8	$ -	$ 849	$ 5,825
Rents	$ 86,880	$ 82,572	$ 158,000	$ 101,556	$ 429,008
Taxes and licenses	$ 61,804	$ 38,839	$ 43,269	$ 31,465	$ 175,377
Interest	$ 1,085	$ 21	$ 1	$ -	$ 1,107
Depreciation	$ 18,539	$ 7,572	$ 11,751	$ 899	$ 38,761
Advertising	$ 6,632	$ 28	$ -	$ -	$ 6,660
Pension and profit sharing	$ -	$ -	$ -	$ -	$ -
Employee benefits	$ 15,306	$ 4,890	$ 7,463	$ 2,160	$ 29,819
Insurance	$ 38,888	$ 33,282	$ 34,121	$ 26,684	$ 132,975
Utilities	$ 11,453	$ 9,262	$ 12,745	$ 9,560	$ 43,020
Administrative expenses	$ 184,903	$ 103,200	$ -	$ 103,200	$ 391,303
Other	$ 197,019	$ 67,552	$ 68,051	$ 80,192	$ 412,814
Total Expenses	$ 1,210,290	$ 683,081	$ 720,184	$ 683,844	$ 3,297,399
Net Income	**$ 85,876**	**$ 26,573**	**$ 6,639**	**$ 20,190**	**$ 139,278**
Federal Tax	$ 23,165	$ 6,723	$ 2,324	$ 5,751	$ 37,963

2008	Surfside	NMB	Pawleys Island	Myrtle Beach	Consol-idated
Gross sales	$ 2,133,569	$ 1,184,092	$ 1,361,178	$ 968,708	$ 5,647,547
Cost of goods sold	$ 1,161,952	$ 629,887	$ 783,749	$ 469,520	$ 3,045,108
Gross profit	$ 971,617	$ 554,205	$ 577,429	$ 499,188	$ 2,602,439
Salaries and wages	$ 470,816	$ 305,586	$ 341,645	$ 267,936	$ 1,385,983
Repairs and maintenance	$ 8,051	$ 5,451	$ 4,731	$ 4,034	$ 22,267
Bad debts	$ 1,885	$ 5,633	$ 5,113	$ 5,097	$ 17,728
Rents	$ 79,872	$ 84,191	$ 158,000	$ 101,777	$ 423,840
Taxes and licenses	$ 53,153	$ 35,920	$ 40,333	$ 26,773	$ 156,179
Interest	$ 625	$ -	$ -	$ -	$ 625
Depreciation	$ 9,475	$ 3,531	$ 15,270	$ 557	$ 28,833
Advertising	$ 3,196	$ 1,223	$ 1,557	$ 1,223	$ 7,199
Pension and profit sharing	$ -	$ -	$ -	$ -	$ -
Employee benefits	$ 18,901	$ 5,099	$ 3,472	$ 2,774	$ 30,246
Insurance	$ 28,519	$ 24,606	$ 29,181	$ 20,293	$ 102,599
Utilities	$ 12,309	$ 9,965	$ 12,778	$ 9,890	$ 44,942
Administrative expenses	$ 111,504	$ -	$ -	$ -	$ 111,504
Other	$ 101,246	$ 56,471	$ (39,694)	$ 38,109	$ 156,132
Total Expenses	$ 899,552	$ 537,676	$ 572,386	$ 478,463	$ 2,488,077
Net Income	**$ 72,065**	**$ 16,529**	**$ 5,043**	**$ 20,725**	**$ 114,362**
Federal Tax	$ 16,724	$ 4,220	$ 1,261	$ 5,647	$ 27,852

Consolidated	2004	2005	2006	2007	2008
Gross sales	$ 6,155,230	$ 5,907,750	$ 6,645,453	$ 6,637,760	$ 5,647,547
Cost of goods sold	$ 2,816,126	$ 2,720,985	$ 3,168,864	$ 3,201,083	$ 3,045,108
Gross profit	$ 3,339,104	$ 3,186,765	$ 3,476,589	$ 3,436,677	$ 2,602,439
Salaries and wages	$ 1,536,657	$ 1,475,337	$ 1,602,252	$ 1,582,528	$ 1,385,983
Repairs and maintenance	$ 45,829	$ 28,522	$ 37,140	$ 48,202	$ 22,267
Bad debts	$ 7,053	$ 5,142	$ 13,790	$ 5,825	$ 17,728
Rents	$ 439,898	$ 442,661	$ 434,576	$ 429,008	$ 423,840
Taxes and licenses	$ 172,810	$ 165,570	$ 175,778	$ 175,377	$ 156,179
Interest	$ 28,504	$ 52,145	$ 960	$ 1,107	$ 625
Depreciation	$ 98,017	$ 58,612	$ 38,631	$ 38,761	$ 28,833
Advertising	$ 19,052	$ 4,654	$ 8,150	$ 6,660	$ 7,199
Pension and profit sharing	$ 8,936	$ 3,421	$ 287	$ -	$ -
Employee benefits	$ 38,517	$ 49,590	$ 40,398	$ 29,819	$ 30,246
Insurance	$ 147,588	$ 123,624	$ 120,329	$ 132,975	$ 102,599
Utilities	$ 31,882	$ 33,391	$ 34,814	$ 43,020	$ 44,942
Administrative expenses	$ 418,000	$ 438,000	$ 426,500	$ 391,303	$ 111,504
Other	$ 246,305	$ 183,086	$ 374,880	$ 412,814	$ 156,132
Total Expenses	$ 3,239,048	$ 3,063,755	$ 3,308,485	$ 3,297,399	$ 2,488,077
Net Income	**$ 100,056**	**$ 123,010**	**$ 168,104**	**$ 139,278**	**$ 114,362**
Federal Tax	$ 22,580	$ 30,868	$ 48,764	$ 37,963	$ 27,852

Source: Federal tax returns. Miscellaneous income, mostly from interest earned or fees charged to affiliates, is netted against "other expenses."

These income statements show that the wholly-owned subsidiaries (except for Surfside) all have lower revenues than the industry average of $1.9 million. Surfside is consistently the most profitable of the stores. On a consolidated basis, revenues declined 4% in 2005, increased 12% in 2006, declined 1% in 2007, and declined nearly 15% in 2008.

Conway, of which the Company owns 48%, has posted the following historical results in its two years of existence:

EXHIBIT 4-4
HISTORICAL INCOME STATEMENTS – CONWAY
For the Years Ended December 31, 2007-2008
100% Interest Shown (although the Company owns 48%)

Conway	2007	2008
Gross sales	$ 522,575	$ 1,052,673
Cost of goods sold	$ 161,868	$ 428,359
Gross profit	$ 360,707	$ 624,314
Salaries and wages	$ 95,707	$ 356,526
Repairs and maintenance	$ 711	$ 109
Bad debts	$ 20	$ 3,240
Rents	$ 49,732	$ 149,197
Taxes and licenses	$ 42,829	$ 38,818
Interest	$ -	$ 14,346
Depreciation	$ 55,139	$ 35,282
Advertising	$ 1,773	$ 2,701
Pension and profit sharing	$ -	$ -
Employee benefits	$ 1,515	$ 5,263
Insurance	$ 786	$ 23,634
Utilities	$ 2,133	$ 9,128
Administrative expenses	$ -	$ -
Other	$ 59,389	$ (62,968)
Total Expenses	$ 309,734	$ 575,276
Net Income	$ 50,973	$ 49,038
Federal Tax	$ 7,743	$ 7,356

Source: Federal tax returns. Miscellaneous income, mostly from interest earned or fees charged to affiliates, is netted against "other expenses."

As for the parent holding Company itself, the historical income statements are as follows:

EXHIBIT 4-5
HISTORICAL INCOME STATEMENTS – THE COMPANY (PARENT)
For the Years Ended December 31, 2004 – 2008

COMPANY - PARENT	2004	2005	2006	2007	2008
Income	$ 418,000	$ 438,000	$ 475,073	$ 481,800	$ 399,927
Expenses:					
Officer compensation	$ 159,418	$ 188,582	$ 194,227	$ 255,056	$ 83,039
Salaries and wages	$ 79,270	$ 73,641	$ 71,622	$ 84,596	$ 186,434
Repairs and maintenance	$ -	$ -	$ -	$ -	$ 3,102
Taxes and licenses	$ 22,785	$ 18,625	$ 19,501	$ 22,728	$ 21,950
Depreciation	$ -	$ -	$ 1,900	$ 3,040	$ 1,824
Advertising	$ 98,042	$ 59,233	$ 43,184	$ 104,208	$ 58,119
Pension and profit sharing	$ -	$ 1,961	$ -	$ -	$ -
Employee benefits	$ 5,123	$ 1,173	$ 713	$ 2,961	$ 27,602
Other	$ 6,997	$ 11,488	$ 19,006	$ 44,118	$ 47,575
Total Expenses	$ 371,635	$ 354,703	$ 350,153	$ 516,707	$ 429,645
Net Income	**$ 46,365**	**$ 83,297**	**$ 124,920**	**$ (34,907)**	**$ (29,718)**
Dividends Paid	$ 149,308	$ -	$ 87,143	$ 140,000	$ -

Source: Federal tax returns. Note that the Company is a Sub-chapter S corporation, which does not pay tax at the corporate level, while its subsidiaries are "C" corporations.

Thus we have seen the three different components of income: the wholly-owned subsidiaries (Exhibit 4-3), the Conway 48% subsidiary (Exhibit 4-4), and the parent Company (Exhibit 4-5). The Company charges fees to its subsidiaries (on a break-even basis to spread costs of executive management and advertising) and it earns rent on the Conway property.

For the five months ended May 31, 2009 on a consolidated basis, the Company's sales were almost $2.4 million, a decline of 12% from the same period of the previous year. Within the product categories, tire sales were down 20% from the previous year while service sales were down 7%.

Similar to the balance sheet analysis, we will use a common-size format to analyze the income statement for trends and compare it to the industry. The income statement analysis uses percentages calculated on total sales. This analysis for the wholly-owned subsidiaries is shown on Exhibit 4-6 below.

EXHIBIT 4-6
COMPARATIVE INCOME STATEMENTS WHOLLY OWNED SUBSIDIARIES
Trend Analysis and Industry Comparison – Selected Accounts
Common-size (Unadjusted) as a Percentage of Total Sales

Consolidated	2004	2005	2006	2007	2008	Industry
Gross sales	100%	100%	100%	100%	100%	
Cost of goods sold	46%	46%	48%	48%	54%	
Gross profit	54%	54%	52%	52%	46%	46.3%
Salaries and wages	25%	25%	24%	24%	25%	25.0%
Repairs and maintenance	1%	0%	1%	1%	0%	
Bad debts	0%	0%	0%	0%	0%	
Rents	7%	7%	7%	6%	8%	10.0%
Taxes and licenses	3%	3%	3%	3%	3%	
Interest	0%	1%	0%	0%	0%	
Depreciation	2%	1%	1%	1%	1%	
Advertising	0%	0%	0%	0%	0%	
Pension and profit sharing	0%	0%	0%	0%	0%	
Employee benefits	1%	1%	1%	0%	1%	
Insurance	2%	2%	2%	2%	2%	
Utilities	1%	1%	1%	1%	1%	
Administrative expenses	7%	7%	6%	6%	2%	
Other	4%	3%	6%	6%	3%	
Total Expenses	53%	52%	50%	50%	44%	
Net Income	2%	2%	3%	2%	2%	1.6%
Federal Tax	0%	1%	1%	1%	0%	

Sources: Calculations by appraiser. Industry averages are from First Research. Industry Profiles: Tire Dealers. small company data. and from the *2009 Business Reference Guide* by Tom West.

We can see from this income statement analysis that the Company's wholly-owned subsidiaries have almost the exact gross profit percentage as the industry as a whole. However, the subsidiaries' net income is slightly stronger.

4.2.3 Analysis of Aging Reports

The subsidiaries have historically incurred minimal bad debt expense, with 2008 being the highest at $17,728. Of the receivables on the books at the valuation date, Management believes approximately $10,000 is uncollectable.

4.2.4 Cash Flow Statements

Based on this information, we can calculate the Company's cash flow as shown in Exhibit 4-7 below.

EXHIBIT 4-7
CASH FLOW STATEMENTS
For the Years Ended December 31, 2005 – 2008

Company and Wholly Owned Subsidiaries	2005	2006	2007	2008
Net Income	$ 206,307	$ 293,024	$ 104,371	$ 84,644
Federal taxes	$ (30,868)	$ (48,764)	$ (37,963)	$ (27,852)
Depreciation	$ 58,612	$ 40,531	$ 41,801	$ 30,657
Decrease (increase) in accounts receivable	$ 421,750	$ (46,659)	$ 70,873	$ 123,913
Decrease (increase) in other current assets	$ 80,753	$ (6,225)	$ (24,307)	$ (16,575)
Decrease (increase) in inventory	$ 127,738	$ (201,961)	$ 23,304	$ (19,985)
Decrease (increase) in other assets & stock	$ (187,525)	$ (103)	$ (462,831)	$ 138,966
Increase (decrease) in accounts payable	$ (468,574)	$ 8,888	$ (101,248)	$ (118,075)
Increase (decrease) in accrued expenses	$ 27,540	$ (471)	$ (37,821)	$ (518)
Acquisition of property and equipment	$ (24,801)	$ (3,053)	$ (1,354,977)	$ (14,282)
Increase (decrease) in short term debt	$ 2,882	$ (15,506)	$ 19,919	$ 13,170
(Payments) borrowings on long term debt	$ 151,018	$ 318,677	$ 1,155,770	$ (641,622)
Other	$ (26,260)	$ 10,415	$ (1,073)	$ 54,285
Net Cash Flow to Equity	**$ 338,572**	**$ 348,793**	**$ (604,182)**	**$ (393,274)**
Beginning cash	**$ 746,489**	**$ 1,085,061**	**$ 1,346,711**	**$ 602,529**
Dividends	**$ -**	**$ (87,143)**	**$ (140,000)**	**$ -**
Ending cash	**$ 1,085,061**	**$ 1,346,711**	**$ 602,529**	**$ 209,255**

Conway (48%)	2007	2008
Net Income	$ 50,973	$ 49,038
Federal taxes	$ (7,743)	$ (7,356)
Depreciation	$ 55,139	$ 35,282
Decrease (increase) in accounts receivable	$ (287,062)	$ 55,014
Decrease (increase) in other current assets	$ -	$ (1,350)
Decrease (increase) in inventory	$ (103,272)	$ (44,687)
Decrease (increase) in other assets	$ (2,275)	$ (241)
Increase (decrease) in accounts payable	$ 150,173	$ (138,010)
Increase (decrease) in accrued expenses	$ 14,219	$ (6,322)
Acquisition of property and equipment	$ (173,880)	$ -
Increase (decrease) in short term debt	$ 66,667	$ 157,833
(Payments) borrowings on long term debt	$ 101,500	$ (63,036)
Other	$ 169,063	$ 191
Net Cash Flow to Equity	**$ 33,502**	**$ 36,356**
48% Interest	**$ 16,081**	**$ 17,451**
Beginning cash	**$ -**	**$ 33,502**
Dividends	**$ -**	**$ -**
Ending cash	**$ 33,502**	**$ 69,858**

Source: the Company's federal tax returns, calculations by appraiser

Note that we have included a line for "other" expense and income so that ending cash will balance with beginning cash. These differences can be explained to some extent by the fact that the Company incurred expenses which were not deductible for tax purposes, and we were working from federal tax returns. In 2007, the Company advanced funds to Conway to purchase inventory.

