21689

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM GREENVILLE COUNTY
Court of Common Pleas

Edward W. Miller, Circuit Court Judge

Case No. 2010-CP-23-1646

Kyle Pertuis, ... Respondent/[redacted]

v.

Front Roe Restaurants, Inc., Beachfront Foods, Inc., Lake Point Restaurants, Inc., Mark Hammond and Larkin Hammond, ... Appellants/[redacted]

RECORD ON APPEAL VOL. II

John S. Nichols
BLUESTEIN NICHOLS THOMPSON & DELGADO
Post Office Box 7965
Columbia, SC 29202
(803) 779-7599

Attorney for Appellants/[redacted] Mark Hammond and Larkin Hammond

Curtis Stodghill
STODGHILL LAW FIRM
P.O. Box 2431
Greenville, SC 29602
(864) 271-0966

Attorney for Appellants/[redacted] Front Roe Restaurants, Inc., Beachfront Foods, Inc., Lake Point Restaurants, Inc.

Robert C. Wilson, Jr.
201 Whitsett St.
Greenville, SC 29601
(864) 242-9488

Attorney for Respondent/[redacted]

INDEX

Orders

Order of September 10, 2012 1

Order of July 3, 2013 4

Order of September 10, 2013 13

Pleadings and Motions

Amended Complaint 16

Defendants' Answer and Counterclaim to Amended Complaint 20

Transcripts and Exhibits

Transcript of Proceeding of May 28-29, 2013 25

Kyle Pertuis
- Direct 33
- Cross 89
- Redirect 149

Charles Alford
- Direct 153
- Cross 181
- Redirect 200
- Recross 201

Motions 203

Mark Hammond
- Direct 215
- Cross 297
- Redirect 352

Louis Manios
- Direct 361
- Cross 386
- Redirect 409
- Recross 412

Kristina Murphy
Direct 413
Cross 418
Kyle Pertuis
Direct 419
Cross 419

Plaintiff's Exhibits
1 - Email of June 14, 2008 423
2 - Email of January 6, 2009 426
3 - Email of march 6, 2009 427
4 - Agreement 429
5 - Email of June 27, 2009 451
6 - Proposed Plan 454
7 - Email of June 30, 2009 456
8 - Email of December 4, 2009 457
9 - Appraisal 459

Defendants' Exhibits
1 - Letter - August 23, 2002 502
2 - Letter - December 1, 2003 505
3 - Letter - April 7, 2004 507
4 - Letter - April 19, 2005 508
5 - Review 509
6 - Email - June 14, 2008 511
8 - Email - January 6, 2009 514
9 - Email - March 6, 2009 515
10 - Agreement 517
11 - Email - April 14, 2009 539
12 - Email - June 27, 2009 540
13 - Email - June 30, 2009 543
14 - Email - June 30, 2009 546
15 - Bill of Sale 547
16 - Email - October 7, 2009 550
17 - Email - October 13, 2009 554
18 - Email - November 15, 2009 555
19 - Email - November 16, 2009 556
20 - Email - November 15, 2009 558
21 - Email - November 23, 2009 559
22 - Email - December 4, 2009 561
23 - Email - January 8, 2010 563
24 - Letter - January 19, 2010 564
25 - Letter - February 3, 2010 568

26 - Letter - February 24, 2010 578
27 - Letter - February 26, 2010 579
28 - Letter - May 26, 2013 580
29 - Lake Point Restaurants' Tax Forms 587
30 - Beachfront Foods' Tax Forms 705
31 - Front Roe Restaurants' Tax Forms 812
32 - Lake Point Restaurants' Stockholder Agreement 889
33 - Beachfront Foods' Stockholder Agreement 904
34 - Front Roe Restaurants' Stockholder Agreement 919
35 - Non-Disclosure Agreement 934
36 - Protection Agreement 938
37 - Protection Agreement 947
38 - Letter - November 12, 2012 956
39 - Schedule I 958
40 - Profit Impact 964
41 - Answer, Counterclaim 965
42 - Subtitle F 974

Other Materials and Documents

Greenville County Public Index for Case No. 2010-CP-23-1646 976

Certificate of Counsel 981

Charles L. Alford, Ph.D.
Overlook Executive Park
109 Laurens Rd.
Building 2, Suite C
Greenville, SC 29607

Office: (864) 233-8593
Fax: (864) 233-4819
charlie@cla3.com

Education

Ph.D. in Economics and Business Administration; University of Alabama, 1972; Major – marketing; Minors – economics and quantitative methods.

B.A. in Economics; Wofford College, 1968.

Teaching and Administrative Experience

Professor Emeritus (2003), James C. Self Professor of Business Administration (1994), Professor (1983), Associate Professor (1976), Assistant Professor (1971) of Economics and Business Administration, Furman University.

Chair, Department of Economics and Business Administration, Furman University, 1976 – 1985.

Chair, Furman University Faculty, 1993 – 1995.

Faculty Athletic Representative to The Southern Conference and NCAA, 1995 – 2003.

Teaching Assignments at Furman

Economics: macroeconomics, microeconomics, urban economics, personal finance.

Business Administration: principles of marketing, marketing research, marketing problems, marketing management (graduate level), quantitative methods for business, experiential learning in business.

Statistics: graduate and undergraduate.

Director of the Furman Economics and Business Administration Internship Program

Publications

"The Economist's Role in Wrongful Death Cases," with John G. Fulmer, *South Carolina Trial Lawyers Bulletin*, October, 1974.

"An Investigation into the Effects of Selected Variables Upon Barriers to Entry in Manufacturing Industries," *Southern Marketing Association Proceedings*, 1974.

"New Product Idea Generation: A Case Study of Household Cleaners," with J. Barry Mason, *Journal of Advertising Research*, Spring, 1974.

"The Effects of Oral vs. Written Two-Sided Messages," with J. M. Wilkerson, *Journal of the Academy of Marketing Sciences*, Summer, 1976.

Succeeding in the Free Enterprise System, CORBIA – Council of Resources, 1978. A textbook written for the South Carolina Veterans Administration.

"Business Goodwill in South Carolina," with Katherine Tiffany and Peter C. Tiffany, *South Carolina Lawyer*, May, 2011.

Invited Lectures

"In Defense of Advertising," Wofford College, 1976.

"The Role of Marketing Research in the Business Enterprise," Wofford College, 1977.

"The Changing Marketing Concept," Sales and Marketing Executives Club of Greenville, 1978.

"What Really Matters," L. D. Johnson Memorial Lecture, Furman University, 1983.

Numerous speeches to local service, professional, and business organizations on business strategies and business valuation.

Co-presenter with Peter Tiffany, Timothy Madden, and Thomas Traxler, "2011 Family Law Intensive: Tax Returns, Other Financial Records & Valuation," October 2011.

Professional Affiliations

American Economic Association
Southern Economic Association

Southern Marketing Association
National Association of Forensic Economics

Awards and Honors

Western Electric Fund Award for innovative teaching, presented by the American Assembly of Collegiate Schools of Business, 1982.

Faculty Internship, Henderson Advertising Agency, 1972.

NDEA Fellowship, University of Alabama.

Wall Street Journal Award, Wofford College.

Listed in *Who's Who Among Expert Witnesses.*

Other Professional Activities

Professional Associations – Attended, presented papers, discussed papers, chaired sessions, and judged papers at numerous professional association meetings.

Consulting

Have been recognized in Federal District Courts, state courts in South Carolina, North Carolina, and Tennessee, South Carolina Family Courts, and the South Carolina Public Service Commission as an expert in economic and business affairs, including the following areas.

- valuation of closely held companies
- review of company performance and condition
- forecasting of sales and profits
- consideration of economic consequences of alimony and child support payments
- equitable distribution of marital assets
- application of South Carolina Department of Social Services Child Support Guidelines
- valuation of defined benefit pension plans
- computation of economic loss due to death, disability, and termination
- computation of lost business profits
- unfair trade practices
- antitrust violations

Have been appointed as the court's expert in South Carolina Family Court, South Carolina Circuit Court, and Masters in Equity in Greenville and Anderson counties.

Have been retained by plaintiff's attorneys, defendant's attorneys, United States Department of Justice, and insurance companies in evaluation of economic loss.

Have served as a consultant in valuation of numerous closely held companies outside the context of litigation, including manufacturers, wholesalers, retailers, professional associations, and personal service companies.

Other consulting experience includes market research and analysis, corporate image research, and development and implementation of strategic plans.

Have served on the local advisory boards of a bank, commercial real estate development firm, and travel agency.

Community Activities

Past service on Travelers Rest Area Council, vice chairman, director, chair of Education Committee, co-chair of Economic Development Committee.

Past service on Travelers Rest Home Town Association, director, treasurer.

Charles L. Alford, Ph.D.
2006 Depositions, Trials & Arbitrations

Date	Deposition, Trial or Arbitration	Attorney	Case	Type of Court	Location
1/12/2006	D	L. Lee Plumblee	Collins Holding Corporations v. Best Amusement Company, d/b/a BestCo. Gaming, Inc., et al.	Common Pleas	Greenville County
2/8/2006	D	Tom J. Ervin	Pamela C. Forrester v. APAC-Southeast, Inc.	Common Pleas	Anderson County
2/20/2006	D	J. Redmond Coyle	Jeanie Cashin Stroud v. Lawrence Edgar Stroud, Jr.	Family Court	Pickens County
2/27/2006	D	William D. Herlong	Scott Cook, individually and d/b/a Professional Readers Service v. EBSCO Industries, Inc., Chuck McCurry, et al. v. Todd King	Common Pleas	Greenville County
3/8/2006	D	Kenneth C. Porter	James W. Dickert v. Carolyn H. Dickert	Family Court	Greenville County
3/9/2006	D	Benjamin A. Johnson	Anderson Griggs & Company, Inc. d/b/a Anderson Griggs Portfolio Management v. H&R Block., RSM McGladrey, Inc., H&R Block Financial Advisors, Inc. and Birchtree Financial Services, Inc.	US District	Rock Hill, SC
3/16/2006	T	William D. Herlong	Scott Cook, individually and d/b/a Professional Readers Service v. EBSCO Industries, Inc., Chuck McCurry, et al. v. Todd King	Common Pleas	Greenville County
3/21/2006	T	R. Mills Ariail, Jr.	Barry P. Gillespie and Morrie P. Gillespie v. John R. Vann, M.D., Gary Allen, M.D., and HealthSouth Surgery Center of Greenville	Common Pleas	Greenville County
3/22/2006	T	Duke K. McCall, Jr.	Jonathan S. McCall v. IKON, d/b/a IKON Educational Services, and CESC	Common Pleas	Greenville County
3/24/2006	T	Eric S. Bland	Frank Robertson and Cayvon, Inc. v. Nexsen, Pruet, Jacobs & Pollard, Michael A. Mann, Jones DuBose, William Young "Corky" Klett, III, Sara A. Centioni and Townsend M. Belser	Common Pleas	Richland County
5/16/2006	T	T.S. Stern, Jr.	Theodore Trueblood v. Greenville County Sheriff's Office and Greenville County	Common Pleas	Greenville County
5/22/2006	T	J. Kendall Few	Knuckles v. Toyota Motor Corporation, Toyota Motor Sales USA, Inc., Tokai Rika Co., LTD and Signal Imports, Inc.	Common Pleas	Spartanburg County
5/30/2006	D	Elbert S. Dorn	Sonya L. Watson, et al v. Ford Motor Company, TRW, Inc., TRW Vehicle Safety Systems, Inc. and D&D Motors, Inc.	Common Pleas	Greenville County
6/5/2006	D	William A. Jordan	Perry Smith Gallagher v. Van Lott, Inc.	US District	Greenville, SC
6/6/2006	T	Brian Patrick Murphy	Zachary Harvey v. Chapman Mirror & Glass and RSRJ, LLC	Common Pleas	Greenville County
6/13/2006	T	Jon E. Newton	Williams Casey Bond v. B. Patrick Boozer Middleton	Common Pleas	Lexington County
6/19/2006	D	Karen W. Creech	Ansel Boggs v. Fuji Photo Film, Inc.	US District	Greenville, SC
6/28/2006	T	Jay D. Lukowski	Maria Mears v. Dr. Joel Rosenfeld, Georgia Urology, P.A., Dr. L. Austin Flint, Northside Radiology Associates, P.C.	State Court of Fulton County State of Georgia	Fulton County
7/13/2006	D	Richard S. Stewart	Michael J. Phillips and Vickie Phillips vs. Morbark, Inc.	US District	Beaufort, SC
8/2/2006	D	Donald R. Moorhead	Noel C. Dillon v. Neil Frazer	Common Pleas	Greenville County
8/9/2006	T	Donald R. Moorhead	Noel C. Dillon v. Neil Frazer	Common Pleas	Greenville County
8/10/2006	D	Brian E. Arnold	Deborah D. Harden	Common Pleas	Oconee County
8/16/2006	T	Kenneth C. Porter	James W. Dickert vs. Carolyn H. Dickert	Family Court	Greenville County
10/24/2006	D	Robert Paul Foster	Williams E. Harrell, Jr. v. Greenville Hotel Partners, Inc., R.G. Hospitality, LLC, Ronald Gedda, Choice Hotels International, Inc. and R.G. Properties, LLC	US District	Greenville, SC
11/1/2006	T	Kenneth C. Anthony, Jr	Richard Siddall Pennebaker v. Carol Brittsan f/k/a Carol Brittsan Pennebaker	Family Court	Spartanburg County
11/14/2006	D	Michael E. Spears	William S. Robertson as Personal Representative of the Estate of Mildred D. Robertson, deceased, v. John Bauman, M.D., C. Glenn Trent, Jr. M.D., The Spine Clinic, Tommy L. Bridges, M.D., Associates in General Surgery, P.A., Sudhirkumar Chandulal Patel, M.D., Carolina Internal Medicine, P.A., Kelly Ann Campanaro, M.D., Greenville Hospital System, Sam R. Parimi, M.D., and Carolina Medical Rehabilitation	Common Pleas	Greenville County
11/29/2006	D	Molly H. Craig	Angela P. Stone and Eric W. Stone v. Ashley Oaks OB/Gyn, P.A.; Eugenia Kolkas, M.D.; a/k/a Eugenia Kolkas-McCarron, M.D.; Bon Secours-St. Francis Xavier Hospital, Inc.; Roper Hospital.; and James D. Wells, III, M.D.	Common Pleas	Charleston County

Charles L. Alford, Ph.D.
2007 Depositions, Trials & Arbitrations

Date	Deposition, Trial or Arbitration	Attorney	Case	Type of Court	Location
1/17/2007	T	T.S. Stern	Hallmark Marketing Corporation v. Zimeri, Inc., and Antonio Zimeri, June Zimeri, Walter Zimeri, and Diana Zimeri	Common Pleas	Greenville County
1/24/2007	T	Carl F. Muller	Larry House v. Greenville Gynecology Group, PA, Dr. William Coleman and Beth Slyder; Janey House v. Greenville Gynecology Group, PA, Dr. William Coleman and Beth Slyder	Common Pleas	Greenville County
2/5/2007	D	Robert P. Foster	Oates, et al v. Futuristic, Inc. at al	Superior Court	Onslow County
2/6/2007	T	Jon E. Newton	Jon-Erik Hartfield, through his conservator Haskall L. Hartfield, and Haskall L. Hartfield, individually v. Glenn McDonald, d/b/a The Carolina Eight Ball Lounge, and The Getaway Lounge & Grill, Inc., and Shou-Mei Morris, individually and as President of The Getaway Lounge & Grill, Inc., Robert C. Cockrell, individually and d/b/a Williams Package and The South Carolina Department of Transportation	Common Pleas	Greenwood County
2/20/2007	T	James R. Hubbard	Consolidated Insured Benefits, Inc. and Ronald F. English v. Conseco Medical Insurance Company, A Foreign Company	U.S. District	Greenville, SC
2/21/2007	T	Richard S. Stewart	Michael J. Phillips and Vickie Phillips v. Morbark, Inc.	U.S. District	Beaufort, SC
3/19/2007	D	Tom J. Ervin	Ronald Foggie v. Laurens County EMS	Common Pleas	Laurens County
4/12/2007	D	Billy J. Garrett, Jr.	Kathryn A. Estes and Jeffrey A. Estes v. Amy E. Keasler Ricketts ad John Keasler	Common Pleas	Greenwood County
5/24/2007	D	Marion C. Fairey, Jr.	Ronald A. Alasin, Eiji Teragouchi, Gordon A. Pennington, et al. v. Westinghouse Savannah River Company and WSRC Delta Plan	U.S. District	Spartanburg, SC
5/29/2007	T	Duke K. McCall, Jr.	Jonathan S. McCall v. IKON, d/b/a IKON Educational Services, and CESC	Common Pleas	Greenville County
6/1/2007	D	R. Scott Dover	Lisa Huckabee Harrison v. Robert Edward Harrison	Family Court	Pickens County
6/19/2007	D	Steven R. LeBlanc	Super Duper, Inc., dba Super Duper Publications, a South Carolina Corporation v. Mattel, Inc., a Delaware Corporation	U.S. District	Greenville, SC
6/25/2007	D	Jean P. Derrick	Troy Wood d/b/s Woods Produce v. SCDOT	Common Pleas	Lexington County
7/19/2007	D	A. Christopher Potts	Jack R. Farley v. Trident Medical Center, LLC d/b/a Trident Health Systems and Palmetto LowCountry Behavioral Health, LLC	Common Pleas	Charleston County
8/14/2007	T	Jean P. Derrick	Cheryl Howard Craig v. William Rhett Craig, III	Family Court	Greenville County
8/21/2007	D	W. Harold Christian	Tamora Dinkins, individually and as PR of the Estate of Richard Dinkins v. Anderson Area Medical Center	Common Pleas	Anderson County
8/22/2007	D	Donald R. Moorhead	Bobby Gene Owens v. K.R. Drenth Trucking, Inc. and James Davis	U.S. District	Greenville, SC
9/6/2007	D	James R. Gilreath	BCD, LLC; Rosen Campus I, LLC; CR-MERC, LLC; and Rosen-WT Management, LLC v. BMW Manufacturing Co., LLC f/k/a BMW Manufacturing Corp	U.S. District	Greenville, SC
9/14/2007	D	Scott M. Anderson	Maxine Shelton and Jerry Shelton v. Steelcase, Inc.	Superior Court Division	Henderson County, NC
9/18/2007	T	James H. Price, III	Sheila M. Robison v. David McGill Robison, III	Family Court	Greenville County
10/5/2007	T	Scott M. Anderson	Maxine Shelton and Jerry Shelton v. Steelcase, Inc.	Superior Court Division	Henderson County, NC
10/8/2007	T	Robert M. Rosenfeld	Cheri Frances Hilliard Lyda v. Danny Racine Lyda	Family Court	Pickens County
10/31/2007	T	David L. Thomas	Sherrie Mann McBride v. The School District of Greenville County and William Roach	Common Pleas	Greenville County