These calculations show that the Company recorded positive cash flow in the years 2005 and 2006. However, beginning in 2007 with the construction in Conway and the downturn in the economy, cash flow has turned negative.

4.3 Summary of Analyses

These analyses present a picture of a company whose subsidiaries have been consistently profitable. However, the parent Company became unprofitable in 2007 and 2008, and consolidated cash flows were negative during those periods.

4.4 Adjustments to Financial Statements

The process of business appraisal commonly requires adjustment of the financial statements. The objective of valuation-related adjustments is to convert earnings and values from accounting-based amounts to estimates of economic-based values.

Often, these adjustments are not precise, but if there is a reasonable basis to conclude the booked values would be materially flawed, proxies for market value adjustments must be made. These adjustments improve the determination of fair market value.

Discussions with Management, together with our research, led us to make some adjustments. In the following two sections we will discuss line items which were considered for adjustment, and those which were made are reflected on the exhibits to those sections.

4.4.1 Adjustments to the Balance Sheet

We were provided the trial balance reports prepared by the company's accountant. As a first step for calculating the tangible net worth as of May 31, 2009, we will compile a consolidated balance sheet (book value) as of that date:

EXHIBIT 4-8
CONSOLIDATED BALANCE SHEETS
As of May 31, 2009 – for the Company, its Wholly-Owned Subsidiaries and Conway Compared to December 31, 2008 – for the Company and its Wholly-Owned Subsidiaries (excluding Conway)

	12/31/2008	5/31/2009	5/31/2009	5/31/2009
Assets	Parent & Subs	Subs & Conway	Parent	Consolidated
Cash	$ 209,255	$ 375,366	$ 337,475	$ 712,841
Accounts Receivable	$ 189,955	$ 980,163	$ -	$ 980,163
Inventories	$ 593,393	$ 554,498	$ -	$ 554,498
Common Stocks	$ -	$ -	$ -	$ -
Other Current Assets	$ 48,149	$ 112,391	$ -	$ 112,391
Current Assets	$ 1,040,752	$ 2,022,418	$ 337,475	$ 2,359,893
Fixed Assets	$ 2,182,575			
Vehicles		$ 9,819	$ 2,280	$ 12,099
Shop Equipment		$ 81,886	$ 56,414	$ 138,300
Office Equipment		$ 1,817	$ -	$ 1,817
Signs & Counter		$ -	$ -	$ -
Building		$ -	$ 818,538	$ 818,538
Land		$ -	$ 436,165	$ 436,165
Less Depreciation	$ 837,195			
Net Fixed Assets	$ 1,345,380	$ 93,522	$ 1,313,397	$ 1,406,919
Other Assets	$ 440,089	$ 2,140	$ -	$ 2,140
Total Assets	**$ 2,826,221**	**$ 2,118,080**	**$ 1,650,872**	**$ 3,768,952**
Liabilities & Equity				
Accounts Payable	$ 247,589	$ 475,464	$ -	$ 475,464
Short-term Loans	$ 44,434	$ 117,281	$ -	$ 117,281
Other Current Liabilities	$ 28,613	$ 77,600	$ 524,681	$ 602,281
Current Liabilities	$ 320,636	$ 670,345	$ 524,681	$ 1,195,026
Long-term Liabilities	$ 1,478,092	$ 50,939	$ 884,837	$ 935,776
Total Liabilities	$ 1,798,728	$ 721,284	$ 1,409,518	$ 2,130,802
Shareholders' Equity	$ 1,027,493	$ 1,396,796	$ 241,354	$ 1,638,150
Total Liabilities & Equity	**$ 2,826,221**	**$ 2,118,080**	**$ 1,650,872**	**$ 3,768,952**

Source: The 12/31/08 data is from the federal tax returns of the Company and its wholly-owned Subsidiaries but does not include Conway. The 5/31/09 data is from the Company's internal trial balance and from the accountant's depreciation schedules, and includes 100% of Conway.

Next, we will adjust those book values to approximate market values, as follows:

Cash: Exhibit 4-8 above shows that the consolidated cash has increased since year end. However, consolidated annual expenses are approximately $3,000,000, so the cash balance represents less than three months' worth of expenses. Therefore, the Company does not hold excess cash, and we will make no adjustments.

Accounts Receivable: Management expects to write off approximately $10,000 of its receivables, so we will reduce accounts receivable accordingly.

Inventory: According to the Company's Management, inventory values are overstated and need to be written down by approximately $130,000 for obsolete tire inventories. We will make that adjustment on the balance sheet.

Other Current Assets: These are prepaids which do not require adjustment.

Fixed Assets: The Company owns vehicles, shop equipment, office equipment, land and improvements. Therefore, we will adjust the values of these fixed assets to current market values. The Company and its subsidiaries together own a total of eleven trucks, including Ford F-250s, GMC Yukons, and a Dodge Ram. The original cost of these vehicles totaled $250,232, and the depreciated book value is $12,099. According to kbb.com, the current market value of these vehicles is approximately $67,000, so we will adjust the balance sheet accordingly. Shop equipment includes equipment at each of the locations with an original cost of $681,644, and a depreciated book value of $138,300. Although a current equipment appraisal is not available, we believe that the current market value of the shop equipment is approximately $130,000, which is the depreciated book value of the equipment purchased in 2007 and 2008. The original cost of the office equipment is $100,784, and the depreciated book value is $1,817; we estimate that the market value of the office equipment is approximately $5,000. Building improvements (a sign in North Myrtle Beach and a sales counter at Conway) have an original cost of $27,824 and are fully depreciated with no market value.

Unfortunately, we do not have a current real estate appraisal for the land and building owned by the Company and leased to Conway. We know that the land consists of 1.26 acres with frontage on Highway 544 and cost $436,165 in 2007. The building contains 7200 square feet (enclosed, plus covered exterior space), including ten bays and a small store, and originally cost $856,036, depreciated down to $818,538. Therefore, the original cost of land and building was approximately $1,292,000. We consulted with local commercial real estate brokers Neal Bowers, CCIM, and Marc Smith (the appraiser's husband) of Grubb & Ellis/Wilson Kibler, who stated that it would be difficult to sell the land and

building for more than $700,000 in the current market. The Horry County tax assessor shows an appraised value of $484,300 for the land and improvements (Tax Map Number 161-00-02-008). Based on this information and without the benefit of a real estate appraisal, we will assume that the value of the land and building does not exceed the mortgage balance of $884,837. Note that the land and building are non-operating assets; therefore after we value the business we must add back any net value in the non-operating real estate.

Other Assets: These are deposits, which do not need adjustment.

Liabilities: Accounts payable and debt are at arms-length; therefore no adjustment is needed.

Equity: this line item is adjusted to balance the net effect of the other adjustments.

4.4.1.1 Normalized Tangible Equity

Exhibit 4-8 constructs a consolidated balance sheet as of May 31, 2009. Then, Exhibit 4-9 presents the above adjustments to normalize the balance sheet as a statement of tangible equity. Working from the last column of Exhibit 4-8, and making the adjustments described in Section 4.4.1 above, then removing the 52% of Conway that the Company does not own, we may calculate normalized tangible equity as follows:

EXHIBIT 4-9
NORMALIZED TANGIBLE EQUITY
As of May 31, 2009

Assets	5/31/2009 Consolidated	Adjustments	5/31/2009 Market Value	Less 52% Conway	Net Market Value
Cash	$ 712,841	$ -	$ 712,841	$ (35,096)	$ 677,745
Accounts Receivable	$ 980,163	$ (10,000)	$ 970,163	$ (113,872)	$ 856,291
Inventories	$ 554,498	$ (130,000)	$ 424,498	$ (55,757)	$ 368,741
Common Stocks	$ -	$ -	$ -	$ -	$ -
Other Current Assets	$ 112,391	$ -	$ 112,391	$ (6,619)	$ 105,772
Current Assets	$ 2,359,893	$ (140,000)	$ 2,219,893	$ (211,344)	$ 2,008,549
Fixed Assets					
Vehicles	$ 12,099	$ 54,901	$ 67,000	$ (1,560)	$ 65,440
Shop Equipment	$ 138,300	$ (8,300)	$ 130,000	$ (37,440)	$ 92,560
Office Equipment	$ 1,817	$ 3,183	$ 5,000		$ 5,000
Signs & Counter	$ -	$ -	$ -		$ -
Building	$ 818,538	$ (369,866)	$ 448,672		$ 448,672
Land	$ 436,165	$ -	$ 436,165		$ 436,165
Less Depreciation					
Net Fixed Assets	$ 1,406,919	$ (320,082)	$ 1,086,837	$ (39,000)	$ 1,047,837
Other Assets	$ 2,140	$ -	$ 2,140	$ (1,113)	$ 1,027
Total Assets	**$ 3,768,952**	**$ (460,082)**	**$ 3,308,870**	**$ (251,456)**	**$ 3,057,414**
Liabilities & Equity					
Accounts Payable	$ 475,464	$ -	$ 475,464	$ (50,836)	$ 424,628
Short-term Loans	$ 117,281	$ -	$ 117,281	$ (60,986)	$ 56,295
Other Current Liabilities	$ 602,281	$ -	$ 602,281	$ (5,210)	$ 597,071
Current Liabilities	$ 1,195,026	$ -	$ 1,195,026	$ (117,032)	$ 1,077,994
Long-term Liabilities	$ 935,776	$ -	$ 935,776	$ (26,488)	$ 909,288
Total Liabilities	$ 2,130,802	$ -	$ 2,130,802	$ (143,521)	$ 1,987,281
Shareholders' Equity	$ 1,638,150	$ (460,082)	$ 1,178,068	$ (107,936)	$ 1,070,132
Total Liabilities & Equity	**$ 3,768,952**	**$ (460,082)**	**$ 3,308,870**	**$ (251,456)**	**$ 3,057,414**

Source: Financial statements compiled from internal trial balance, adjustments by appraiser.

Therefore, according to this normalization analysis, the market value of owners' equity in the Company is approximately $1,070,000, after adjusting out the partial ownership in Conway.

4.4.2 Adjustments to the Income Statement

The following adjustments to line items on the income statement were considered. Discussions with management and our valuation judgment guided these adjustments.

Director Fees: Surfside paid director fees in 2006 and 2007, and we will add these back to normalize income.

Administrative Expenses: The Company charges administrative expenses to its subsidiaries, which are used to spread the costs of executive management, advertising, and other shared expenses. We reviewed management's salaries and found them to be within or lower than market values. The general manager is not a shareholder. The president is Mr. Mason, who fills the role of head of commercial sales. The vice president is Mrs. Mason, who works in a clerical capacity. And the secretary/treasurer is Ms. St. Blanchard, who serves as head of administration and accounting. Together, these four earn a combined salary of $211,500, which is certainly within market limits. In fact, these combined salaries are probably below market rates, but we will not make an adjustment since we do not have a salary study. The Company pays for disability insurance and life insurance for its owners, but since these expenses are not deductible for tax purposes, they have not been deducted from the income we have reported. Therefore, no normalization adjustments are required for administrative expenses.

Rent: As we saw in Exhibit 3-2, three of the five locations are leased from affiliates (Surfside, North Myrtle Beach, and Conway). Therefore, we must examine whether rents are arms-length. Exhibit 4-6 shows that the industry average for rental expense is 10% of revenues, and the subsidiaries' expense was 8%, so rents do not seem excessive. Since we will treat the Conway real estate as a non-operating asset of the Company's (and add the value back after we value the business) we must subtract the Company's net rental income to treat this consistently. In 2007, the Company's net rental income was a loss, so we will add it back.

Interest Expense: The Company's interest on the mortgage is a non-operating expense. However, it was deducted against net rental income, so by subtracting that income we will also be adding back the interest expense.

Depreciation: We reviewed the accountants' fixed asset schedules, and the market value of the assets is less than the depreciated book values. Therefore, depreciation is not in excess of market values and no adjustment is necessary.

Non-Recurring Events: According to Management, there have been no unusual, non-recurring events of a material amount. Therefore, no adjustment is required.

Exhibit 4-10 presents the normalized income after the effect of these adjustments:

EXHIBIT 4-10
NORMALIZED PRETAX INCOME
Available to Equity (Control Basis)

	2004	2005	2006	2007	2008
Net Income - Subsidiaries (Exhibit 4-3)	$ 100,056	$ 123,010	$ 168,104	$ 139,278	$ 114,362
Net Income - Conway (Exhibit 4-4)				$ 50,973	$ 49,038
Less 52% not owned				$ (26,506)	$ (25,500)
Net Income Conway 48%				$ 24,467	$ 23,538
Net Income - Parent (Exhibit 4-5)	$ 46,365	$ 83,297	$ 124,920	$ (34,907)	$ (29,718)
Total Consolidated Net Income	$ 146,421	$ 206,307	$ 293,024	$ 128,838	$ 108,182
Director Fees			$ 24,000	$ 18,000	
Net Rental Income				$ 4,081	$ (22,954)
Normalized Income	**$ 146,421**	**$ 206,307**	**$ 317,024**	**$ 150,919**	**$ 85,228**

Source: Subject's financial statements prepared by accountant, adjustments by appraiser

Thus, we see that if these adjustments were made, the Company's normalized income would have averaged more than $180,000 over the last five years, declining in the last two years.