Charles L. Alford, Ph.D.
2008 Depositions, Trials & Arbitrations

Date	Deposition, Trial or Arbitration	Attorney	Case	Type of Court	Location
2/22/2008	D	Robert C. Ray	Phyllis Crigger-Harris v. Greenville Hospital System	Common Pleas	Greenville County
3/27/2008	D	Jay D. Lukowski	Diana McAnallen, individually and as Executrix of the Estate of Lawrence J. McAnallen v. Oladayo A. Osinuga, M.D., East Point Primary Care Center, P.C., Adefisayo M. Oduwole, M.D., Morehouse Medical Associates, Inc., David R. Barnes, M.D., Apollo MD Physician Service AL, LLC, and South Fulton Emergency Physicians, LLC	State Court of Fulton County State of Georgia	Fulton County
3/31/2008	D	Donald R. Moorhead	Jean K. Winslett, individually and as Personal Representative of the Estate of John C. Winslett, Jr. v. McLeod Jenkins & Holleman Surgical P.A., McLeod Holleman & Lugo Surgical P.A., Highlander Surgical Group, P.A., James B. Holleman, M.D., P.A., James Bennett Holleman, M.D., individually and Thomas Allen McLeod, M.D., individually	Common Pleas	Spartanburg County
4/9/2008	T	Donald R. Moorhead	Jean K. Winslett, individually and as Personal Representative of the Estate of John C. Winslett, Jr. v. McLeod Jenkins & Holleman Surgical P.A., McLeod Holleman & Lugo Surgical P.A., Highlander Surgical Group, P.A., James B. Holleman, M.D., P.A., James Bennett Holleman, M.D., individually and Thomas Allen McLeod, M.D., individually	Common Pleas	Spartanburg County
4/14/2008	D	Chad L. Bacon	Eddie B. Hughes, Jeanette Hughes, individually and as guardian for Elizabeth A. Hughes, v. Anastasis M. Brownlee	Common Pleas	Anderson County
4/16/2008	T	Robert C. Ray	Phyllis Crigger-Harris v. Greenville Hospital System	Common Pleas	Greenville County
4/17/2008	D	Geoffrey H. Waggoner	Helen Platt and Michael Platt v. Michael S. Sabback, M.D., Carolina Surgical Associates, PA, Trident Medical Center, LLC d/b/a Trident Medical Center	Common Pleas	Charleston County
4/24/2008	T	Steven R. LeBlanc	Super Duper, Inc., dba Super Duper Publications, a South Carolina Corporation v. Mattel, Inc., a Delaware Corporation	U.S. District	Spartanburg, SC
5/19/2008	D	Robert E. Hoskins	Robert Moorhead v. New York Life Insurance	U.S. District	Spartanburg, SC
6/6/2008	D	Scott M. Anderson	Vaden Landers v. Rentenbach Constructors, Incorporated	Court of Indian Offenses	Cherokee, NC
6/11/2008	T	Jon E. Newton	Donnie Allen Parris, et al. vs. Quarles Pulpwood and Logging, Inc.	Common Pleas	Greenwood County
6/26/2008	D	J. Kendall Few	Debra H. Cain, individually and as Administratix of the Estate of Ryan Cain, and Walter L. Cain, individually v. Club Car, Inc. and Billy Casper Golf, LLC	Superior Court of Fulton County State of Georgia	Fulton County
7/8/2008	D	Jennifer E. Johnsen	Sheri G. Blackwell, on behalf of herself and all others similarly situated v. Medical Savings Insurance Company	U.S. District	Spartanburg, SC
7/17/2008	D	Jay D. Lukowski	Alice K. Leavitt, individually and as Executrix of the Estate of Lee H. Leavitt v. Dr. Jeff Headley, Perimeter Surgical Associates, PC, Dr. Alan Farabaugh, Dr. Henry Perez, Emergency Care of Atlanta, Inc., and Saint Joseph's Hospital of Atlanta, Inc.	State Court of Fulton County State of Georgia	Fulton County
7/21/2008	D	Michael T. Coulter	Everett Rickey Fisher v. Elma Medina Sierra	Common Pleas	Oconee County
8/12/2008	D	Dabney J. Carr, IV	First National Bank v. First National Bank of the South, First National Bancshares, Inc., John Higdon and Peter Seitz	U.S. District	Greenville, SC
8/2/2008	T	Mary Alice Godfrey	Cathy D. Anderson v. Antonio Anderson	Family Court	Greenville County
8/9/2008	D	Steven R. LeBlanc	SubAir Systems, LLC v. PrecisionAire Systems, Inc. and Precision Small Engine Company	U.S. District	Aiken, SC
8/10/2008	T	John D. Hawkins	Claude Burgess, Jr. v. Martex Fibers, Nissan Forklift Corporation and Carolina Material Handling Services	Common Pleas	Spartanburg County
8/12/2008	T	Kenneth C. Porter	Robin L. Bylenga v. Andrew E. Bylenga	Family Court	Greenville County
8/17/2008	T	Marion C. Fairey, Jr.	Ronald A. Alasin; Eiji Teragouchi; and Gordon G. Pennington, for themselves and others similarly situated, v. Westinghouse Savannah River Company; and WSRC Delta Plan	U.S. District	Spartanburg, SC
8/23/2008	T	Robert M. Rosenfeld	Demetra Kathoulas Grumbos v. George Spyros Grumbos	Family Court	Greenville County
9/23/2008	D	Floyd S. Mills, III	Alejandrina Ibanez Aguilar, et al. v. Quality Haulers, Inc., et al.	Common Pleas	Anderson County
10/7/2008	D	Matthew E. Yelverton	Angel M. Foy v. Heritage Operating, L.P. a/k/a Heritage Propane Partners, L.P. and Heritage Holdings, Inc. d/b/a Blue Flame Gas of Moncks Corner and James A. Frazier	U.S. District	Charleston County
10/15/2008	D	Fred W. Suggs	Wanda and Peter Kessler v. Mary Black Health System, Upstate Emergency Physicians and Daniel Cramton, DO	Common Pleas	Spartanburg County
11/24/2008	D	Manning Y. Culbertson	Faye P. Brooks, as Personal Representative of the Estate of Terry C. Brooks v. BB&K Building Group, Inc., Norwa Normex Industrial Manufacturing, UMA Group Ltd., Fagen, Inc., and Fagen Engineering, LLC	Common Pleas	Greenville County
11/24/2008	D	J. Michael Turner, Sr.	Mary M. Crawley and Michael Crawley v. Thomas L. Roberts, III, MD	Common Pleas	Spartanburg County
12/4/2008	D	Thomas A. Kilgore, Jr.	Terry Lyn Chambers, in his capacity as guardian ad litem for John Roger Chambers v. PGT Industries, Inc.	General Court of Justice Superior Court Division	Davidson County
12/18/2008	D	Mackenzie G. Archenhold	Lori Batchler and Craig Batchler v. Stephen John Lewis, MD, Cherokee Womens Center, PA, Venkataiah Gutta, MD, and Gaffney Urology, PA	Common Pleas	Cherokee County