4.4.3 Future Projections

For the first five months of 2009, revenues were down 12% from the previous year. Management reports that the general manager's salary was held at two-thirds of the promised amount, and they are considering layoffs for the first time ever. Among commercial and governmental customers (most of whom are in the construction and road repair businesses) business is expected to be down 50% in the first half of 2009 versus the first half of 2008, and economists do not expect those sectors to revive soon. Among retail customers, management expects a

slight increase in tire sales and service as jobs begin to return. Retail sales have historically averaged 90% of the Company's total sales.

5 VALUATION OF THE SUBJECT

The appraiser must use her best judgment to choose appropriate valuation approaches for a given appraisal assignment. The appraiser chooses methods based on characteristics of the business being valued, the availability of reliable information relating to the various methods, the function and use of the appraisal, applicable statutory law, case law, and administrative rulings.

5.1 The Search for Market Transactional Data

Actual market transactions provide a strong basis for valuation because of the economic principle of substitution: "One will not pay more for an item than the amount at which he can obtain an equally desirable substitute." Thus, the market price of stocks of corporations engaged in the same or a similar line of business, which are actively traded in a free and open market, can be a valid indicator of value, provided the transactions are sufficiently similar to the subject to permit meaningful comparisons.

When a large company buys a controlling interest in another company (either private or public), these acquisitions are usually strategic in nature. The prices paid are generally driven by synergies perceived to exist by the acquiring company. Often, several acquirers are competing for the same target company. Other distortions of these types of transactions include: (i) stock swaps given as consideration for the acquisition; and (ii) earn-outs, in which the buyer and seller do not agree on a price, but the seller receives payments based on future performance.

Factors which indicate a basis for comparison include the following: (i) similar qualitative and quantitative investment and investor characteristics; (ii) reliable data about the transactions in which the interests in the guideline companies were bought and sold; (iii) transactions which represent fair market value; and (iv) whether or not the price paid for the guideline companies was in an arms-length transaction, or a forced or distressed sale.

5.1.1 Criteria for the Search

To begin the search for transactional data from the market, we selected the following criteria:

Industry:	SIC code 5531 (Auto and Home Supply Stores), NAICS Code 44132 (Tire Dealers)
Size:	(No size criteria)
Status:	Companies which are closely held. Also, companies which derive a majority of their revenues from the subject industry.
Domicile:	U. S. corporations
Time:	No specific time frame. Quantitative studies have shown that sales multiples do not vary significantly with time. We will review the data closely to be sure this holds true.
Transaction:	Sales of controlling interests. We cannot tell whether these transactions are sales to buyers who are willing to pay more for expected synergies.
Status:	The status of closely-held companies (whether or not they are in financial trouble) is not known. This is due to the limited information available on sales of closely-held companies.

There are significant fundamental differences in publicly-traded and closely-held companies. Public company transactions are attractive due to the abundance of information available. On the other hand, many business appraisers question the relevance of this information when valuing most closely-held businesses, because of the overwhelming differences between the two types of businesses and the differing motivations of their investors.

Transactions in closely-held companies are attractive because the companies, investors, and transactions are inherently more similar. On the other hand, many business appraisers question their use because of the limited data available on arms-length transactions.

5.1.2 Controlling Interest Transactions

In this case, we are valuing a non-controlling interest; however, transactional data on sales of controlling interests may be informative.

We made an inquiry into the Institute of Business Appraisers' Direct Market Database, which is the largest database in the world of transactions in privately-held companies. The following data was found for SIC Code 5531:

EXHIBIT 5-1
TRANSACTIONAL DATA
Institute of Business Appraisers Direct Market Database – SIC Code 5531

Business Description	Sales	Disc. Earn.	Price	Price / Sales	Price / DE	State	Sale Date
Auto repair/tires	$ 122	$ 5	$ 13	0.11	2.60	IN	01/01/90
Auto tire store/used-retr	237		39	0.16		FL	11/01/94
Automotive[Tire Dealer	475	31	125	0.26	4.03	FL	11/01/02
Automotive[Tire Dealer	970	338	1,800	1.86	5.33	FL	08/18/04
Automotive[Tire Dealer	3,155	497	1,800	0.57	3.62	FL	03/04/04
Automotive[Tire Dealer	883	146	500	0.57	3.42	FL	02/24/97
Automotive[Tire Dealer	137	49	85	0.62	1.73	FL	05/17/02
Automotive[Tire Dealer	280	42	550	1.96	13.10	FL	09/03/03
Automotive[Tire Dealer	437	275	235	0.54	0.85	FL	12/20/02
Automotive[Tire Dealer	3,808	859	2,250	0.59	2.62	FL	04/04/07
Automotive[Tire Dealer	3,808	262	2,250	0.59	8.59	WV	03/13/06
Automotive[Tire Dealer	372	21	210	0.56	10.00	GA	06/25/06
Automotive[Tire Dealer	556	38	175	0.31	4.61	FL	09/20/06
Automotive[Tire Dealer	1,362	91	780	0.57	8.57	NJ	01/03/07
Automotive[Tire Dealer	1,515	0	700	0.46		FL	05/01/07
Automotive[Tire Dealer	1,515	0	650	0.43		AL	05/01/07
Automotive[Tire Dealer	1,515	0	765	0.50		TX	08/30/07
Automotive[Tire Dealer	724		50	0.07		GA	08/01/01
Automotive[Tire Dealer	303		201	0.66		GA	03/01/00
Retail-Tire Dealer	724	56	50	0.07	0.89	GA	
Retail-Tire Dealer	344	65	123	0.36	1.89	UT	11/01/97
Tire Dealer	480	52	75	0.16	1.44		03/01/96
Tire Dealer	663	110	200	0.30	1.82		02/01/97
Tire Dealer	883	146	500	0.57	3.42	FL	02/24/97
Tire Dealer	305	56	160	0.52	2.86		01/06/96
Tire Dealer			59				03/14/97
Tire dealer	2,077	178	700	0.34	3.93	FL	11/01/94
Tire Dealer	303	54	201	0.66	3.72	FL	
Tire Dealer	480	120	160	0.33	1.33	FL	12/03/01
Tire Dealer	137	9	85	0.62	9.44	FL	05/17/02
Tire dealer	513	104	70	0.14	0.67	FL	12/01/93

Tire Dealer	137	49	85	0.62	1.73	FL	01/01/99
Tire Dealer	437	275	235	0.54	0.85	FL	01/01/99
Tire Dealer	280	42	550	1.96	13.10	FL	01/01/99
Tire Dealer	475	31	125	0.26	4.03	FL	01/01/02
Tire Dealer	970	338	1,800	1.86	5.33	FL	01/01/02
Tire Dealer & Auto Repair	495	91	150	0.30	1.65	CO	08/01/98
Tire Dealer-Retail	1,010	152	320	0.32	2.11	CA	04/01/95
Tire Sales	630	93	60	0.10	0.65	TX	10/01/94
Tire sales	180	40	53	0.29	1.33	UT	01/01/93
Tire sales - Retail	579	85	125	0.22	1.47	CA	02/01/91
Tire sales and svc	424	96	150	0.35	1.56	IL	01/01/92
Tire sales- Retail	360	75	106	0.29	1.41	CA	09/01/92
Tire sales, retail	361	64	303	0.84	4.73	UT	01/01/89
Tire sales/new & used	87		34	0.39		FL	01/01/89
Tire Sales-Retail	140	30	35	0.25	1.17	CO	08/01/93
Tire Service	849	102	225	0.27	2.21		10/01/00
Tire store	240	36	60	0.25	1.67		01/01/93
Tire store	300	3	67	0.22	22.33	TX	01/01/89
Tire store, ret.	2,221	96	715	0.32	7.45		01/01/93
Tire Store-Retail	521	57	90	0.17	1.58	TX	10/01/93
Tire, auto	487		89	0.18			01/01/93
Tires	750	16	275	0.37	17.19		01/01/91
Tires & Repair	300	0	80	0.27		AZ	01/01/98
Tires & Repair	0	0	150			AZ	01/01/98
Tires, sales, new/used	87	17	24	0.28	1.41	FL	01/01/89

All Transactions					
	Sales	DE	Price	Price / Sales	Price / DE
Low	$0	$0	$13	0.07	0.65
High	$3,808	$859	$2,250	1.96	22.33
Mean	$753	$108	$383	0.49	4.34
Median	$480	$57	$155	0.35	2.60
Standard Deviation	$838	$149	$552	0.44	4.65
Coefficient of Variation				0.91	1.07
Harmonic Mean				0.28	2.05
Count	55	50	56	54	45

Source: Institute of Business Appraisers. Dollars are in thousands.

Thus, we see that the Institute of Business Appraisers had data on 56 different sales of tire dealers. The price-to-sales ratio for this data was a mean of 0.49 times sales, and a median of 0.35 times sales.

We also checked the valuation multiples furnished by First Research and found the following information for tire dealers:

EXHIBIT 5-2
FIRST RESEARCH DATA – TIRE DEALERS
Based on at least six private middle-market transactions of less than $1 billion completed between 5/1998 and 12/2008

Valuation Multiple	MVIC/Net Sales	MVIC/Gross Profit	MVIC/EBIT	MVIC/EBITDA
Median Value	0.3	0.7	4.8	3.5

Source: First Research, industry profile for tire dealers

Notes:
MVIC (Market Value of Invested Capital) = Also known as the selling price, the MVIC is the total consideration paid to the seller and includes any cash, notes, and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer.
Net Sales = annual gross sales, net of returns and discounts allowed, if any.
Gross Profit = net sales minus cost of goods sold.
EBIT = operating profit.
EBITDA = operating profit plus noncash charges.

These market-based metrics will be useful when we derive a value for the Company based on the market approach.

5.1.3 Minority Interest Transactions

We are valuing a 30% minority interest. However, there is no established marketplace for minority interests in closely-held companies.

Shares of publicly held companies which are freely and actively traded on public exchanges and over the counter represent a database of transactions in minority interests. However, the differences between a closely-held company and a public company are great. Of the Company's competitors who are publicly-traded, many are not purely tire dealers, but are also manufacturers (such as Goodyear) or big box stores (such as Sam's).

We searched Yahoo!Finance for publicly-held companies in the same industry as the Company, and we found a list of eight in the auto parts store business:

EXHIBIT 5-3
PUBLIC COMPANIES – AUTO PARTS STORES

Company	Annual Revenues	Market Capitalization	Price/Revenues	Employees
Advance Auto Parts (AAP) – retailer of automotive parts and accessories	$5.39 billion	$4.13 billion	0.75	49,000
AutoZone, Inc. (AZO) – retailer and distributer of automotive parts and accessories	$6.79 billion	$8.10 billion	1.19	32,490
Mile Marker International, Inc. (MMRK.PK) – producer, distributor, and marketer of winches, etc.	$14.32 million	N/A	0.05	N/A
O'Reilly Automotive, Inc. (ORLY) – specialty retailer of automotive aftermarket parts	$4.64 billion	$5.28 billion	1.10	28,248
Pick-Ups Plus, Inc. (PUPS.PK) – retailer of truck and SUV accessories	2.0 million	N/A	N/A	N/A
Pep Boys – Manny, Moe & Jack (PBY) – operator of automotive service and retail chain	$1.93 billion	$483.27 million	0.24	12,169
U. S. Auto Parts Network (PRTS) – online retailer of aftermarket auto parts	$153.78 million	$164.15 million	1.07	800
Universal Manufacturing Co. (UFMG.PK) - remanufacturer and distributor of automotive parts	$28.816 million	N/A	N/A	N/A

Source: Yahoo!Finance, Industry Center – Auto Parts Stores, accessed August 25, 2009.

Note that none of these publicly-traded companies is very similar to the Subject Company. Except for those that are traded on the pink sheets and for whom little information is available (Mile Marker International, Pick-Ups Plus, and Universal Manufacturing), all are much larger than the company in terms of revenues and employees.

5.1.4 Conclusion

The Institute of Business Appraisers has a wealth of data on sales of similar private companies, and First Research had some useful valuation multiples based on market transactions. This data will be considered in Section 5.5 of this report to indicate a value based on the market approach by the Direct Market Data Method. We will not use the public company data because of the lack of a closely similar guideline company.

5.2 Valuation Methods Considered but Rejected

We considered and rejected several methods, including:

5.2.1 Book Value

Book value rarely reflects a company's fair market value. In fact, book value is a misnomer since it is not a standard of value at all. Valuations of private companies are needed because book values are not indicators of fair market value.

5.2.2 Liquidation Value

Technically, liquidation is a premise of value under an asset-based method of value, not a method in itself. Liquidation Value assumes the discontinuance of the business as a going concern, which is inconsistent with the assignment at hand. Management has clearly represented an intent to continue as a going concern, and the terms of our engagement are to value it as a going concern.

5.2.3 Prior Transactions in Subject

Management states there have been no arms-length transactions in corporate shares.

5.2.4 Dividend Paying Capacity

Revenue Ruling 59-60, Section 4(e) states:

Primary consideration shall be given to the dividend-paying capacity rather than to dividends actually paid in the past.

> *Where an actual or effective controlling interest in a corporation is to be valued, the dividend factor is not a material element . . . . It follows, therefore, that dividends are less reliable criteria for fair market value than other applicable factors.*

The Company paid dividends to its owners in 2004, 2006 and 2007.

Value indicated by distributions is an income-driven indication of value. In the income method, we will use net cash flow to equity as our benefit stream. Net cash flow to equity represents the Company's dividend-paying capacity; hence, dividend-paying capacity will be considered in that fashion.

5.2.5 Multiple Period Discounting Method

The Multiple Period Discounting Method is an Income Approach to value which may be used only when cash flows may be reliably forecast into the future. Because we do not have sufficient information upon which to base a reasonable

forecast this method is not available to us. Instead, we will use the Single Period Capitalization Method, based on estimated average cash flows.

5.2.6 Guideline Public Company Method

In using the Guideline Public Company Method, the appraiser seeks information on a few public companies that have strong similarities with the subject business. The appraiser then draws inferences from the known value of the public company to the approximate relative value of the subject company.

As we saw in Exhibit 5-3 above, there are no closely similar guideline public companies, so this method is not available to us.

5.3 Selection of Most Suitable Methods

After considering the methods rejected in the former section, we have selected the following methods as most suitable: (i) Single Period Capitalization Method and (ii) Direct Market Data Method.

These two methods will give us one income approach and one market approach to the determination of value. The income approach is the most appropriate. As RR59-60 states:

> *In general, the appraiser will accord primary consideration to earnings when valuing stocks of companies which sell products or services to the public.*

In concept, the market-based method is consistent with the goal of the appraisal process, which is to estimate what would most likely occur in the market. Its limitation is the extent to which data is available on transactions and the imprecision associated with determining the extent to which the data reflects companies similar enough to be termed "equally desirable substitutes." In this case, we have several different market metrics to examine.

5.4 Income Approach

5.4.1 Application of the Single Period Capitalization Method

5.4.2 Conceptual Basis

The Single Period Capitalization Method is most appropriate when it appears that a company's current and historical operations indicate an expectation of average stable earnings. The development of the method requires the following decisions:

1. The selection of the type of financial return to be forecast
2. A decision as to whether to use that return applicable to equity or to invested capital.
3. The selection of a capitalization rate to be applied to the returns selected.

5.4.3 Return to be Capitalized

The financial return selected should be one which is a reasonable proxy for probable future return to the holder of the interest being valued.

In this case, we selected net cash flow because it is the level of benefits that is the best proxy for the return available to the shareholders – a return which could be removed without impairing the ability of the business to meet its obligations and fund its future. Further, since the essence of the income approach is to treat the valuation of the business as an investment analysis, net cash flow to equity is the return on investment.

5.4.4 Equity or Invested Capital Model

Earnings or cash flows are equity streams if the return to debt holders (interest expense) has been removed from the stream, leaving only the amount available to equity (owners). If the stream of earnings or cash flow is before subtracting interest and debt expense, the stream includes the return to equity owners and the return to debt holders. The capitalization of a debt and equity return stream produces the value for invested capital. Conversely, the capitalization of an equity stream produces a value for equity.

The Equity Model is most appropriate in this case because the Company is not likely to vary its capital structure in the difficult credit environment.

5.4.5 Net Cash Flow to Equity

The Company's net cash flows have been erratic and subject to inter-company lending, as we saw in Exhibit 4-7. Therefore, these historical cash flows would be a difficult starting point, especially since they have turned negative in the last two years.

Instead, we will begin with normalized income. We normalized pre-tax income in Exhibit 4-10, which included adding back director fees and non-operating net rental income, and the average was approximately $180,000. However, the last two years was much lower. We believe that a reasonable estimated average is mid-way between the normalized income for 2007 and 2008, or approximately $120,000. From that pre-tax amount, we need to deduct for federal taxes paid by the subsidiaries. We will add back non-cash depreciation and assume a minimal

level of capital expenditures for replacement equipment. We will not make a further reduction for pay-down of debt, since we are considering the mortgage to be a non-operating expense. Thus, our calculations are as follows:

EXHIBIT 5-4
ESTIMATED CASH FLOW TO EQUITY

	Estimated
Normalized Income	$ 120,000
Federal Taxes	$ (30,000)
Depreciation	$ 50,000
Capital Expenditures	$ (10,000)
Estimated Net Cash Flow to Equity	**$ 130,000**

Estimates by appraiser

Based on these assumptions and calculations, we believe that $130,000 is a reasonable average cash flow to equity.

5.4.6 Selection of Capitalization Rate

The capitalization rate must be a reasonable surrogate for the return necessary in the marketplace to attract the capital of the willing buyer inherent in the fair market value standard. The return acceptable to individual investors varies from person to person; this is one of the primary factors which can cause a difference between price and value. The capitalization rate is selected assuming the hypothetical buyer will be well-informed and prudent, but void of synergy.

Given the size of the interests being valued, and the philosophy of the Revenue Rulings previously identified, we went to the public marketplace to estimate the rate of return and from it derive our capitalization rate. In the following exhibit we develop a capitalization rate applicable to equity. We will start with a risk-free base rate and add increments for measures of risk:

EXHIBIT 5-5
Expected Rate of Return for Equity

Symbol	Component	Increment	Rate
	Long-term Treasury Bond Yield[1]		4.34%
+	Equity Risk Premium[2]		6.50
=	Average Market Return		10.84
	Specific Risk Adjustments		
+	Risk Premium for Size, microcap stocks[2]	5.81	
+	Industry Risk[2]	(0.20)	
+	Management Depth[3]	1.00	
+	Diversification - Customer and Geographic[3]	2.00	
+	Financial Risk[3]	2.00	
		-	
=	**Net Cash Flow Discount Rate - Next Year's**		21.45
	Rounded		21%
	Less Long-Term Growth		-3%
	Capitalization Rate – This Year's		18%

Notes:
(1) Source: Federal Reserve. Statistical Release, 20-year bond rate in effect on the date of the appraisal.
(2) Source: *Ibbotson 2009 Yearbook, Stocks, Bonds, Bills and Inflation.*
(3) See description of specific risk factors below.

Equity Risk Premium: This component is the Ibbotson equity risk premium for large company stocks over the long horizon less the total returns on U. S. Treasury Bills year by year from January 1926 through December 2008.

Risk Premium for Size: The same Ibbotson studies using similar statistical methods determine a size premium received by investors over time who invest in these smallest stocks, i.e. micro-cap stocks with capitalization below $218.5 million (decile 10). This component is the total return obtained on the smallest stocks, less the large company equity risk premium.

Industry Risk: Using the same studies, Ibbotson also calculates a specific industry risk premium. The Ibbotson risk premium for SIC Code 55 (Automotive Dealers and Gasoline Service Stations) is -0.20%.

Management Depth: Management depth is a possible source of risk to the Company, and we have added one percentage point to the return to allow for this risk.

Diversification: The Company is limited in terms of geographical diversification. We have added two percentage points of risk.

Financial Risk: The Company's line of credit expires in August of the current year, and the sublease on the Myrtle Beach store is also expiring in 2009. We have added two percentage points of risk.

This "build-up" model gives us a discount rate, which would be applied to next year's returns to determine a value. In order to convert the discount rate to a capitalization rate (to apply to this year's returns), we must deduct for long-term growth. This capitalization rate is applicable to equity, as discussed earlier.

This capitalization rate is based on public company returns, which are on an after-tax basis. We will apply this rate to the estimated net cash flow to equity, which was calculated after deducting for taxes at the operating subsidiary level.

5.4.7 Summary and Indicated Value Estimate

Therefore, the calculation of value using the Single Period Capitalization Method is as follows:

EXHIBIT 5-6
SINGLE PERIOD CAPITALIZATION METHOD
Equity Model
"As If Freely Traded"

Net Cash Flow to Equity (Exhibit 5-4)	$ 130,000
Divided by Capitalization Rate (Exhibit 5-5)	18%
Value of all Equity, control, marketable basis	$ 722,222
Rounded	$ 720,000

Source: Calculations by appraiser

We have applied the Single Period Capitalization Method, based on average net cash flow to equity, using a cost of equity of 18%. The market value of equity is calculated to be approximately $720,000.

5.5 Market Approach

5.5.1 Application of the Direct Market Data Method

This method develops a value based on the amount at which other similar businesses have been sold.

5.5.2 Conceptual Basis

This method was described in detail in Section 5.1, The Search for Market Transactional Data. For the reasons described in that section, we will develop an indication of value considering the valuation multiples reported by the Institute of Business Appraisers, seeking confirmation in the First Research data.

5.5.3 Value Indicated by This Method

The IBA data reported in Exhibit 5-1shows a list of 56 transactions, with mean price-to-sales ratios of 0.49 and a median of 0.35. We checked this data against other reported sources for valuation multiples. First Research reported a price-to sales ratio of 0.3 times, as shown in Exhibit 5-2. This multiple is close to the IBA data and confirms our findings.

On a consolidated basis, the Company's subsidiaries (including 48% of Conway) recorded 2008 sales of more than $6 million. This is nearly twice as large as the largest company in the IBA data. We could look at each subsidiary individually, determine a price for each and add the prices together. Mathematically, we will get the same answer if we apply the price-to-sale multiples to the consolidated sales figures to determine an aggregate price, so we will do this in a single step.

These industry multiples are applied to a company's most recent year's sales. Therefore, we will apply the IBA median ratio to the 2008 sales of the Company's subsidiaries (plus 48% of Conway) to determine a sales price for the Company. (We will not consider the parent Company's revenues, since these revenues represent expenses to the subsidiaries and since we are treating the rent as non-operating income.)

We can then calculate the value of equity as follows:

EXHIBIT 5-7
Direct Market Data Method
Valuation of Equity

Subsidiary sales, 2008 (Exhibit 4-3)	$ 5,647,547	
Conway sales, 2008 times 48% (Exhibit 4-4)	$ 505,283	
Company Operating Sales, 2008		$ 6,152,830
Price Multiple (Exhibit 5-1)		0.35
Company Selling price		$ 2,153,491
Adjustments to convert value of assets to equity (Exh 4-9):		
Cash	$ 677,745	
Accounts receivable	$ 856,291	
Other Current assets	$ 105,772	
Liabilities (excluding real estate mortgage)	$ (1,102,444)	
Total adjustments		$ 537,364
Fair Market Value on a Control Marketable Basis		**$ 2,690,854**
Rounded		**$ 2,690,000**

Source: See sources in referenced exhibits

Therefore, our value by the Direct Market Data Method is approximately $2,690,000.

6 ADJUSTMENTS

Before arriving at a final estimate of value, we must consider any adjustments appropriate to the assignment.

6.1 Non-operating Assets

As we stated in Section 4.4.1, the real estate which the Company owns and leases to Conway is a non-operating asset of the business. If there were any market value, net of the outstanding debt, we would need to add this amount to the valuation of the operating business. However, as discussed on pages 32 and 33, we do not believe there is any market value beyond the amount of the mortgage debt.

6.2 Difference in the Degree of Control

The Single Period Capitalization Method used estimated net cash flow to equity with adjustments for decisions that only a controlling owner could make. Therefore, we must make an adjustment for lack of control.

Similarly, in the Direct Market Data Method, we used transactions in which controlling interests were sold. The non-controlling interest that we are appraising does not have the power to sell the Company, so a discount for lack of control is warranted.

6.2.1 Discount for Lack of Control

In order to recognize the notion that minority interests are worth less than controlling interests, an adjustment is made to the values indicated by those valuation methods which represent the control value of the subject firm. This reduction is sometimes called the "Minority Discount" or "Discount for Lack of Control," and is defined as "the reduction from the pro rata share of the whole business, to reflect the absence of the power of control."

Since the Subject Interest comprises a minority of the issued and outstanding ownership, a minority discount is appropriate for value indications developed from control transactions. For corporate shares, the range of typically observed minority discounts can be wide, from 5% to 50% and above, but is always a function of the degree of infirmity suffered by the minority owners.

6.2.2 Empirical Evidence

Unfortunately, there is little directly applicable empirical evidence to guide the appraiser in the application of adjustments to enterprise value for control or lack thereof.

- *Mergers & Acquisitions Comparison Surveys.* The main source of information has traditionally been the studies published by Factset Mergerstat in *Mergerstat Review.*[19] These studies compare the price paid for relatively large blocks (greater than 10%) of publicly traded issues to the market price for much smaller transactions in the same securities, before the "control" transaction was announced. It is possible to calculate the premium paid for the "controlling interest" versus the price paid for the "minority interest." This is expressed as a percentage of the value of the stock, and a minority discount is derived from that

[19] *Mergerstat Review* (Santa Monica: Factset Mergerstat).

amount. These studies suggest that minority discounts of about 34% from control value are indicated.

- *Discounts from Net Asset Value in Publicly-held Limited Partnerships*. Some additional support for the notion of a discount for lack of control comes from studying the difference between the value of the real estate assets underlying publicly-held real estate limited partnerships and the price at which they trade to non-controlling owners. Here, we consider the value of the underlying assets to be a control value, and we compare it to the price at which non-control shares in the company are trading. The difference between the two may reasonably be thought to reflect the discount from control value for these real estate holding companies. These limited partnership interests are publicly registered with the Securities & Exchange Commission, and they are traded in a secondary market in weekly auctions. According to Partnership Profiles, the average price-to-value discount in 2008 was 25%; however, there is considerable variability around this average. The two most important factors influencing the discount are: "(i) the program's ability to pay operating cash distributions and recent history of actually paying such distributions, and (ii) the degree of debt financing, if any, utilized by the program."[20] Therefore, we looked in particular at discounts on partnerships which owned income-producing land but carried a moderate to high debt load, and we found the following:

EXHIBIT 6-1
Publicly Held Limited Partnerships Owning Income-Producing Land, Moderate to High Debt

Partnership Name	Properties	Value per Unit	Average Price	Average Discount	Distribution	Debt
Angeles Income Properties. Ltd. 6	MF	$399	$230	-42%	Sporadic	High
HCW Pension Real Estate Fund	MF	$677	$580	-14%	Sporadic	High
National Property Investors 4	MF	$423	$378	-11%	Sporadic	High
Rancon Realty Fund IV	C.R. RST. Land	$1.026	$851	-17%	Semi-annual	High
Rancon Realty Fund V	C.R. RST. Land	$858	$731	-15%	Semi-annual	High
Uniprop Manufactured Housing Communities Income Fund II	MH	$17.37	$13.78	-21%	Quarterly	High
United Investors Income Properties	MF	$87	$48	-44%	Sporadic	High
			Average	-23%		

Source: Partnership Profiles
Notes: MF = Multi-family. C = Commercial. R = Retail. RST = restaurants. MH =Manufactured Housing

[20] *2008 Executive Summary Report on Partnership Re-Sale Discounts*, Partnership Profiles, Inc.

This data from the public markets suggests that investors in publicly held limited partnerships which invest in income-producing land with high debt bear a discount ranging from -11% to -44% from the net asset values.

- *Discounts from Net Asset Value in Closed-End Funds.* As a third source of data on appropriate discounts for lack of control, we looked at closed-end funds. These funds are professionally managed mutual funds which have a fixed number of shares outstanding. Following an initial public offering, their shares are traded on an exchange between investors. According to the Closed-End Fund Association, "Transactions in shares of Closed-end funds are based on their market price as determined by the forces of supply and demand in the marketplace. Interestingly, the price of a CEF may be above (at a premium to) or below (at a discount to) its Net Asset Value."[21]

  These trading discounts (or sometimes premiums) may be due to control perquisites. Here, an investor in a closed-end fund has a freely marketable interest in an entity he does not control. We know what the net asset value is for the closed-end fund's assets, and we know what the price is; therefore, the discount or premium may reflect lack of control.