497

Charles L. Alford, Ph.D.
2009 Depositions, Trials & Arbitrations

Date	Deposition, Trial or Arbitration	Attorney	Case	Type of Court	Location
1/26/2009	D	Thomas A. Killoren	Michael D. Rousey v. Cedar Pines Apartments, LLC, West Park Apartments, LLC, NNN Arbors at Fairview LLC, NNN Arbors at Fairview, LLC and RAM Partners, LLC	US District	Greenville, SC
2/10/2009	T	Jay D. Lukowski	Alice K. Leavitt, individually and as Executrix of the Estate of Lee H. Leavitt v. Dr. Jeff Hoadley, Perimeter Surgical Associates, PC, Dr. Alan Farabaugh, Dr. Henry Perez, Emergency Care of Atlanta, Inc., and Saint Joseph's Hospital of Atlanta, Inc.	State Court of Fulton County State of Georgia	Fulton County, GA
2/20/2009	D	J. Faulkner Wilkes	Jeffrey Purcell and Indefible, LLC vs. Robert Fields, Beechwood Development Group of South Carolina II, LLC, Beechwood Development Group of South Carolina, LLC and Roxwell Synthetic Industries, LLC	Circuit Court	Greenville County
2/25/2009	D	Charles J. Hodge	Sarah D. McCulloh, as Personal Representative of the Estate of Kyle Thomas McCulloh vs. Cherokee County Department of Public Works	Common Pleas	Cherokee County
4/14/2009	D	Robert C. Wilson, Jr.	Joan C. Beaumont, Gerald P. Beaumont v. Dr. Jay A. Crockett, M.D., Greenville Colon & Rectal Associates, P.A., Dr. Albert Iosue, M.D., and St. Francis Hospital	Circuit Court	Greenville County
4/22/2009	T	Robert C. Wilson, Jr.	Joan C. Beaumont, Gerald P. Beaumont v. Dr. Jay A. Crockett, M.D., Greenville Colon & Rectal Associates, P.A., Dr. Albert Iosue, M.D., and St. Francis Hospital	Circuit Court	Greenville County
4/27/2009, 5/1/2009	T	Lisa R. Mobley	Stephen G. Colquhoun v. Amy E. Colquhoun	Family Court	Greenville County
4/29/2009	D	Frederick I. Hall, III	Deborah Ann Drawdy Jefferson, as Personal Representative of the Estate of Dennis W. Jefferson, deceased vs. John F. Stoud & Sons, Inc., Harry T. Rivers, Sid Calvin Leggette and Harold Tanner, Sr.	Common Pleas	Marion County
5/7/2009	D	Charles J. Hodge	MP and Saroj Patel, Willard Oil Company, Inc., Harry "Skipper" Lancaster v. City of Spartanburg	Common Pleas	Spartanburg County
6/23/2009	D	W. Duvall Spruill	Thomas Outten, and Simple Solutions, LLC v. Waffle House, Inc., Carrier Commercial Refrigeration, Inc., Wells Bloomfield, LLC and Lavista Equipment Supply, Inc.	Common Pleas	Greenville County
7/23/2009	D	Carmen S. Scott	Kathryn A. Schoap, as Personal Representative of the Estate of Donna Marie Jones, and Donald Jones, as Surviving Spouse of Donna Marie Jones v. Levern Livingston, MD, John K. Coriess, MD, Theodore G. Gourdin, MD; James M. Ravenel, MD; William P. Clare, Jr., MD; Jennifer Grasha, PA, Charleston Gastroenterology Specialists, PA, Charleston Endoscopy Center, LLC, West Ashley Primary Care, LLC, Doctor's Care and John P. Davis, MD	Common Pleas	Charleston County
7/28/2009	D	W. Lewis Glenn	Michael Hardy, Cesar Aparicio, and James Terrell Fleming v. Sunbelt Rentals Scaffold Services, Inc., and John S. Clark Company, LLC and Sunbelt Rentals Scaffold Services, Inc. v. Unique Designers, Inc.	General Court of Justice Superior Court Division	Mecklenburg County
8/12/2009	D	T. Ryan Langley	Jim Southerlin v. Pat Emrich, Individually; Nestle USA, Inc.	US District	Spartanburg, SC
8/18/2009	D	John E. Schmidt, III	Cheryl Hammond Hoskins, Individually and as Personal Representative of the Estate of Thomas R. Hoskins v. Sharon Snipes King and Wheels, Inc.	US District	Columbia, SC
8/18/2009	D	Jon E. Newton	Robert Simmons v. Super Service, Inc.	Common Pleas	Lexington County
9/3/2009	D	John C. Moylan, III	Callie G. White v. General Bearing Corporation and Corby Self	US District	Greenville, SC
9/10/2009	D	Paul S. Landis	Lynda McKinnon, M.D. v. Anderson Family Care, P.A., Wajdi A. Dbouk, M.D. and The People's Bank	Common Pleas	Pickens County
10/6/2009	D	J. Steven Welch	Dorothy Robinson as Personal Representative for the Estate of James P. Robinson, MD v. Gerald C. Hamrick, M.D., Paul Gregory Lee, M.D., Medical Anesthesia Consultants, LLC, and McLeod Regional Medical Center of the Pee Dee, Inc.	Common Pleas	Florence County
10/27/2009	T	Paul S. Landis	Lynda McKinnon, M.D. v. Anderson Family Care, P.A., Wajdi A. Dbouk, M.D. and The People's Bank	Common Pleas	Pickens County
11/11/2009	D	Eric R. Tornsen	Deborah M. McGuire v. Justi Shane Bannister, Danny Glass and Vicki Mask, d/b/a Shannon Transportation	Common Pleas	Anderson County
11/12/2009	D	Thomas B. Smith	Fleetwood Internal Medicine, P.A., d/b/a Fleetwood Internal Medicine & Family Practice, P.A. v. Bruce R. Schober, D.O., and Unknown Defendants A, B and C	Common Pleas	Pickens County
11/17/2009	T	Charles J. Hodge	MP and Saroj Patel, Willard Oil Company, Inc., Harry "Skipper" Lancaster v. City of Spartanburg	Common Pleas	Spartanburg County

498

Charles L. Alford, Ph.D.
2010 Depositions, Trials & Arbitration

Date	Deposition, Trial or Arbitration	Attorney	Case	Type of Court	Location
1/7/2010	D	Scott M. Anderson	Arthur Snoznik and Betsey Snoznik v. Jeld-Wen, Inc.	US District	Asheville Division
1/13/2010	T	Matthew David McCord	Stacy Alane Coulter v. Dwayne Christopher Coulter	Family Court	Greenville County
1/18/2010	D	Pope D. Johnson	Wachovia Bank, N.A. and Winifred R. McMaster, as Co-Personal Representatives of the Estate of Spencer R. McMaster, Jr., et al, vs. Winnsboro Petroleum Co., Inc.; William S. McMaster; Quay W. McMaster; William S. McMaster, as Personal Representative of the Estate of F.C. McMaster; et al.	Common Pleas	Fairfield County
1/28/2010	T	W. Duvall Spruill	Thomas Outten, and Simple Solutions, LLC v. Waffle House, Inc., Carrier Commercial Refrigeration, Inc., Wells Bloomfield, LLC and Lavista Equipment Supply, Inc.	Common Pleas	Greenville County
2/8/2010	T	Thomas M. Creech, Jr.	Mary Kathryn Powell and Vick Powell vs. Estes Express Line, Inc. and John McKellar	Common Pleas	Greenville County
2/18/2010	D	Geoffrey H. Waggoner	Deborah P. Fulmer, PR of the Estate of Nathaneal D. Fulmer v. William C. Bruker, Jr., MD, Wayne T. Frei, MD, and Aiken Regional Medical Center	Common Pleas	Aiken County
2/22/2010	D	Michael E. Spears	William D. Boling, IV v. Mohawk Industries, Inc. and Elbert Dane Hammond, as agent and servant of Mohawk Industries, Inc.	US District	Columbia Division
3/9/2010	D	Timothy D. St. Clair	Edward W. Van Romer and Basic Concepts, Inc. v. Interstate Products, Inc.	US District	Greenville Division
3/10/2010	T	Donald R. Moorhead	Noel C. Dillon v. Nell Frazer	Common Pleas	Greenville County
3/16/2010	A	Linda C. Hayes	Catherine L. Scott v. Randolph L. Scott	Family Court	Greenville County
3/17/2010	T	Timothy D. St. Clair	Edward W. Van Romer and Basic Concepts, Inc. v. Interstate Products, Inc.	US District	Greenville Division
3/22/2010	D	Mackenzie G. Archenhold	Amy Hartzell, as Personal Representative of the Estate of Robert Joseph Hartzell, deceased, v. Earl Hutchings, MD, Open MRI of Simpsonville, LLC, MedQuest Associates, Inc. and South Carolina Diagnostic Imaging, Inc.	Common Pleas	Greenville County
3/26/2010	D	Irving M. Brenner	GEO Plastics and Michael Morris v. Beacon Development Company and Southcross, LLC	US District	Rock Hill Division
4/6/2010	T	Robert M. Rosenfeld	Gwendolyn Rebecca McClure v. John Robert McClure	Family Court	Greenville County
4/8/2010	T	John R. Peace	Joyce H. Perrine and Robert E. Perrine v. Michael A. Peppers	Common Pleas	Anderson County
5/4/2010	D	Scott M. Anderson	Elizabeth Pettit and Brad Pettit v. Jackson Painting, Inc., and John Doe	Superior Court	North Carolina
5/6/2010	D	Eugene C. Covington, Jr.	Travis Brent Fortson and Heather Fortson v. Quality Haulers, Inc., et al	Common Pleas	Spartanburg County
5/21/2010	T	Robert M. Rosenfeld	Dorothy Nell Jones Hulsey v. Claude Wesley Hulsey	Family Court	Greenville County
5/22/2010	T	Ray E. Thompson, Jr.	William Mark Casey v. Gregory J. Feldman MD, Joseph A. Boscia III MD, Upstate Lung and Critical Care Specialists PC, and Devendra Shantha MD	Common Pleas	Spartanburg County
8/17/2010	T	Geoffrey H. Waggoner	Deborah P. Fulmer, PR of the Estate of Nathaneal D. Fulmer v. William C. Bruker, Jr., MD, Wayne T. Frei, MD, and Aiken Regional Medical Center	Common Pleas	Aiken County
7/16/2010	D	William M. Hogan	Hughes Special Services, Inc. v. Laurens Electric Cooperative, Inc.	Common Pleas	Laurens County
8/25/2010	T	Mackenzie G. Archenhold	Randy C. Moon as Personal Representative of The Estate of Amanda Grace Russell Moon, deceased, v. Everett Fuller, MD, at al.	Common Pleas	Greenville County
8/30/2010	D	J. Kendall Few	Vickie Gail Jordan Carrigg, Personal Representative of the Estate of Malforie Jordan Carrigg, deceased v. General Motors Corporation, M&M Auto Sales & Transport, Inc. and Honeywell International, Inc. f/k/a Allied Signal Corporation	Common Pleas	Darlington County
9/14/2010	D	Phillip R. Feagan	Lonnie Wayne Lassiter v. Vicki D. Searcy, a/k/a Vickie Searcy, Phillip Searcy, Jr., Hillcrest Adult Care Facility, Inc., and Lori Proctor	Superior Court	North Carolina
9/20/2010	D	Albert V. Smith	Shell L. Martin, as Personal Representative of the Estate of James Martin, deceased and as Representative of Statutory Beneficiaries v. Abbeville County Memorial Hospital, n/k/a Abbeville Area Medical Center and Loren J. Helmuth, MD	Common Pleas	Abbeville County
10/20/2010	T	Robert M. Rosenfeld	Danny Racine Lyda v. Cheri Hillard Lyda	Family Court	Greenville County