  Therefore, we searched for discounts on closed-end funds in the general equity sector near the Valuation Date. We found the following:

[21] www.closed-endfunds.com/Learn/Content/CEFBasics/Overview.fs

EXHIBIT 6-2
Closed-End Funds in the General Equity Sector
As of June 12, 2009

Fund Name	Discount to NAV %
Adams Express Company (ADX)	-16.47
Advent/Clay Enhcd G & I (LCM)	-17.15
BlackRock Div Achvrs (BDV)	-13.20
BlackRock Str Div Achvr (BDT)	-14.81
Blue Chip Value Fund (BLU)	-20.87
Boulder Growth & Income (BIF)	-20.41
Boulder Total Return (BTF)	-23.06
Central Securities Corp (CET)	-21.60
Cohen & Steers CE Oppty (FOF)	-7.46
Cornerstone Prog Return (CFP)	+71.38
Cornerstone Strat Value (CLM)	+28.63
Cornerstone Total Return (CRF)	+32.33
Defined Strategy Fund (DSF)	-4.61
Denali Fund (DNY)	-21.46
Dreman/Claymore Div&Inc (DCS)	-20.59
DWS Dreman Val Inc Edge (DHG)	-23.81
Eagle Capital Growth (GRF)	-18.24
Eaton Vance Tax Div Inc (EVT)	-11.43
Engex Inc (EGX)	-28.47
Equus Total Return (EQS)	-61.82
Foxby Corp (FXBY)	-30.50
Gabelli Div & Inc Tr (GDV) a	-17.05
Gabelli Equity Trust (GAB)	+19.29
General Amer Investors (GAM)	-17.47
J Hancock Tx-Adv Div Inc (HTD)	-15.90
Liberty All-Star Equity (USA)	-19.74
Liberty All-Star Growth (ASG)	-19.60
MFS Special Value Trust (MFV) a	-13.97
Nuveen Core Equity Alpha (JCE)	-15.76
Nuveen Tx-Adv TR Strat (JTA)	-15.65
Old Mutual/Claymore L-S (OLA)	-17.85
RENN Glbl Entrepreneurs (RCG)	-29.79
Royce Focus Trust (FUND)	-6.06
Royce Micro-Cap Trust (RMT)	-15.06
Royce Value Trust (RVT)	-14.22
S&P 500 GEARED Fund (GRE)	-5.13
Source Capital (SOR)	-15.11
SunAmerica Foc Alpha Gr (FGF)	-17.36
SunAmerica Foc Alpha LCp (FGI)	-17.25
Tri-Continental Corp (TY)	-17.03
Zweig Fund (ZF)	-17.09
Average	**-12.96**

Source: Lipper, Inc.

This data from the public markets suggests that investors in Closed-End funds bear an average discount of -13% (with wide variability) from Net Asset Values.

6.2.3 Analysis and Application to the Subject

All of this data relates to stock issues other than shareholder interests in the Company, mostly with securities very much different from the Subject Interest. Nevertheless, the same forces act on an investor in the Subject Interest as work on investors in these publicly-traded shares, with respect to the relative desirability of a control investment versus a non-control investment. Accordingly, the empirical data is useful to suggest a probable range of adjustment of about -11% to -44%.

In order to more fully understand the effects of this control issue on the value of the Subject Interest, we considered the qualitative characteristics of the Subject Interest which give rise to the difference in value between a controlling interest and a non-controlling interest. This analysis is shown in Exhibit 6-3 below:

EXHIBIT 6-3
Mason Holding Company, Inc.
Prerogatives of Ownership Control

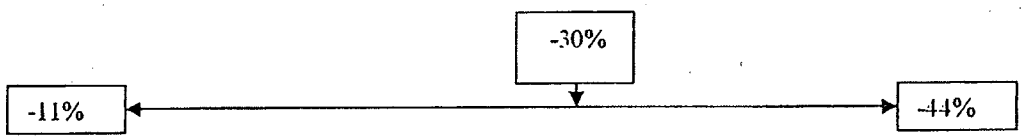
Authority	Vote Required	Subject Interest Authority	Effect on Discount	Notes
To elect Board of Directors	50%+	no	+	(If shareholder invoked cumulative voting, a 30% interest could seat 1 director on an 4-person board)
To elect Officers	Board	no	+	
To manage the Company	Officers	no	+	
To control accounting methods	Officers	no	+	
To pay dividends	Board	no	+	
To amend the Stockholders' Agreement	100%	no	+	(A 30% interest could block an amendment since unanimous consent is required)
To sell Company	Board + 2/3	no	+	Dissenters' rights – get fair value
To dissolve Company	Board + 2/3	no	+	

Source: S. C. Code of Laws. Title 33.

Note that the Stockholders' Agreement as described in Section 1.9 does not address governance issues, except to say that stockholders are entitled to reasonable compensation if they work for the Company.

Thus, we see that the Subject Interest, as a minority shareholder, effectively has no control of decisions affecting the Company. [Only by invoking the right to cumulative voting (to seat one board member) or by invoking dissenters' rights (to a sale of the Company) can the Subject Interest exercise some voice. Both of these rights are highly technical and the Subject Interest would probably require legal assistance to bring to bear.] Unfortunately, there is no scientific way to convert these qualitative considerations to a quantitative measure of the difference in value between a controlling interest in the Company and a non-controlling interest in the same entity. We can say with some confidence that the range of probable values should correspond to the range observed in the studies we have cited above, about -11% to about -44% from a controlling interest value. We are not aware of any empirical or scientific formula that facilitates the selection of the best control adjustment from within the range of probable values. The only clue available to the appraiser is a study which suggests that for limited partnerships holding real estate, the minority discount is larger for those that do not pay out distributions. In this case, the Company has paid some dividends but not in the most recent year. On this basis, it is reasonable to believe that the discount should tend toward the middle of the scale. Also, the Subject Interest has virtually no control of the Company, so a substantive discount is appropriate. For these reasons, we believe the best estimate of a control adjustment is -30%. This is shown in Exhibit 6-4 below.

EXHIBIT 6-4
Range of Value for Discount for Lack of Control, as Suggested by Empirical Data
Selection of Value Suitable to Subject Interests



Source: Range of values suggested by cited data.

6.3 Difference in Degree of Marketability

In this report, we are valuing a non-control interest in a privately-held company, for which there is no ready market. Therefore, to the extent our valuation approaches are based on publicly-traded shares, we must take a further discount.

In the application of the Single Period Capitalization Method (Section 5.4), we used rates of return based on public company data, so a discount for lack of

marketability is warranted. However, in the application of the Direct Market Data Method, we used data derived from the sales of privately-held companies, so no discount is necessary.

6.3.1 Discount for Lack of Marketability

Financial theory and actual market observation have proven conclusively that liquidity is given greater value by investors than the absence of it. There have been numerous empirical studies which show that lack of liquidity reduces the value of shares compared to freely-marketable public company shares. In fact, the discount from freely-marketable to non-marketable status has been shown to range from 30% to 45%. The studies we reviewed clearly indicate that which the marketplace knows intuitively: Investors covet liquidity and loathe the lack thereof. When prudent and well-informed investors accept illiquid investments, they do so only when the price is sufficiently low to increase the rate of return to a level which brings risk and reward into balance.

We looked at the various empirical studies which have been undertaken to quantify the discount for lack of marketability. The studies performed fall into two main categories: (i) studies based upon restricted stocks of companies whose unrestricted shares are freely traded, and (ii) studies that compared the prices at which the shares of closely-held companies were sold in private placements contrasted to the price at which the company's shares were offered in subsequent public offerings. The aggregate of these studies suggest average discounts of – 30% and – 45% respectively, from marketable values, as shown in Exhibit 6-5 below:

EXHIBIT 6-5
Restricted Stock and Pre-Initial Public Offering Stock Studies

Description	Time Period	Number of Transactions	Range of Discounts	Average Discount
SEC Institutional Investor Study –compared prices of restricted stock vs. otherwise identical freely-traded stocks	1966 - 1969	398	Mostly -20 to -40%	-32.6%
Gelman Study – Milton Gelman of National Economic Research Associates, Inc. compared prices paid for restricted securities by 4 closed-end investment companies	1968 – 1970	89	More than 60% of transactions were at discounts of -30% or more	-33%
Moroney Study – Robert E. Moroney of Moroney, Beissner & Co. studied prices paid for restricted securities by 10 registered investment companies	1969 - 1972	146	-3 to -90%	-35.6%
Maher Study – J. Michael Maher of Connecticut General Life Insurance Co. compared prices for restricted stocks vs. their unrestricted counterparts	1969 – 1973			-34.73%
Trout Study – Robert R. Trout of the Graduate School of Administration, U. of California-Irvine and Trout, Shulman & Associates compared restricted stock prices to freely traded stocks.	1968 – 1972	60		-33.45%
Standard Research Consultants Study – analyzed private placements of common stock	1978 – 1982	28	-7 to -91%	-45%
Willamette Management Associates, Inc. Study – analyzed private placements of restricted stocks	1981 - 1984	33		-31.2%
Silber Study – William L. Silber conducted another study of restricted stocks	1981 – 1988	69		-33.75%
FMV Study – FMV Opinions, Inc. conducted another study of restricted stocks	1979 – 1992	100		-23%
Management Planning Study – another study of restricted stocks, covering profitable domestic companies with more than $3 million in revenues	1980 – 1995	200 (49 met the criteria)	-16.4 to – 39.7%	-27.7%
Emory Studies – John Emory, formerly of Robert Baird & Co. compared prices in closely-held companies before and after an IPO	1980 - 2000	4,088 (593 qualified)	-42 to -60%	-47%
Willamette Management Associates Study – similar pre-IPO study	1975 – 1995	941	-24.2 to -55.6%	-40%

Source: *Understanding Business Valuation* by Gary R. Trugman, American Institute of Certified Public Accountants, 2002, pages 370 – 383.
Note that the Securities and Exchange Commission relaxed filing restrictions on private transactions by adopting Rule 144a in April 1997, so an analysis of restricted stock after that period would not be relevant.

The studies of restricted stocks include the investor having knowledge that the restriction will disappear within approximately two years. The pre-IPO studies were of sales of companies prior to their having a free and active market in any of their shares, and these studies reflected higher discounts.

In this case, we are valuing a company much smaller in size than most publicly-traded companies. The owners have no intent of making a public offering. Therefore, the Subject Interest cannot anticipate the existence of a free and active market in which the interest could someday be resold.

6.3.2 Analysis and Application to the Subject

To obtain some guidance with respect to the size of the discount, whether it should be within the range indicated by the empirical evidence, or perhaps outside that range, we looked at the facts and circumstances which might further influence the discount. Those factors are presented below:

- The Agreement contains onerous restrictions on alienation of the Subject Interest, far more restrictive than any registered shares.
- The sale of the Subject Interest would require a substantial amount of time to complete, because of the requirement that the Company has an option to purchase the interest for thirty days, then the other shareholders have an option to purchase for thirty days.
- The Subject Interest, even if it were not subject to restrictions on alienation, could not be liquidated easily because it could not be offered for sale to the general public, as could registered securities.

As a final step, we looked at specific factors which could be expected to further influence the discount. Those factors are presented below:

Factors That May Increase the Discount for Lack of Marketability:

1. Restrictions on transfer.
2. Little or no dividends or partnership payout.
3. Little or no prospect of either a public offering or sale of the company.
4. Thin market for the size of the block being appraised.
5. Seller unwilling to sign a covenant not to compete.

Factors That May Decrease the Discount for Lack of Marketability:

6. Market exists for the interest being valued.
7. History of meaningful dividends or partnership payout.
8. Imminent public offering or sale of the company.
9. Interest being valued is sufficient to cause liquidation, sale or merger.
10. No restriction on the sale of the interest being valued.

11. A "put" option (with a reasonable prospect of being enforced and funded).

Factors That May Increase or Decrease the Discount for Lack of Marketability:

12. A buy/sell agreement (depending upon provisions, enforceability, applicability and capacity to be funded).
13. Size of the block being valued.
14. The distribution of the remaining shares.
15. The size of the company.
16. The stability of its earnings

Factors 1, 3 and 4 support a higher discount for lack of marketability, while Factors 7 and 15 argue for a lower discount. Therefore, we have concluded that a discount toward the middle of the range is appropriate. We will apply a 35% discount to account for the difference in marketability of the Subject Interest and the shares in public companies used in the Single Period Capitalization Method.

7 RECONCILIATION OF THE VALUATION ESTIMATES

At this point in the appraisal process the appraiser must consider the relative merits of each of the methods employed and determine the degree of influence each will have in the determination of the final opinion of value. The values indicated by the methods employed and the applicable discounts are reconciled in the following exhibit, with explanatory notes following.

EXHIBIT 7-1
MASON HOLDING COMPANY, INC.
RECONCILIATION OF VALUATION ESTIMATES
30% Shareholder Interest
(Equity Basis)

Valuation Method	Value Indicated	Lack of Control	Lack of Marketability	Adjusted Value	Confidence Weight	Adjusted Value
Single Period Capitalization	$ 720,000	-30%	-35%	$ 327,600	60%	$ 196,560
Direct Market Data	$ 2,690,000	-30%	0%	$ 1,883,000	40%	$ 753,200
Fair Market Value of Equity on a Non-control, Non-marketable Basis						$ 949,760
Value of Real Estate, Net of Debt						$ -
Total Fair Market Value of Equity on a Non-control, Non-marketable Basis						$ 949,760
Subject Interest						30%
Fair Market Value of the Subject Interest on a Non-control, Non-marketable Basis						**$ 284,928**
Rounded						**$ 285,000**

Source: appraiser's calculations

The value indicated by the Single Period Capitalization Method is the more appropriate and will have the greatest influence in the reconciliation. This is primarily due to the established preeminence of earnings when valuing an operating company. However, in order to calculate this value, we were required to make many assumptions about estimated net cash flow to equity and about appropriate capitalization rates.

Conceptually, the Direct Market Data Method is most appropriate as in theory it is direct evidence from the market of the amount at which similar companies have sold. The limitations on the data known about these private transactions and the inherent differences among companies--even those in the same industry—tarnish the importance of the value indicated by this method. This method will receive the second highest influence.

Note that the weighted average value for the Company's entire equity, before considering appropriate discounts, is approximately $1,500,000. This is more than the normalized tangible equity of $1,070,000 that we calculated in Exhibit 4-9, and confirms that the Company is worth more than the sum of its parts.

8 VALUE CONCLUSION

The fair market value of a 30% interest in Mason Holding Company, Inc., valued as a single block, as of May 31, 2009, subject to the assumptions and limiting conditions contained herein, is TWO HUNDRED EIGHTY-FIVE THOUSAND ($285,000) DOLLARS. With 1,000 total shares outstanding, this equates to a value per share of $950 per share.

Appendix A

INTERNATIONAL GLOSSARY OF BUSINESS VALUATION TERMS

Adjusted Book Value – the value that results after one or more asset or liability amounts are added, deleted, or changed from their respective financial statement amounts.

Appraisal – See **Valuation**.

Appraisal Approach – See **Valuation Approach**.

Appraisal Date – See **Valuation Date**.

Appraisal Method – See **Valuation Method**.

Appraisal Procedure – See **Valuation Procedure**.

Asset (Asset-Based) Approach – a general way of determining a value indication of a business, business ownership interest, or security by using one or more methods based on the value of the assets of that business net of liabilities.

Benefit Stream – any level of income, cash flow, or earnings generated by an asset, group of assets, or business enterprise. When the term is used, it should be supplemented by a definition of exactly what it means in the given valuation context.

Beta – a measure of systematic risk of a security; the tendency of a security's returns to correlate with swings in the broad market.

Blockage Discount – an amount or percentage deducted from the current market price of a publicly traded security to reflect the decrease in the per share value of a block of those securities that is of a size that could not be sold in a reasonable period of time given normal trading volume.

Business – see **Business Enterprise**.

Business Enterprise – a commercial, industrial, service, or investment entity, or a combination thereof, pursuing an economic activity.

Business Valuation – the act or process of determining the value of a business enterprise or ownership interest therein.

Capital Asset Pricing Model (CAPM) – a model in which the cost of capital for any security or portfolio of securities equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the security or portfolio.

Capitalization – a conversion of a single period stream of benefits into value.

Capitalization Factor – any multiple or divisor used to convert anticipated benefits into value.

Capitalization Rate – any divisor (usually expressed as a percentage) used to convert anticipated benefits into value.

Capital Structure – the composition of the invested capital of a business enterprise, the mix of debt and equity financing.

Cash Flow – cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a definition of exactly what it means in the given valuation context.

Control – the power to direct the management and policies of a business enterprise.

Control Premium – am amount (expressed in either dollar or percentage form) by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise.

Cost Approach – a general way of estimating a value indication of an individual asset by quantifying the amount of money that would be required to replace the future service capability of that asset.

Cost of Capital – the expected rate of return (discount rate) that the market requires in order to attract funds to a particular investment.

Discount – a reduction in value or the act of reducing value.

Discount for Lack of Control – an amount or percentage deducted from the pro rata share of value of one hundred percent (100%) of an equity interest in a business to reflect the absence of some or all of the powers of control.

Discount for Lack of Marketability – an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability.

Discount Rate – a rate of return (cost of capital) used to convert a monetary sum, payable or receivable in the future, into present value.

Economic Life – the period of time over which property may generate economic benefits.

Effective Date – See **Valuation Date**.

Enterprise – See **Business Enterprise**.**Equity Net Cash Flows** – those cash flows available to pay out to equity holders (in the form of dividends) after funding operations of the business enterprise, making necessary capital investments, and

reflecting increases or decreases in debt financing.

Equity Risk Premium – a rate of return in addition to a risk-free rate to compensate for investing in equity instruments because they have a higher degree of probable risk than risk-free instruments (a component of the cost of equity capital or equity discount rate.)

Excess Earnings – that amount of anticipated benefits that exceeds a fair rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated benefits.

Excess Earnings Method – a specific way of determining a value indication of a business, business ownership interest, or security determined as the sum of a) the value of the assets obtained by capitalizing excess earnings and b) the value of the selected asset base. Also frequently used to value intangible assets. See Excess Earnings.

Fair Market Value – the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. **{NOTE: In Canada, the term "price" should be replaced with the term "highest price".}**

Fair Value – the proportionate amount of the total entity value without regard to discounts to reflect a minority position (for lack of control or lack of marketability attributable to the minority position).

Forced Liquidation Value – liquidation value at which the asset or assets are sold as quickly as possible, such as at an auction.

Going Concern – an ongoing operating business enterprise.

Going Concern Value – the value of a business enterprise that is expected to continue to operate into the future.

Goodwill – that intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified.

Goodwill Value – the value attributable to goodwill.

Income (Income-Based) Approach – a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods that convert anticipated benefits into a present single amount.

Intangible Assets – non-physical assets (such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities and contracts as distinguished from physical assets) that grant rights, privileges, and have economic benefits for the owner.

Invested Capital – the sum of equity and debt in a business enterprise. Debt is typically

a) long-term liabilities or b) the sum of short-term interest-bearing debt and long-term liabilities. When the term is used, it should be supplemented by a definition of exactly what it means in the given valuation context.

Invested Capital Net Cash Flows – those cash flows available to pay out to equity holders (in the form of dividends) and debt investors (in the form of principal and interest) after funding operations of the business enterprise and making necessary capital investments.

Investment Risk – the degree of uncertainty as to the realization of expected returns.

Investment Value – the value to a particular investor based on individual investment requirements and expectations. {**NOTE: in Canada, the term used is "Value to the Owner"**}

Key Person Discount – an amount or percentage deducted from the value of an ownership interest to reflect the reduction in value resulting from the actual or potential loss of a key person in a business enterprise.

Levered Beta – the beta reflecting a capital structure that includes debt.

Liquidity – the relative ability to convert assets to cash or to pay a liability.

Liquidation Value – the net amount that can be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either "orderly" or "forced".

Majority Control – the degree of control provided by a majority position.

Majority Interest – an ownership interest greater than fifty percent (50%) of the voting interest in a business enterprise.

Market (Market-Based) Approach – a general way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Marketability – the relative ability to convert assets to cash very quickly and at a minimal cost.

Marketability Discount – See **Discount for Lack of Marketability.**

Minority Discount – a discount for lack of control applicable to a minority interest.

Minority Interest – an ownership interest less than fifty percent (50%) of the voting interest in a business enterprise.

Net Book Value – with respect to a business enterprise, the difference between total assets (net of accumulated depreciation, depletion, and amortization) and total liabilities

of a business enterprise as they appear on the balance sheet (synonymous with Shareholder's Equity); with respect to an intangible asset, the capitalized cost of an intangible asset less accumulated amortization as it appears on the books of account of the business enterprise.

Net Cash Flow – a form of cash flow. When the term is used, it should be supplemented by a qualifier (for example, "Equity" or "Invested Capital") and a definition of exactly what it means in the given valuation context.

Net Tangible Asset Value – the value of the business enterprise's tangible assets (excluding excess assets and non-operating assets) minus the value of its liabilities. **{NOTE: in Canada, tangible assets also include identifiable intangible assets}**

Non-Operating Assets – assets not necessary to ongoing operations of the business enterprise. **{NOTE: in Canada, the term used is "Redundant Assets"}**

Orderly Liquidation Value – liquidation value at which the asset or assets are sold over a reasonable period of time to maximize proceeds received.

Premise of Value – an assumption as to whether a business enterprise or intangible asset will be valued in liquidation or as a going concern.

Portfolio Discount – an amount or percentage that may be deducted from the value of a business enterprise to reflect the fact that it owns dissimilar operations or assets that may not fit well together.

Rate of Return – an amount of income (loss) and/or change in value realized or anticipated on an investment, expressed as a percentage of that investment.

Redundant Assets – **{NOTE: in Canada, see "Non-Operating Assets"}**

Report Date – the date conclusions are transmitted to the client.

Replacement Cost New – the current cost of a similar new property having the nearest equivalent utility to the property being valued.

Reproduction Cost New – the current cost of an identical new property.

Residual Value – the prospective value as of the end of the discrete projection period in a discounted benefit streams model.

Risk-Free Rate – the rate of return available in the market on an investment free of default risk.

Risk Premium – a rate of return in addition to a risk-free rate to compensate the investor for accepting risk.

Rule of Thumb – a mathematical relationship between or among variables based on experience, observation, hearsay, or a combination of these, usually applicable to a specific industry.

Special Interest Purchasers – acquirers who believe they can enjoy post-acquistion economies of scale, synergies, or strategic advantages by combining the acquired business interest with their own.

Standard of Value – the identification of the type of value being utilized in a specific engagement.

Sustaining Capital Reinvestment – the periodic capital outlay required to maintain operations at existing levels, net of the tax shield available from such outlays.

Systematic Risk – in relation to the market, the risk that is common to all risky securities and cannot be eliminated through diversification. In relation to an investment, the uncertainty of future returns resulting from the tendency of a security's returns to respond to swings in the broad market.

Terminal Value – See **Residual Value**.

Unlevered Beta – the beta reflecting a capital structure without debt.

Unsystematic Risk – the uncertainty of future returns because of characteristics of the industry, the individual company, and the type of investment interests, that can be avoided through diversification.

Valuation – the act or process of determining the value of a business, business ownership interest, security, or intangible asset.

Valuation Approach – a general way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more valuation methods.

Valuation Date – the specific point in time as of which the valuator's opinion of value applies (also referred to as "Effective Date" or "Appraisal Date").

Valuation Method – within approaches, a specific way to determine value.

Valuation Procedure – the act, manner, and technique of performing the steps of an appraisal method.

Valuation Ratio – a fraction in which a value or price serves as the numerator and financial, operating, or physical data serve as the denominator.

Value to the Owner – **{NOTE: in Canada, see Investment Value}**

Weighted Average Cost of Capital (WACC) – the cost of capital (discount rate) determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.

Appendix B

ASSUMPTIONS AND LIMITING CONDITIONS

1. The valuation process is not a finding of fact. It is a good faith finding of opinion. To the extent reasonably possible, the opinion is supported by a reasonable amount of research and analysis, but is only the informed and unbiased judgment of the appraiser. We do not warrant that this opinion will be accepted by anyone. We offer no assurance that the seller can actually sell the subject interest for the value stated herein.
2. This report and appraisal are made for the purpose and function set forth above in the section entitled "Nature and Purpose of the Appraisal," and its use for any other purpose invalidates the results of the appraisal.
3. No opinion of title is rendered herein. The property has been appraised as though free and clear of all encumbrances other than those stated.
4. This appraisal relies upon information provided by others and/or obtained from sources that are believed in good faith to be reliable. No opinion, warranty, or guarantee of the reliability of the data relied upon is implied or expressed by the use of that data herein, and the appraiser does not warrant the correctness of the data.
5. No adjustment is made for inflation except where stated, and all dollar amounts are expressed in current year dollars.
6. The estimate of Fair Market Value established by this report may rely on estimated values for some assets of the subject firm if independent appraisals for these assets are not available. Where such values are used in this appraisal no warranty is made with respect to these values. If these values are incorrect, the resulting estimate of the value of the subject ownership interest may be affected.
7. This report is protected by copyright, and the appraiser reserves all rights of publication. This appraisal report and the information contained in it may not be used for any purpose by anyone but the client without the previous written consent of the appraiser, first had and obtained, and in any event with proper attribution.
8. The information in this report and the conclusion of value reached by the appraiser are confidential. Disclosure of this information to any person who has not retained the services of the appraiser may affect the legal rights and benefits of others. The appraiser gives notice of this fact and assumes no responsibility for the disclosure of the information contained herein to anyone other than those individuals who retained the appraiser.
9. The financial information supplied to the appraiser may or may not be correct, and no representation regarding its truthfulness is made herein. Neither extensive forensic accounting nor reallocation or correction of bookkeeping or accounting errors is within the scope of this business appraisal.

10. No legal opinions are offered by this report.

11. An appraisal is not a legal or tax opinion. Its purpose is to estimate value according to the applicable standard of value. The appraiser assumes no responsibility whatsoever for legal or tax matters relative to its finding. Values are stated without reference to applicable legal or tax claims unless so noted.

12. The Company's full compliance with all applicable federal, state, and local laws and regulations is assumed in reliance on management's representation.

13. We are not aware of any information which was withheld from us, but we make no guarantee that all relevant information has been disclosed to us by the Company or others.

14. Unless otherwise provided for in writing and agreed to by both parties in advance, the extent of the liability for the completeness or accuracy of the data, opinions, comments, recommendations, and conclusions shall not exceed the amount paid to the appraisers for professional fees, and then only to the party for whom this report was originally prepared.

15. Hazardous substances, if present, can introduce an actual or potential liability that will adversely affect the marketability and value of a business. Such a liability may be in the form of immediate recognition of existing hazardous conditions or future liability that could stem from the release of currently non-hazardous contaminants. In the development of the opinion of value, no consideration was given to such liability or its impact on value. We have not taken into account any and all future environmental considerations and potential liability.

Appendix C
BIOGRAPHY
SHARON C. (SHERRY) SMITH

OVERVIEW:

Sherry Smith is a Certified Business Appraiser who is also accredited for litigation, and she earned her Masters in Business Administration from Duke University. She has been appraising businesses in a wide variety of industries since 2001, specializing in tax-related appraisals for estates and gifting. Sherry also works in the litigation support field, sometimes as an expert witness and sometimes as a valuation consultant. She is a frequent author and lecturer on valuation topics. Before beginning her career as an independent appraiser, Sherry was with a large, diversified holding company, where she was in charge of investments. She continues to consult for that company and its owners on investment management matters.