499

Charles L. Alford, Ph.D.
2011 Depositions, Trials & Arbitration

Date	Deposition, Trial or Arbitration	Attorney	Case	Type of Court	Location
2/7/2011	D	Eugene Ford Rash	Port Royal Cement Co., LLC v. South Carolina State Ports Authority	South Carolina Uniform Arbitration Act	Charleston, SC
2/21/2011	D	J. Steven Welch	David Poston, personally and as Personal Representative of the Estate of Linda F. Poston v. Dr. Elizabeth Bozeman, Dr. Gary Bozeman, The Urology Center of Spartanburg, P.C. and Spartanburg Regional Health Services District, Inc., d/b/a Spartanburg Regional Medical Center (Spartanburg Regional)	Common Pleas	Spartanburg County
3/14/2011	D	Marion C. Fairey, Jr.	Garnett Lee Thompson v. Clariant Corporation, f/k/a Sandoz Chemical Corporation; Synalloy Corporation d/b/a Blackman Uhler Chemical Company; Blackman Uhler, LLC; Biddle Sawyer Corporation; Degussa Corporation; RPM International, Inc. as Parent to DAY-GLO Color Corporation; DAY-GLO Color Corporation; Prime Colors Corporation; Liberty Specialty Chemicals, LLC; Eastbound Technologies, Inc. f/k/a MOCI USA, Inc; Chemetall Chemical Products, Inc.; Rhodia, Inc.; Nirav Dye & Chemicals, Inc., f/k/a Nirav Dye & Chemicals of North Carolina, Inc.; Colortex, Inc.	Common Pleas	Greenville County
3/16/2011	D	Wes A. Kissinger	Franklin D. Swafford v. Otis Elevator Company and Liberty Property Trust	Common Pleas	Greenville County
4/5/2011	D	J. Kirk Fisher	David Stanley and Louann Stanley v. Home Depot, U.S.A., Inc. and C&C Fencing	Civil Court	Greenville Division
4/12/2011	D	William M. Hogan	Eco Solutions, LLC and Premier Polymers v. Verde Biofuels, Inc. and R. Samuel Bell, Jr.	US District Court	Georgia, Rome Division
5/2/2011	T	Adam Fisher, Jr.	Christine W. Barnhart v. Eric L. Barnhart	Family Court	Greenville County
5/6/2011	D	Joshua D. Spencer	Providence Press, Inc. v. The Ralph and Virginia Hendricks Foundation	Common Pleas	Greenville County
5/24/2011	D	Sarah Day Hurley	Heath W. Scurfield, an individual, and Scurmont, LLC, a South Carolina Corporation doing business as Calli Baker's Firehouse Bar & Grill v. Firehouse Restaurant Group, Inc., a Florida Corporation, Three Alarm Subs, Inc., a South Carolina Corporation, and Fireside Restaurant Company, Inc., a South Carolina Corporation	US District Court	Florence, SC Division
6/8/2011	D	James H. Ritchie, Jr.	Richard Hawkins, MD v. QHG of Spartanburg, Inc.	Common Pleas	Spartanburg County
6/24/2011	D	David Michael Parham	John E. McNinney, Jr. and Colleen McNinney v. Myrtle Beach Family Medicine, PA, Terry A. Belden, M.D., Michael C. Overbeck, M.D., Grand Strand Regional Medical Center, LLC, David Lemmel, M.D., Eric Senn, M.D., Lewis Dickinson, M.D., Thomas A. Polen, M.D., Surgical Associates of Myrtle Beach, LLC	Common Pleas	Horry County
7/20/2011	D	Samuel D. Harms, III	Latasha L. Proctor v. Compass Group USA, Inc. d/b/a Canteen	Common Pleas	Greenville County
10/4/2011	D	Daniel F. Blanchard, III	Luke Way, a minor under the age of 14 years, by and through his parents and legal guardians, Donald Way, Jr. and Paula Way, Donald Way, Jr., and Paula Way v. Food Lion, LLC, d/b/a Food Lion of St. George and Reid's Store No. 131	Common Pleas	Dorchester County
10/10/2011	D	J. Steven Welch	Delwyn Williams, individually, and as Personal Representative of the Estate of Jacqueline Williams v. Milestone Family Medicine, P.A., and Richard Leland, M.D.	Common Pleas	Greenville County
10/20/2011	D	Douglas F. Patrick	Debra Gollihugh Witt as PR of the Estate of James Gary Witt v. Anderson Dermatology and Skin Surgery Center, LLC; Theresa G. Knoepp, MD; and Jeanne Szimanski, Nurse Practitioner	Common Pleas	Anderson County
10/24/2011	D	Thomas A. Killoren	John W. Hensley and Patricia J. Hensley v. Fred's Stores of Tennessee, Inc., Tony Lee Blevins, and Fred's Inc., Liberty Mutual Insurance Corporation and Allstate Insurance Company	Superior Court	Forsyth County
11/1/2011	D	Bernard S. Kloscwski	Southeast Sanctions Inc. d/b/a Cameo Publishing Group, et al v. The National Association for Campus Activities, et al.	US District Court	Columbia, SC Division

500

STATEMENT OF INDEPENDENCE

These analyses and the resulting report were both completed solely by me. I have no present or contemplated interest in any of the subject companies, nor do I have any other interest that would prevent me from performing an unbiased appraisal. My compensation is not contingent upon any action or event associated with the analyses.

In completing the analyses, I have depended upon standard sources of information. These include income tax returns and company internal accounting records. I have also depended on certain other information provided by the owners of the companies. In the report, I have identified the information that was provided by these sources. I have assumed that this information is true and correct. The validity of the analyses depends in part on the accuracy of this information.

Permission for reproduction of this report is limited to those persons who would do so for the express purpose of engaging in or assisting in the litigation matter that led to this report. Use of this report is limited to that matter.

By offering this opinion, I am not required to offer testimony, review other reports, or attend any court hearings related to the report unless prior arrangements have been made.

Charles L. Alford, Ph.D.

11/22/21

B.E.S.T. Restaurant Group
Lake Point Restaurants, Inc.
Beachfront Foods, Inc.

August 23, 2002

Dir. Of Operations Job Discussion and Action Planning

Dear Kyle,

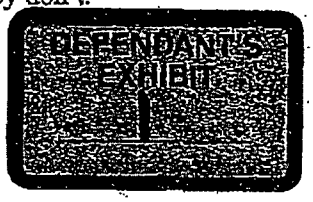
As your list of accomplishments points out, a lot has happened since you came on board in June of 2000. From creating the B.E.S.T. philosophy and installing a whole new kitchen staff at Larkin's to acquiring and re-building an operation at Murry's, it's been a busy two years for you (like I need to tell you that). Much time has been spent developing programs, processes, menus, etc. and it has been necessary to get us to where we are today. It's also exciting to hear that you are glad to be here, happy that you made the right choice and look forward to taking us where we know we can go!

Looking forward, it's time for action. Time for getting things done, not writing about how to do them. It's time for developing key personnel, not writing the programs for doing it. It's time to delegate, follow-up and hold our people accountable. Now is the time for our key personnel to get excited about their accomplishments and results not get frustrated because they can't get anything done. Now is the time for execution and the discipline of getting things done!

Execution: The gap between what a company's leaders want to achieve and the ability of their organization to deliver it.; Using a leader's comprehensive understanding of a business, its people and its environment to accomplish results!

Results, action, execution; this is what we must focus on to be all the things we worked so hard on over the past two years. Our company mission, its goals, etc. won't be worth the paper they're written on without results. Training programs are worthless if the cook can't cook and the server can't serve at the level of standard we need to grow the business.

How do we achieve results? Through the work of our people. It is now imperative to have the right people in the right places. If we don't, we can't do our jobs because we are doing theirs. Our success will depend on selecting and then placing people in the right jobs. We must be tough on standards and results while being fair and compassionate with our people. We must give our people the tools and training necessary to succeed, coach them if they don't and reward them if they do. If we make a mistake with our personnel decisions, we must correct it immediately before it impacts the business and our ability to get to where it is we are going. Our success will be determined by the number of "A" players we have and the extent to which we can channel their efforts. We MUST make the time for our people, help them to succeed, and make the tough decisions about their future and ours when they don't.



As for expectations (a word which will be incorporated into all we do and teach), we believe it's critical for everyone to know what is expected of them in order to 1). Eliminate ambiguity, 2). Gauge results and 3). Attack each day with confidence. This will be important through the organization. Specifically for your position, Larkin and I expect...

- You must exemplify the leadership, judgment and decision making necessary to achieve results and attain our goals.
- The majority of your time to be spent with your key people. This is the only way to get us where we are going.
- Communication: With your staff – Expectations and feedback. Expectations and feedback. All day everyday, what am I supposed to be doing and did I do it correctly. With us - Clear, concise, where are we vs. results we are looking for and what is in our way of getting there.
- Create an environment through training, feedback and coaching where successful behavior flourishes and poor performance is weeded out quickly. Personnel decisions will make this an easy reality or an impossible task
- Exceed financial results. Demand adherence to proper product handling, portioning and inventory controls. Why don't we have a beer reconciliation on Larkin's like the one I did on MaLarKie's? Don't allow errors to cost us real dollars with our payroll. It's the little things that add up to a lot of expenses?
- Ask for help when you need it. No longer rely on it when you don't.
- Don't run out of batteries, duck food or kid's menus. Or worded differently, Don't unnecessarily require our valued employees to share pagers requiring the expeditor to hunt them down and/or their guests to wait for food; Don't let our food cost go up because families ask for crackers/rolls to feed the ducks, Don't allow our guests to get the incorrect impression that we aren't a kid friendly restaurant.
- Maintain a restaurant facility at its highest level of cleanliness and repair for our guests to enjoy.
- Know that we will never expect perfection; only the attitude and enthusiasm and results from those we employ who strive to attain it.
- Not having to bus tables or pick up the trash because it's getting done timely.
- Not having to deliver drinks or the dessert tray because it's already being done
- Not having to catch vendor errors because one of the managers already did and corrected it
- Have fun! Results are always more fun (and rewarding) than the work getting there.
- Protect our collective assets.
- Follow what we have talked about for the past two years!
- You to make $100,000.00 in 2003.

Compensation

Base pay will remain the same at $45,000 annual salary. Like we said before, the real financial rewards come from increasing the value of the business both short and long term which is what all shareholders of a company want to achieve. To that end, you are incented to grow that value in two ways. First, in annual bonus objectives focused on improving net dollar contribution/flow-through; and second in stock ownership in the two operating companies (BF Inc. & LPR Inc.) which incent you to grow the business you help to make profitable.

One thing you asked for is help feeling like an owner and showing you what success looks like. Many things can do this and certainly a well structure bonus program is a critical part of it. As such, your bonus will no longer have a "target". Your bonus will be closer to the ownership compensation that Larkin & I exist under where every day's decisions either put more money in your pocket or less. But more than that, success of any CEO will mainly be defined as profitable growth. The shareholders of these companies are no different.

Until improvements are made to our accounting processes, we will still work against controllable profit dollars. This will change to EBITDA in 2003 with the corresponding targets adjusted. Bonus will be paid out quarterly for Q3 & Q4 '02 on the following simplified scale based on results:

Less than 85% of plan = $0.00 payout
85% to 95% of plan = $1500.00 payout from LPR and $1000.00 from BFI
95% to 100% of plan = $5,000 payout from LPR and $2000.00 from BFI
For dollar results greater than plan, bonus will be $5,000 from LPR and $2,000 from BFI plus 20% of the dollar results achieved.

Our plan is to eliminate the multi-tier scale over time, keep simplifying the plan and replace it with a straight-forward, percentage of results achieved plan. Seasonality and accounting processes need to be ironed out to get us there but I'll now have the time to work through those areas.

Additionally, you will start to get a paycheck, from both corporations, mailed to your home each pay period.

We want to pay **you** for making **us all** rich! We want you to make the decisions everyday, put the time and effort against the things that really bring results to take this opportunity to get out of life more than you ever thought possible!

It's a choice, everyday.

B.E.S.T. Restaurant Group

Lake Point Restaurants, Inc.
Beachfront Foods, Inc.

December 1, 2003

Dir. Of Operations
Job Discussion and Action Planning

Kyle,
As we sit down to write this the first thing that comes to mind is that nothing included in this should be new news. If it is, we have not done our job. That being said, it is, however, an opportunity to ensure we are all on the same page, moving in a direction that works for us all.

OPERATIONS

Quality - Great strides were made with consistency. One of the cornerstones of a successful restaurant and not an easy one to master. ***The challenge going forward will be to maintain or exceed this level of execution while adding some additional complexity to the menu.*** Consistency on the bar is still an area that could use the same attention.

Service – Although the best execution in the area, we are still missing our goal of a thoroughly trained F.O.H. staff. Turnover makes this a difficult goal to master but our desire to raise the bar makes it imperative. Knowledgeable hostesses, servers and bartenders make a huge difference in our guests' experience and to our bottom line.

Cleanliness/Facility – From our customers point of view things are OK most of the time. We all know, however, that the restaurant is not up to our own standards. Everything from trimming the landscaping to cleaning the bar area are not being done as well or as often as we all would like. And it often only gets done if one of us do it. Organization falls in this area and our various storage areas are some of the worst offenders. ***You need to set the standard for your management team and hold them accountable for getting it done to your satisfaction. An inspection form will help in this endeavor.***

LEADERSHIP

How do we achieve results? Through the work of our people. It is now imperative to have the right people in the right places. If we don't, we can't do our jobs because we are doing theirs. Our success will depend on selecting and then placing people in the right jobs. ***You must be tough on standards and results while being fair and compassionate with your people. You must give your people the tools and training necessary to succeed, coach them if they don't and reward them if they do.***

If we make a mistake with our personnel decisions, we must correct it immediately before it impacts the business and our ability to get to where it is we are going. Our success will be determined by the number of "A" players we have and the extent to which we can channel their efforts. This will be important through the organization.

As the leader of your operations team, ***you must spend time developing your key people.*** This is the only way to get us where we want to go and create the type of environment that's fun for you to work in.

Also as the leader, it is imperative for you to ***constantly communicate your expectations to your staff and let them know when and where they fall short of your standards and/or expectations.*** Create an environment through training, feedback and coaching where successful behavior flourishes and poor performance is weeded out quickly (Charlie?).

SUMMARY

Larkin and I are very proud of you and the results you achieved this past year. As we spend less time in the operation, we will rely more on you than ever before to carry out any and all decisions we make as a team. ***You must stick to your commitments and keep us informed if there are problems or obstacles in your way.***

We have so much talent in this company and we come up with so many great ideas yet somehow very few actually get implemented. ***Follow up and follow-through will be key to keeping ahead of any current or future competition and will be paramount for future growth.***

B.E.S.T. Restaurant Group
Lake Point Restaurants, Inc.
Beachfront Foods, Inc.

April 7, 2004

Kyle Pertuis
Dir. Of Operations
2004 Plan Year Compensation Plan

Kyle, as we look at the balance of 2004, we look at it as the end of a transition plan and the start of defining a new role for you and for Larkin and me. As we discussed in the past, 2005 is the year we plan to really have less involvement in the operation of the business and the year you take on a great level of autonomy in the day-to-day running of the operation. With that change will come changes in how all of us are compensated. This year will help in that transition as you also increase your ownership percentage in the two companies.

Base Pay – Your base for 2004 will stay at $45,000.00 to compensate you for overseeing the two locations.

Incentive Plan – Your incentive plan will be $6250 per quarter or $25,000 per year. Your last payout was your first that exceed the target. I hope it sets a new trend that continues. Incentives will still be based on controllable profit however, as we discussed, I am looking for more exciting and rewarding ways of structuring this. One change going forward is reducing the taxable amount of your incentives through the use of shareholder distributions which will be applied to the incentive payouts to benefit you an extra 71/2 percent in real cash.

Company Car – New this year is an auto program. Our plan is to replace your truck with another vehicle to increase your base pay without creating a tax disadvantage for both you and the company. We are targeting a value of $425.00 per month for this new program.

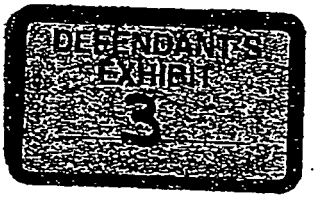
Vacation Days – You will accrue 3 weeks of paid vacation per year or 1 ½ days per month. At the start of the year you had 18 days. As of the first of April you have a net balance of 17 ½ .

Additionally, we are willing to assist you in the purchase of exercise equipment in the amount of $250.00 for your personal gym in lieu of the $20.00/month we spent on gym membership. All other perks/benefits remain as in the past (med. Ins., cell phone, company ownership, trips/training programs, etc.) but we always look forward to adding new ones!

We look forward to sitting down with you to formally review your performance and ensure we are all looking at our business and our respective roles the same.

Sincerely,

Mark & Larkin Hammond



LARKIN'S
ON THE LAKE

Mark Hammond
President & CEO

April 19, 2005

Kyle Pertuis
Director Of Operations

Dear Kyle,

It is with great excitement and enthusiasm that Larkin and I have discovered this opportunity for all of us to share in. It took several months to bring to fruition but I'm sure I can speak for all of us in saying it will be worth it. Of course, this growth opportunity is only able to become a reality because of your ability to oversee, direct and ensure the continued successful operation at this new location as well as our other facilities.

For this additional responsibility, we will offer you the following package:

Base Salary: $55,000.00
Bonus: $48,000.00
($20,000 each for Larkin's and Rene's and $8,000 at Malarkie's)
Company Car: $6,000.00 per year for auto and related expenses (gas, reg., ins., etc.)

Additionally, you will have the following expenses paid for by the company:

Cell Phone
Medical Insurance for you and April
Personal Income Taxes prepared and filed
Life Insurance
Attendance at two seminars/shows per year

We also agree to pay up to $800 for each of three month's temporary housing in Greenville or you may use this toward relocation to the GSP area.

As we indicated earlier, we want you to have ownership in FRR, Inc. and are looking at some creative ways to make this happen. We've got a lot to do but we know that you are key to making it happen. We're here to support you as you get Rene's smoothed out, your team in place and the operation functioning so we can all celebrate after summer! In the meantime, we're looking forward to Chicago.

Sincerely,

Mark Hammond

DEFENDANT'S EXHIBIT 4

LARKIN'S
RESTAURANTS, INC.

REVIEW & GOAL SETTING

KYLE PERTUIS
MANAGING PARTNER
JULY 2, 2007

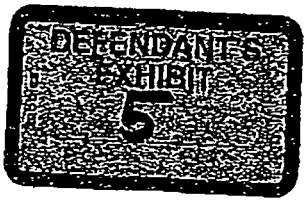
Looking back it really is quite amazing just how much you've accomplished both personally and professionally over the seven years we've known you. And yet, it is over the next 12 months that everything you've learned, trained for and thought about will be truly put to the test. Although today is an opportunity for us to discuss past performance, it is your future goals that are of the greatest importance.

Our goals today are (1) to reach clarity on your key business goals and start the process of developing a roadmap for achieving them; (2) Define current changes to your comp. plan; (3) Discuss key areas of performance to better prepare you for success.