CREDENTIALS:

Institute of Business Appraisers – Certified Business Appraiser (CBA), Business Valuator Accredited in Litigation (BVAL), member

VALUATION SPEAKING ENGAGEMENTS:

- **"How to Build Value in Your Business"** – Chicora Rotary Club (August, 2003)
- **"In the Eye of the Beholder: How a Business Appraiser Forms an Opinion of Value"** – Grand Strand Area Estate Planning Council (February, 2004), Grand Strand Society of the Financial Planners Association (March, 2004)
- **"Report Writing"** – Institute of Business Appraisers Southeast Regional Annual Conference (September, 2006)
- **"Begin with the End in Mind: Structuring Effective Buy/Sell Agreements"** – The Law Firm of Thompson & Henry, P.A. (October, 2006)
- **"For What It's Worth: How a Business Appraiser Values Your Business"** – The Rotary Club of Pawleys Island (May, 2007)

PUBLICATIONS:

- **"Book Reviews for Business Appraisers:** ***The Intelligent Investor"*** *– Business Appraisal Practice,* The Institute of Business Appraisers, Winter 2004-2005
- **"Overcome Your Natural Biases"** *–Business Appraisal Practice,* The Institute of Business Appraisers, Spring 2005
- **"Book Reviews for Business Appraisers:** ***Midas Managers: How Every Business They Touch Turns to Gold"*** *– Business Appraisal Practice,* The Institute of Business Appraisers, Spring, 2007

- **"Buffett on Value"** –*Business Appraisal Practice,* The Institute of Business Appraisers, Second Quarter, 2009
- **"Why Good Appraisers Prepare Bad Valuations"** –*Business Appraisal Practice,* The Institute of Business Appraisers, Second Quarter, 2009

CAREER HISTORY:

(2001 – Present) – Zephyr Financial Corp., Myrtle Beach, SC
a business valuation and consulting firm
Principal, President

(2005 – Present) – Canal Holdings, LLC, Myrtle Beach, SC
A privately-held investment company
President, Managing Director

(1981 – 2001) – Canal Industries, Inc. and affiliates, Conway, SC
A privately-held investment company
Vice President – Investments, Corporate Secretary

AFFILIATIONS:

United Way of Horry County
President (2001), General Campaign Chair (1995), Board of Directors (1990-present), Vision Council Chair (2006 – present)

City of Myrtle Beach
Cultural Arts Committee (2003 – present)

First United Methodist Church (Myrtle Beach, SC)
Chairman of Finance Committee (2000-2001), Administrative Board (2000-2004)

Myrtle Beach Rotary Club (2003 – present)
Rotarian of the Year (2008), Club Rotary Foundation Chair (2005 – present), Board of Directors (2007 – 2009)

EDUCATION:

Fuqua School of Business, Duke University (Durham, NC) M.B.A.
Executive program with electives in Venture Capital and Advanced Marketing Strategy

Furman University (Greenville, SC) B.A. in English
Magna cum laude, Phi Beta Kappa, National Merit Scholar, Duke Scholar

CONTINUING EDUCATION:

Institute of Business Appraisers/ National Association of Certified Valuation Analysts

Mastering Appraisal Skills for Valuing the Closely Held Business (64 hours, October-November, 2001)
Business Appraisal for Divorce (8 hours, October, 2001)
Preparing for the CBA Exam (8 hours, November, 2001)
Report Writing & Analysis (audited, January, 2002)
2002 Business Valuation National Conference (20 hours, May, 2002)
2003 Business Valuation National Conference (22 hours, May, 2003)
Expert Witness Skills Workshop (56 hours, November, 2003)
2005 Business Valuation National Conference (15 hours, May, 2005)
Southeast Chapter Annual Regional Conference (16 hours, September, 2005)
Creating Value Through Business Appraisal (8 hours, May, 2006)
Southeast Chapter Annual Regional Conference (16 hours, September, 2006)
Deal Structuring and Pricing (4 hours, February, 2007)
Valuations for Mergers and Acquisitions (8 hours, February, 2007)
Southeast Chapter Annual Regional Conference (12 hours, September, 2007)
Litigation Support Lecture Series (5 hours, February – March, 2008)
Southeast Chapter Annual Regional Conference (12 hours, September, 2008)
2009 Annual Conference (19 hours, May, 2009)

Business Valuation Resources

Discounts for Lack of Marketability: Uses and Misuses of Databases (May, 2003)
Hot Issues on FLPs/LLCs: Reality, Recognition, and Valuation (October, 2003)
Critical Issues in Divorce Valuation (March, 2004)
Valuing Small Businesses Worth Less than $1 Million (December, 2004)
Valuing Professional Practices (December, 2005)
Healthcare Industry Valuation (February, 2008)

Other

Menke & Associates – ESOP seminar (3 hours, March, 2002)
South Carolina Family Court Bench/Bar (6 hours, December, 2003)
Horry County Family Court Continuing Legal Education Seminar (5 hours, December, 2003)
National Business Institute – Admissibility of Evidence and Expert Testimony in South Carolina (6 hours, February, 2004)
Mercer Capital – Is Your Business Ready for Sale? (November, 2005)
Lorman Education Services – Understanding Business Valuations (March, 2006)
Robinson, Bradshaw & Hinson – M&A Seminar, Role of the Financial Sponsor as Buyer, Borrower, and Seller (April, 2007)
Medical Group Management Association 2007 National Conference – Valuing Medical Practices and Healthcare Businesses (audited, January, 2008)

STATE OF SOUTH CAROLINA) IN THE COURT OF COMMON PLEAS
) FIFTEENTH JUDICIAL CIRCUIT
COUNTY OF HORRY) CASE NO: 2008-CP-26-6169
)
Joseph E. Mason, Jr.,)
)
Plaintiff,)
)
-versus-)
)
Catherine L. Mason, Joseph E. Mason, Sr., Kathy St. Blanchard, Mason Holding Company, Inc., and Irwin Levine,)
)
Defendants.)

THE VIDEO DEPOSITION OF

JOSEPH E. MASON, SR.

Wednesday, April 13, 2011

a.m. --- 3:27 p.m.

The video deposition of JOSEPH E. MASON, SR., taken on behalf of the Plaintiff, at the law offices of Thompson & Henry, P.A., located at 1314 Professional Drive, Myrtle Beach, South Carolina, on Wednesday, April 13, 2011.

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Verbatim Court Reporter

VIDEOGRAPHER:

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ALSO PRESENT:

Catherine Mason

Kathy St. Blanchard

Joseph Mason, Jr.

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Q: How long did you serve?
A: Two years.
Q: And what was your rank when you came out?
A: PFC.
Q: Were you honorably discharged?
A: Yes, I was.
Q: And could you give me your, a summary of your work experience?
A: Work experience, when I got out of the service, basically, I went to work with the Goodyear Tire & Rubber Company, 23 years, spent eight years in a dealership in Miami as a partner until I opened up my business in Myrtle Beach.
Q: You say you had eight years with a dealership. What dealership was that?
A: Miami Tiresoles.
Q: Miami Tire and ---
A: One word, T-I-R-E-S-O-L-E-S.
Q: You stated you worked for Goodyear for 23 years. Was that as an employee of Goodyear?
A: That's correct.
Q: And where was your business, where was your ---
A: In Miami, Florida.
Q: And what was your title for Goodyear?
A: Oh, good Lord, I had about seven or eight of

them. I ran eight retail stores. I ran, or I, I was a representative for Goodyear out of the district office for five years. I ran a truck tire center, Miami. I ran a wholesale center, and basically, that was it.

Q: Was that roughly in the chronological order of what you did?

A: No, not really. I started out in the retail end of the business, and then I went to store manager, eight stores, doing that. Then I went into the district -- Oh, I take that back. Then I went into the truck tire center. From there, I went to the district office as a rep.

Q: What year did you leave Goodyear?

A: I don't know. I'd have to figure it out. I started in '57, 23 years.

Q: Sounds like about 1980?

A: Sounds good.

Q: Now, you stated that you were with a dealership for eight years?

A: Correct. I was a partner with three other partners.

Q: And that began in about 1980, I assume?

A: Correct, thereabouts.

Q: And what did you do after you left that

dealership?
A: I opened up the tire store in Surfside. That was in '84.
Q: Did you no longer have an interest in any operations in Florida when you opened the Surfside dealership?
A: Well, I was still with Miami Tiresoles when I opened up in '84 here in Surfside.
Q: So there was an overlap there?
A: Yes. I had not, not relieved from Miami Tiresoles yet.
Q: Using that same rough chronology, did you leave the Miami Tiresoles in about 1988?
A: That's about correct.
Q: Do you still have an ownership interest or any ---
A: No, I do not.
MR. THOMAS: LET HIM FINISH HIS QUESTION, NOW, BEFORE YOU ---
MR. MASON, SR.: I'M SORRY.
MR. THOMAS: --- ANSWER.
Q: Yeah. As we get in, I'll try to do the same, but if we talk over each other, it's very difficult to ---

of that Mason Tire?
A: Correct.
Q: And tell me what your role has been, in summary fashion, from the formation in about 1984 through the present.
A: Well, from '84 until '89, when I arrived in Myrtle, in Myrtle Beach, I corresponded with Joe, Jr. and Kathy St. Blanchard, who were each in the company at that time. I corresponded by flying to Myrtle Beach or driving to Myrtle Beach at least two, three, four times a month to look at the business, to educate the two of them on how to run the store, to get involved in every aspect of the business with them so that they would know how to handle running the store, because they had no knowledge, and basically, that was it until I came up in '89.
Q: From '84 to '89, you came up two or three times a month?
A: That's correct, or by phone. I was on the phone with them constantly.
Q: And the, and you physically moved to Myrtle Beach in 1989?
A: That's correct.
Q: And did, was there a change in your involvement

retiring?
A: That was back in 2001, yes. It seems like I was always going to retire.
Q: And that was your planning and intention at the time?
A: Yes.
Q: You believe the business was running good at the time?
A: Yes.
Q: You mentioned that there was negativity within the family. What are you referring to there?
A: Again, a family is a family. If you have a family in business, there's always problems, little problems that compound, and this is what it is. It's just, again, a family business, and it's hard to control everybody, to make everybody understand that it's a family, you get along.
Q: Do you have any recollection of any specific problems that were ongoing at the time?
A: I don't think anything specific, just a number of small things that compound.
Q: Do you remember any of them?
A: No, I do not.
Q: So you don't remember any specific events back in that time frame that were causing problems?

A: That's what it says, yes.
Q: In the third paragraph, it states that, "Senior talked about his retirement plan, that even though the contract has not yet been signed, the plan is in effect starting January 1, 2002." Do you see that?
A: Yes, I do.
Q: At that point, did you have a working document for a retirement plan?
A: I don't recall.
Q: Is it fair to say that you were still actively involved in developing the terms of your retirement plan in January of '02?
A: Actively involved in, in setting up my retirement plan, is that what you mean?
Q: Yes, sir, and ---
A: Yes.
Q: --- developing the terms of it?
A: Yes.
Q: Let me ask you to take a look at what's been marked as Exhibit 74. Is this one of the early drafts of a stock purchase agreement in connection with your retirement from Mason Holding Company?
A: (Pauses while reviewing document.) Looks like a

draft of the retirement.
Q: At this stage, was the structure of the agreement -- Well, this is obviously structured as a stock purchase agreement where you would receive, paragraph two, $1,360,000 for your shares?
A: I don't recall the agreement.
Q: Do you recall it being structured in this fashion in the draft stage?
A: I don't recall.
Q: You don't know one way or the other?
A: No, I do not.
Q: Take a look at page three, if you would, paragraph five. Do you recall that one of the terms of your retirement agreement would be that you'd be continue to pay, be paid as a consultant at a salary to be determined by the company, along with the payment of benefits listed in Exhibit A to this agreement?
A: I don't recall this.
Q: Let me take, ask you to take a look at Exhibit A to the agreement. It'd be the last page of the document. Do you recall discussing these benefits as part of your retirement package?
A: Do I recall discussing them?
Q: Yes, sir.

retirement agreement that started as the stockholders agreement?
A: I believe so.
Q: And that's a letter from you and your wife dated January 1, 2003?
A: Yes.
Q: And in this letter, you state that it is your promise, commitment, and absolute and unfailing word that you will make a gift under the following terms that are recited below; is that correct?
A: That's correct.
Q: And if I understood the situation correctly, we can go back and refresh your memory by looking at the stock purchase agreement, at that point you and your wife owned 680 shares of Mason Holding Company?
A: I believe that's correct.
Q: And under paragraphs one and two, you would be conveying all of those shares to Joe and Kathy?
A: That's correct.
Q: Over, I believe, a, I guess, the period from the date of this letter through 2011?
A: That's correct.
Q: Under paragraph five, it appears that you retain

A: He became involved with my wife's business originally, in Miami, Florida. How that transpired, I do not know, but he handled her books in Miami. When I opened up the store in Surfside, I was not happy with the accountant that we had. Joe, Jr. and I discussed it, and I told him, "I think it would be a good idea to have Irwin Levine, if he's available, to come up and do our books in Surfside." He agreed. I asked Irwin Levine if he would take on my business in Myrtle Beach. He said he would, and that's what happened.

Q: Was it your desire that he continue as the company accountant through today?

A: Yes.

Q: At all times has that been your desire?

A: Yes.

Q: As I'm reading this letter of Mr. Kelaher dated November 8, 2002, that was part of this plan, was it not, was that you would have the right to designate the company accountant?

A: According to the letter, yes.

Q: And that's the way the deal was structured, the agreement was structured?

A: As far as I can remember, yes.

we'll call it your retirement plan to be, where at one point you had $68,000 in income? Did you understand that was made up for in some other way?

A: It was, from the best I could tell, the $68,000 salary that I received was then turned into a, was given to me as a lease on either the land or the building, one or the other. I have to read it and see.

Q: So maybe I'm just, didn't understand you before. You think Exhibit 102 is the same original rent, but there was a separate lease for the amount of $68,000?

A: The lease, they split, how do I say it, they, they split the building in two, if you want to look at it that way, and gave me $90,000, which was my original rental agreement or lease agreement, and then they gave me, where my salary was $68,000, they gave me another lease on the building, I assume, so they didn't have to pay taxes. I don't know.

Q: But that's the way you recall it, is the amount of that salary was made up for in the context of another lease and rent payments?

A: Yeah, the rent payment.