Learning from the Past / Preparing for the Future

The team with the best players wins.
The company culture is critical to attracting and retaining the best players.
Moving from Single to Multi-unit management
Bench strength
Awareness!!!
Unit-level success is in the details
Follow-up, Follow-up, Follow-up
Taking immediate corrective action
Over communicate
Develop Systems to stay on track
- Unit level feedback
  - -Operations
  - -Finance
- Corporate status updates
  - -Projects
  - -Finance
  - -Human Resource

Accountability to Investors



Your Goals Going Forward
Personal Life Style – 1/3/5/10 years out.

Work/Passion – 1/3/5/10 years out.

Income – 1/3/5/10 years out.

Immediate Business Goals
Management Training & Development
Unit-level Profit Growth
Brand Strength and Image
Unit Growth

Compensation – F.Y.E. 2008

Base Salary:	$60,000.00
Bonus:	$50,000.00 ($25K for each LOL & LOR)
Company Car (gas, reg., Ins., etc.)	$6,000.00 per year for auto and related expenses

Additionally, you will have the following expenses paid for by the company:

Cell Phone
Medical Insurance for you, April & Dallas
Personal Income Taxes prepared and filed
Life Insurance
Attendance at two seminars/shows per year
$100/month for field research
Attend field trips
PDA or equivelent if helpful

kyle pertuis

From: Mark Hammond [Mark@Larkinsontheriver.com]
Sent: Saturday, June 14, 2008 9:06 AM
To: kyle@larkinsontheriver.com
Subject: Some thoughts
Attachments: Kyle notes 2008.doc

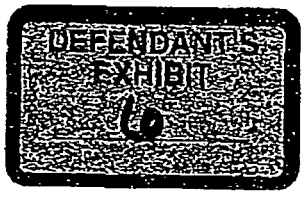
Here are some thoughts to think about for our Tuesday meeting.

Have a great weekend.

Mark Hammond
Larkin's Restaurants

Exceeding our Guests' Expectations

Internal Virus Database is out-of-date.
Checked by AVG.
Version: 7.5.518 / Virus Database: 269.21.7/1322 - Release Date: 3/9/2008 12:17 PM



(3)

Kyle,

I wanted to give you some of our thoughts along with a few Brainstorming options for you to give some thought to as you work to better define a partnership that meets your needs and ours as we all look to our respective future.

We've state our financial goal of $100K monthly income and have taken the necessary steps that we believe will achieve that result in 2010. Cooinsiding with that goal is a desire to no longer be involved in the daily operation. Our assumption is that we will still be primary shareholders in the company (ies) and will function more as a board of directors. (Reviewing strategy, analyzing the business, consulting with management on strategic direction to ensure the continued health of the company since our livelihood will depend on the continued success of the business until at some point it is sold/we are bought out.) Of course this means that we need someone to operate the business. Oversee not only the daily operation but also make the decisions that keep the business moving forward. That means setting strategy, analyzing the marketplace, developing and leading a team of professional, passionate operators to run the daily business.

If that's something you want to do and are excited about, then let's look at what can be done to increase your income from the business you run. If you want to do something different, let's talk about what that can look like. Let's make this a win-win for all of us so we all are getting what we want. But first, you have to know what it is that you want to do.

So, some of several options might look like...

1. Keep current arrangement. With 10% of Lake Point and Beachfront plus what I hope will be 10% of Front Roe this year you will own approximately $250,000 in net street equity on the businesses. You will also receive shareholder distributions of approximately $30,000 in 2008 from this ownership.
2. Increase ownership through personal investment in business. Just like buying stock in a public company that pays quarterly dividends, the more shares you own, the more you receive in quarterly dividends and the more appreciation you make when the company's value increases. Like any business, you want to invest where you can get the greatest return with the least risk.
3. Create a win-win proposal to receive more equity by creating more shareholder value. If you can drive the companies' bottom line to $2MM, you could drive your equity to 20%. Drive it to $5MM you could get 50% equity.

(4)

4. Buy out part of the business and run it without us.
5. Get investors to expand the business rapidly. Our share is smaller but of a bigger pie.

We look forward to getting with you on Tuesday to explore these and your thoughts. Have a great weekend.

Mark & Larkin

kyle pertuis

From: Kyle Pertuis [kyle@larkinsontheriver.com]
Sent: Tuesday, January 06, 2009 8:39 AM
To: 'Mark Hammond'
Subject: questions

Here are some of the things I need from you and Larkin as it relates to shareholder docs-

The insurance policy you have on me dates back about 5 years- shouldn't it be reevaluated as far as the amount of coverage is concerned?
What are your thoughts on disability insurance? And what is your biggest opposition?
What is the current formula for valuating a share of stock in our company? And what is that value?
If I wanted to "buy" an additional 23% of the company to equalize my shares- what would that cost be in todays present value?
What do we have in place in the event that one or both of you should die unexpectedly? Have you considered buyout and buy back provisions?
There is some language in the old docs and more so in the new docs regarding "termination" of a partner- how would you define "cause"?
We have talked about forming an umbrella company- and have created Larkin's Restaurants, Inc. – although this is not really an incorporated entity- we could be asking for trouble- can we form Larkin's Restaurant Group as a holding company through which marketing, consulting, possibly officer salaries are handled?

As I finish defining what I want from an ownership, growth, and compensation stand point it is important for me to really have clarity on what you want your roles to be and when- I enjoy having you as partners and I think we need to spend some time together creating a succession plan- I will give you the input we need on what it will take to continue the growth of the company- and appreciate you and Larkin's interest in what I want- I don't want you all to feel like you can't step out of the business so- if you want to be in it – I need to know at what level and I understand that this is a difficult step- I look forward to many open conversations about expectations on both ends-

I think that is it for now regarding the new docs-

I will have several things compiled for us when you get here as it relates to operation- and will send you and Larkin out a topical outline before Thursday so you can formulate your thoughts-

Kyle Pertuis
Managing Partner
Larkin's Restaurants
828-289-5613

"Exceeding Our Guests Expectations"

www.larkinsonthelake.com Lake Lure, NC
www.larkinsontheriver.com Greenville, SC
www.larkinscarolinagrill.com Columbus, NC

2009 Larkin's Rhythm on the River - Better than Ever!
www.RhythmontheRiver.com

kyle pertuis

From: Kyle Pertuis [kyle@larkinsontheriver.com]
Sent: Friday, March 06, 2009 10:23 PM
To: kyle@larkinsontheriver.com
Subject: FW: Partnership Agreement
Importance: High
Follow Up Flag: Follow up
Flag Status: Flagged

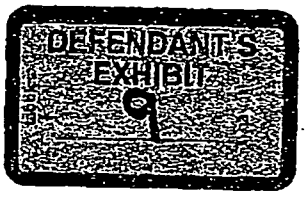
Kyle Pertuis
Managing Partner
Larkin's Restaurants
828-289-5613

"Exceeding Our Guests Expectations"

www.larkinsonthelake.com Lake Lure, NC
www.larkinsontheriver.com Greenville, SC
www.larkinscarolinagrill.com Columbus, NC

2009 Larkin's Rhythm on the River - Better than Ever!
www.RhythmontheRiver.com

From: Mark Hammond [mailto:Mark@larkinsontheriver.com]
Sent: Friday, February 20, 2009 4:39 AM
To: 'Kyle Pertuis'
Cc: 'Larkin'
Subject: Partnership Agreement



Kyle,

Thanks for taking the time to work on our partnership agreement and share your ideas and concerns with us. As we discussed earlier, I want to get you something in writing to confirm where we are today and where we want to go. Some quick bullets outlining our discussion and agreement.

1. We will look into forming an umbrella corporation or choose another means to equalize your ownership interest across the three companies.
2. Develop a lease between Lake Point and Largo Properties to ensure Lake Point's ability to operate at its current location long-term.
3. Re-evaluate your life insurance policy to provide adequate coverage for your family's needs.
4. Look into Key Man life policies for corporate officers as a benefit to the other officers.
5. Ensure adequate language is included in the agreement to address any concerns regarding continued ownership and control of the company(s) in the event of a death, divorce or other departure of one of the partners.
6. Disperse shareholder distributions on an annual basis according to completed K-1 forms.
7. Clean up all "due to/from shareholder" accounts and define treatment of Beachfront's sale of

Pg. 9

MaLarKie's and opening of Carolina Grill as it relates to Kyle's payouts and investment requirements.

8. Create an opportunity for Kyle to own 33% of the company(s) through company loan, revised vesting schedule with development targets or other means agreeable to all parties.

The next steps are:

- Mark to discuss items 1, 3, 4 and 7 with business advisors and report back with clarification and direction on these items by March 1, 2009.
- Mark to write lease for Lake Point to address item 2 by March 31, 2009.
- Mark & Larkin to spell out two or three options to address item 8 and present to Kyle by April 1, 2009 or earlier.
- Kyle to provide initial draft of employment agreement and buy-sell/shareholder agreement to Mark & Larkin including language to address item 5 consistent with our agreement and discussion from yesterday's meeting. Anticipate draft documents to be available by April 30th for initial review.

If I missed any item from our discussion please let me know so I can be sure it gets addressed. We look forward to finalizing these important documents and charting a course together to exceed our individual and collective goals.

Mark & Larkin

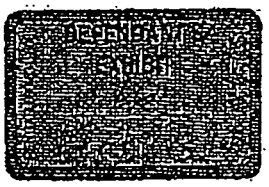
Pg. 10

MASTER RELATIONSHIP AGREEMENT

(Concerning Ownership and Operations

of

The Larkin's Restaurant Group)



This Master Relationship Agreement dated _____, 2008 (this "Master Agreement"), is made and entered into by and among Kyle Pertuis ("Kyle"); Mark Darrell Hammond ("Mark"); Larkin Lawson Hammond ("Larkin"); Lake Point Restaurants, Inc., a North Carolina Corporation ("Lake Front"); Beachfront Foods, Inc., a North Carolina Corporation ("Beachfront"); and Front Roe Restaurants, a _____ Corporation ("Roe") (collectively the "Parties").