Q: So, make sure we're clear. Whatever you had in place before this transaction, the rent, total rent that you were receiving went up by about $68,000 per year?
A: Okay. I guess that's the way it would look, but I'm just not taking it as the way you're saying it, but yeah, it went up, okay.
Q: Well, I'm trying to understand it. If you, if you recall it another way, let me know and ---
A: No. I don't recall it another way. Excuse me.
Q: So that's your recollection then, is that, essentially, the rent went up that you were receiving in the amount of 68,000 per year?
A: Yes.
Q: Now, and you actually received the, the additional rent benefits under the employment agreement, did you not?
A: Yes.
Q: Now, at some point, you quit giving the shares to Joe, Jr.; is that correct?
A: Correct.
Q: Can you tell me what your view is as to how many shares you have actually conveyed to Joe, Jr.? What, what percentage of Mason Holding Company do you believe Joe currently owns?

A: 30 percent. So he owed -- He, he gave me $10,000 to start, I gave him ten percent of the business, and I gave him the rest of the business in shares, or I gifted it to him, which came to a total, of, of what he owned himself and what I gifted to him, as 300.

Q: Now, let's take a look, what year did you quit giving him the shares? And I'm looking at Exhibit 78. First of all, was this ---

A: Approximately two, 2008, roughly.

Q: So you think you gave him shares in 2007 but did not in 2008 or did in 2008?

A: I don't recall.

Q: Don't know about ---

A: As long as he, whatever, however you figure it out to be, 300 shares, that's, that'll make it work out.

Q: Why did you quit giving him the shares?

A: Why did I quit giving Joe, Jr. the shares of the corporation? Because he sued me.

Q: Is there any other reason?

A: None that I can recall.

Q: This, this Exhibit 78 was never amended, was it?

A: What do you mean by that?

Q: Do you know what an amendment is? And this was

never revised in any way ---
A: Oh, no, no, no, ---
Q: --- or agreed upon by the parties?
A: --- not that I know of.
Q: Let me ask you some questions about Oswald St. Blanchard. He was involved with the operations of the company at some point in time in the early 2000's; is that correct?
A: That's correct.
Q: What period of time was he involved with the company?
A: I do not recall.
Q: Prior to his accident in about 2004, what was his role with the company?
A: I believe he was vice-president.
Q: What did he do for the company?
A: We moved him around to each store that we opened up. He, he opened up each store, ran the store, did our P.R. service, things of that nature, did the advertising with Joe, Jr.
Q: Tell me what his role was with regard to P.R. or advertising.
A: Well, you'd have to know Ozzy St. Blanchard. He was, he was Mr. Mason, Mason Tire. He, wherever he went, he displayed himself as Mason Tire, and

makes you believe that he was acting in the course and scope of his employment at, at the time of the accident?

A: Oh, the accident, I don't know really what you're, what you mean by that. He, he went to this Toys for Tots run representing Mason Tire again. He -- I remember he went and got brochures or promo deals that we had to give out, free oil changes and things of this nature, took that with him. I don't know. Again, it's hard to say. He, he was who he was.

Q: Did he -- That was on a weekend?

A: I believe so.

Q: Did he come to the office on the day of the accident?

A: I believe so.

Q: And do you -- You say you believe so. Did you see him?

A: Well, I did not see him, but ---

Q: What makes you believe that?

A: Because people told me this.

Q: Who told you that?

A: Seems like one of the workers. I can't think of his name now. I'll think of it shortly, but one of the workers told me that he was there. Oh,

yes, he was there because he got, he said he went and got, got the free oil changes and things that morning.
Q: But to be clear, you personally did not see him that day?
A: Personally, I did not.
Q: And someone who is an employee of the company told you he came in. Is that your testimony?
A: I believe that's correct. You could -- Gene Connell has my deposition. You can get it from him, I'm sure. Whatever's on there is what I said as being true.
Q: Do you recall today who told you that he came in that day?
A: You just asked me that. I said I didn't know, but let me think. Might've been a couple people, I don't recall. I'm sorry. I'll ---
Q: If it ---
A: I'm guessing, and I don't want to guess.
Q: You said you wanted to think about it is why I asked you again.
A: Okay.
Q: If it, if it occurs to you, please let me know who that ---
A: I will do that.

A: No. I questioned that myself.
Q: Did you raise the issue with the attorney?
A: No.
Q: When you say you questioned it, it was just a question in your mind?
A: Uh-huh (affirmative response).
Q: Did you discuss it with anybody?
A: No, I did not.
Q: Let me ask you about some of the bookkeeping issues. First of all, did you ever participate with Levine in developing procedures on how to handle certain cash transactions, for example, for Mason Holding Company or its subsidiaries?
A: I did not.
Q: Did you ever give or take cash from the company and distribute it to your children, for example, or keep it yourself?
A: I have.
Q: And tell me about that. How often would you do it and how would you reflect it on the books and records?
A: I got some used tire money, and I split it with Joe, Jr. and Ozzy St. Blanchard. Again, being a family, if I pick something up, I give them half.
Q: You'd give half to them, half to Ozzy, half to

Joe, Jr.?
A: Yeah. I'd keep some too. Again, it's a family corporation. We ---
Q: Based on your ---
A: --- could do that.
Q: Based on your ownership interest in the company?
A: If you want to call it that, yes.
Q: How would you reflect it on the books and records, or would you?
A: It would not be.
Q: Well, explain that to me. If somebody comes in and pays a hundred dollars in cash, does it, does it get rung up as revenue by the company or just never goes into the books and records ---
A: That usually goes in. We did it mostly on used tires.
Q: Well, if it goes in, how is it reflected on going out?
A: Repeat that.
Q: I'm just trying to think of it from the book standing, the bookkeeping standing ---
A: There was books involved in that.
Q: If somebody walks in, a customer, and gives you a hundred dollars in cash, and you said, on occasion, you would keep cash, ---

issue on the gasoline. I don't know.
Q: Well, that was my question. Was there personal use of credit cards for gasoline during, by family members at that point in time?
A: I don't recall exactly what it was.
Q: There's no question that there was personal use of, or charging -- there was -- individuals were charging for personal use of gasoline expense to the company though?
A: Yes.
Q: You don't recall exactly what was discussed, but you were aware that that was going on at that time?
A: Yes.
Q: Let me ask you to take a look at Exhibit 22 and what I'll have marked as Exhibit 122.
DEPOSITION EXHIBIT NUMBER 122
MARKED FOR IDENTIFICATION
Q: Did you refer to Exhibit 22 as well, Mr. Mason?
A: Oh, I'm sorry.
Q: Do you have those two documents in front of you?
A: Yes, I do.
Q: Is that your signature on both documents?
A: It appears to be.
Q: Do you recognize those as also the signatures of

Joe Mason, Jr., Oswald St. Blanchard, and who is the other, is that your wife? Who is -- Oh, I'm sorry, yes, Catherine ---

A: Catherine Mason, at the top left, yes.

Q: That'd be your wife. Do you recognize all of those signatures?

A: Yes, I do.

Q: And these are notes, are they not, payable to, one payable to Joe Mason, Jr. and one payable to Catherine St. Blanchard in the amount of $220,000 by Mason Tire & Auto Service?

A: Yes.

Q: What did you understand this transaction to be about?

A: My recollection of this promissory note or notes was a brief conversation between Joe Mason, Jr. and Irwin Levine ---

Q: The three of you?

A: --- stating that -- Yes, I was there. -- stating that the promissory note was made up to both parties that would be put on the books, they would draw interest on it and have to pay taxes on it, but it would reduce the inventory problem. That's all I know.

Q: So you knew this was designed to deal with the

inventory problem?
A: Best of my knowledge.
Q: And you were the majority owner of the business at the time, you ---
A: That's correct.
Q: --- and your wife?
A: Excuse me.
Q: Why would you agree to pay $440,000 to your children to adjust an inventory issue?
A: Again, it was a family corporation. I trusted everyone, including Irwin Levine, and if this was the way it was going to be handled, it was the way it was going to be handled.
Q: Is this the way Irwin Levine suggested it be handled?
A: Whether it was Irwin Levine suggesting it or it was Irwin Levine and Joe, Jr. both telling me this was being done, who suggested it originally, I cannot answer.
Q: But you did understand that it was in connection with trying to resolve the inventory issue?
A: Yes, I did.
Q: Did you not ask any questions about why is there a $440,000 inventory issue?
A: I did not.

Q: Was interest actually paid on these notes by the company to these individuals?
A: I do not recall.
Q: Do you not know?
A: I do not know.
Q: And tell me, make sure I've covered it, do you have any other recollection of what you were told about these notes and the inventory issue at the time they were entered into?
A: Nothing more than what I stated.
Q: Let me ask you to take a look at what's previously marked as Exhibit 4. Are these the minutes for a shareholder meeting held on November 15th, 2005?
A: Appears to be, yes.
Q: And there's a discussion towards the middle that says, "Discussed the possibility of Catherine working full-time." I assume that is your, your daughter Kathy?
A: That's correct. Whoops, whoops, whoops, let me rephrase that. I do not know.
Q: Did your wife ever work in the business?
A: Yes, she did.
Q: Was she ever paid as an employee of the business?
A: Yes, she has.

insurance company refunded some part of the money and took part of the blame because they said it was as much their fault as hers. That's the best I can recall.

Q: Did you have any personal conversations about that?

A: I did not.

Q: Is Sandra Adams still an employee of the company?

A: Yes, she is.

Q: Is she still in the bookkeeping department?

A: Yes, she is.

Q: Is Irwin Levine, I think you said was still the company accountant; is that correct?

A: Still, is that, is that your question, was ---

Q: Yeah.

A: --- he still?

Q: Is he still?

A: Oh, yes. He is my, my accountant ---

Q: And he, he was at that time?

A: He's always been my accountant.

Q: And he's worked with Sandra Adams as well, I assume?

A: Absolutely.

MR. KNOWLTON: WANT TO GO AHEAD AND TAKE A LUNCH BREAK NOW?

eliminated all that. That's all.
Q: Are you still receiving the same amount of rent for the Pawleys Island location or did that change?
A: That changed. I no longer have but one lease with Pawleys Island. That was the original, which was $90,000. The $68,000 is gone. That is no longer in effect, and it's now a salary through the, through the holding company.
Q: You now have a salary of $68,000?
A: That's correct.
Q: Per year?
A: Actually, it's less than that.
Q: How much is it?
A: 55 and ten, makes it 65.
Q: What do you mean, 55 plus ten?
A: Well, I had, I had a $10,000 on a, on a ---
Q: Oh, in the employment agreement we looked at earlier?
A: Pardon?
Q: We looked earlier at your employment agreement, I think is what it was called, where you were receiving $10,000 in income. Is that what you're referring to?
A: Yeah, yeah.

Q: So now you receive a total salary of $55,000?
A: Total salary of 65,000.
Q: I'm sorry, ten plus 55.
A: That's correct.
Q: Do you receive any other benefits from the company?
A: Yes.
Q: What are they?
A: I have a company car. I have a company cell phone. I have company insurance, medical. I believe that's it.
Q: Do you still receive a gasoline card?
A: Oh, yes, I do.
Q: Do you use that for personal as well as business use?
A: Yes, I do.
Q: Do you still have a corporate credit card with a $200 limit?
A: No, not really.
Q: Does the company still provide maintenance for your automobiles, including a personal automobile?
A: Yes.
Q: So that, I guess that's two cars?
A: I have a company car, and my wife has a car.

Q: And the company pays for the maintenance of both?
A: Not much of hers, but yes, they pay it.
Q: Do you still have the nursing care policy?
A: I pay for that.
Q: And I think you stated that maintenance service for the residence and ---
A: That's over.
Q: --- the landscaping is over?
A: We pay for that personally.
Q: I think we're starting to talk over each other.
A: I'm sorry.
Q: Let's try not to do that. And what are your services for the company now, what do you do?
A: I guess I'm pretty much involved in everything except the tax end of it. I still come to work ---
Q: I apologize. I couldn't quite hear. You said at the ---
A: I come to work 7:30, 8:00 in the morning and I go home between four and 5:30 in the evening. I work a half a day on Saturday. I pretty much oversee the operations of the store. I have a general manager now that does the work that my son used to do, and he runs the, the five stores with my supervision.

knowledge.
Q: You were here for Mr. Levine's testimony where he confirmed he sent this letter, were you not?
A: I'm sorry. Repeat that.
Q: Let me, let me strike that and ask a better question. In this letter, Mr. Levine states in part, in the second paragraph, that he closed his eyes, knowing that the family would benefit in the long run, based upon these procedures that Mr. Byrd had challenged. Do you recall Mr. Levine ever explaining himself to you about why these practices were ongoing at Mason Holding Company?
A: Not that I recall.
Q: You never confronted him about the ---
A: Not that I recall.
Q: --- nature of these transactions?
A: (Indicates negatively.)
Q: Why is that?
A: Well, I got, very seldom got into the accounting practices of the company. I left that up entirely to Mr. Levine and Joe, Jr. They handled it. I trusted the both of them.
Q: And, of course, your son is no longer with the company.

represents you?
A: Yes, it does.
Q: Does it state in the next paragraph that you agreed that Mr. Levine would be replaced as the company's tax practitioner?
A: That's what it says.
Q: Did that in fact happen?
A: No, it did not.
Q: Why not?
A: I still didn't believe Mr. Levine was guilty.
Q: What did you do to convince yourself of that?
A: What did I do?
Q: You said you didn't think Mr. Levine ---
A: I let things take its course between the attorneys and tax people and saw where it would end.
Q: Did you hire another tax practitioner to look at what had been done?
A: I believe the name of Tim Duncan came up, and I went to him.
Q: And explain to me how you concluded that what Mr. Levine had done was not wrong?
A: I did not conclude that. I only got that from the attorneys, tax people, or whoever involved in this, but I did not believe it.

Q: Well, I don't want to ask you for substantive discussions you had with your attorneys, but is it your position that somebody told you that the prior tax returns were fine as they were?
A: No. They told me there was, best I can recall, I was told by Wayne Byrd and his associates that false tax returns were filed. That's how I learned, best I can recall.
Q: And my question to you is, why didn't you amend them if they were false tax returns?
A: I didn't know they were false. My attorney said that ---
MR. THOMAS: WHATEVER YOU TELL HIM, DON'T ---
Q: Again, I don't ---
MR. THOMAS: --- SAY WHAT YOUR ATTORNEYS DID OR DID NOT SAY.
Q: I don't, I don't want you to divulge substantive communications you had with your attorneys, but I'm trying to understand how you came to the conclusion that amended tax returns did not need to be filed.
A: Well, I guess, ultimate, it came to that meeting that I had with, with everyone in the office of Mason Tire, and Irwin stated that the returns