WHEREAS, Kyle, Mark and Larkin (collectively the "Owners" or "Shareholders", sometimes referred to individually as a "Shareholder") are currently the shareholders of Roe, Beachfront and Lake Point (collectively the "Larkin Group Restaurants" or "LGR Entities") which own and operate restaurants in North Carolina and South Carolina.

WHEREAS, Mark and Larkin originally opened Lake Point in 199___, which was the first of the Larkin Group Restaurants to commence operations.

WHEREAS, Mark and Larkin hired Kyle in _____ as a General Manager for Lake Point, with the intention of allowing him an opportunity to acquire or earn a portion of the stock equity in Lake Point.

WHEREAS, over time by and through several agreements, Kyle has acquired a 10% equity interest (____ shares) in Lake Point.

WHEREAS, Beachfront was created in 2001 with Mark and Larkin as the owners of 90% of the issued and outstanding equity shares (____ shares), and Kyle as the owner of 10% (____

shares) of the issued and outstanding equity shares. Beachfront was initially utilized as the corporate parent for Malarkies restaurant. However, Malarkies was sold and the company subsequently opened a new enterprise known as Larkin's Carolina Grill.

WHEREAS, Roe was formed in 20___ to own, manage and operate "Larkin's On the River" in Greenville, South Carolina. Mark and Larkin established the company and provided Kyle with a right to acquire up to 15% (____ shares) of the equity in the company pursuant to a vesting schedule tied to revenue growth of the company. (At this time Kyle's vested interest in Roe is 6%.)

WHEREAS, the Parties recognize the singular nature of their arrangement and believe it is the right time to revisit prior agreements, both written and oral, thereby ensuring that each party is assured their interests are protected, to memorialize certain verbal agreements between the Parties and to set forth an exit strategy for the Parties in the event of the death, bankruptcy, or disability of a Party.

WHEREAS, this Master Agreement is intended to set forth specific guidelines for the future conduct of the Parties. This Master Agreement may reference other arrangements and agreements which shall govern the business of the Parties going forward. The Parties intend this Master Agreement to supersede all other agreements between the Parties as it relates to the specific issues enumerated herein.

NOW THEREFORE, for the consideration contained herein and for other good and valuable consideration, the Parties agree as follows:

1. Kyle shall be granted an additional ____ shares of Lake Point; an additional ____ shares of Beachfront; and an additional ____ shares of Roe as documented on Schedule A "Acquisition/Vesting of Additional Shares" attached hereto.

H. Kyle has become a valuable asset to the overall business of Larkin Group Restaurants. As such, Mark, Larkin and Larkin Group Restaurants agree to the following:

A. Kyle's compensation and fringe benefit package shall be amended to provide him with the benefits listed on Schedule B. Schedule B shall break down the specific compensation and benefits that shall be paid by each specific entity [this is the only way to generally state a benefit package – unless you establish a parent company which will pay all benefits directly – this would be a better way of doing things if all the entities were owned in the same percentages and a management agreement was then entered with each individual entity]. YOU MAY WANT AN EMPLOYMENT AGREEMENT? If you do we can add an Addendum with an Employment Agreement – attached is a sample Texas based Agreement. Schedule B may be amended at any time only with the consent of all parties hereto.

B. Kyle is currently the _____ Manager of the Larkin Group Restaurants. Kyle cannot be terminated, demoted or otherwise have his job description or benefits changed, except for cause as defined on Schedule C attached hereto.

C. Mark and Larkin agree to provide Kyle with a "right of first refusal" prior to any sale of their interests in any of the entities comprising the Larkin Group Restaurants. The terms of the right of first refusal are provided on the attached Schedule D.

D. The Parties shall purchase sufficient life insurance on Kyle to provide funds to purchase from his estate any interest he has in the Larkin Group Restaurants entities. Kyle agrees that upon his death, he shall obligate his estate to sell all of his interests pursuant to the provision of Schedule E, which shall provide in part that upon

his death his estate shall be entitled to either the proceeds of all life insurance policies held on his life or the actual value of his interests in the Larkin Group Restaurants entities ("Value") whichever is greater. Such purchase shall be consummated within 6 months from the date of death. Additionally, for purposes of valuing his interest in the entities, no minority discounts shall be applied in the determination of Value.

E. Additionally, absent death or disability, the current understanding of the Owners is that Kyle's stock in the LGR Entities may be repurchased upon his separation from the LGR Entities. All such arrangements are hereby null and void and are replaced with the terms listed on Schedule E.

F. Mark and Larkin agree that they shall not dilute Kyle's interest in any of the Larkin Group Restaurants entities without Kyle's express written consent. Additionally all Shareholders agree to impose the restrictions on the sale of interests in the LGR Entities as provided in Schedule F.

G. The Parties agree to amend and clarify the terms of any stock grants made to Kyle. The agreements for the entities are hereby amended to provide as follows:

1. _____;

2. _____; and

3. _____.

H. Mark and Larkin shall provide Kyle with co-sale rights (the right to participate in any sale of a substantial portion of the ownership equity in the LGR Entities) as provided in Schedule G. This is done to prevent him being forced to remain with the entities as a minority owner with new majority owners.

III. Pending approval of tax advisors, the Owners believe it is prudent to amend its policies for providing draws and distributions to the Owners. As each entity has different ownership percentages, the attached Schedule H provides the manner in which draws and distributions shall be made henceforth.

IV. Mark and Larkin hereby grant Kyle an option to purchase additional interests in Larkin Group Restaurants. It is the Parties intent to allow Kyle to purchase additional interests in the entities to allow him to eventually own up to ____% of each entity comprising Larkin Group Restaurants. The terms and conditions of this option are contained in Schedule I attached hereto.

V. In the event of Mark's or Larkin's death, the interest of such decedent shall either be granted to the surviving spouse or be sold back to the appropriate entity at market price, upon terms and conditions as are commercially reasonable for such entity, the surviving Owners and such decedent's estate.

VI. Additional vesting issues for:

A. Lake Point – amounts and terms;

B. Beachfront – amounts and terms; and

C. Roe – amounts and terms.

VII. The Parties agree to revise and amend the appropriate corporate documents to comply with the terms hereof. Further, the specific terms enumerated herein shall supersede any contrary terms or provisions in the governing documents, employment agreements and shareholder agreements of the Parties. Any further modification of the matters contained herein shall require the affirmative consent of all Parties hereto.

VIII. Funding Issues on current projects – Who is responsible?

IX. Guarantees.

X. Ownership of Real Estate – Fair dealing with self-interest contracts.

XI. In the event Mark and Larkin desire to sell their interests in one or more of the LGR Entities Kyle shall have the right to participate in the transaction. His rights shall consist of those contained in Schedule _____

XII. New Ventures. Rights? Obligations? Funding issues? Do you Invest or Vest? Must you be a signatory to the Agreements?

XIII. Draw schedules.

XIV. Any third party who acquires an interest in any of the LGR Entities subsequent to the date of this Master Agreement agrees to comply with the all of the conditions, obligations, covenants and terms of this Master Agreement and must execute a written acknowledgment (a "Joinder Agreement") as if they had been originally signatory parties to this Master Agreement and that they agree to be bound by the terms hereof, and their spouses must consent in writing to the terms of this Master Agreement.

XV. Standard miscellaneous stuff about jurisdiction, venue, counterparts, etc.

Schedule A

Acquisition/Vesting of Additional Shares

Schedule B

Benefits

Schedule C

"For Cause" Termination

"For Cause" Termination. The Company may discharge Kyle "for cause" without any further liability to Kyle or his estate except to pay accrued but unpaid salary. "Discharge for cause" means termination, upon written notice, limited to one or more of the following reasons:

a) Fraud, misappropriation, or embezzlement in connection with the LGR Entities as determined by the affirmative vote of all of the Shareholders of the LGR Entities; or

b) Mismanagement or gross neglect of Employee's duties as determined by the affirmative vote of all of the Shareholders of the LGR Entities; or

Change of Control. In the event of a "change of control" of the Company which results in the Executive being terminated or resigning of his own accord, the Company shall pay him a Severance payment equal to three years base salary (three years base salary shall be determined by adding up the trailing twelve months base salary and multiplying that number by three). A change of control shall occur when

Schedule D

Right Of First Refusal

Notice of Right of First Refusal. A Shareholder desiring to sell, assign transfer or otherwise dispose of all or any part of or interest in the LGR Entities (the "Selling Shareholder") shall give notice in writing (a "Notice of Offer") to the other Shareholders and all of the other Shareholders (the "Continuing Shareholders") stating that the Selling Shareholder has a bona fide offer for the purchase of his Stock (an "Offer"), the number of shares of Stock to be sold pursuant to the Offer, the name and address of each person proposing to purchase such Stock and the sales price and terms of payment of the Offer.

Corporation's Right of Purchase. The Notice of Offer shall constitute an offer to each specific corporate entity, valid for thirty (30) days following the receipt of the Notice of Offer, to sell the Stock subject to the Offer to such entity upon the price and terms proposed in the Offer. Each such entity shall have the option, but shall not be obligated, to purchase all or any portion of the Stock subject to the Offer.

Continuing Shareholder's Right of Purchase. If each such entity does not, within the time specified, exercise its option to purchase all of the Selling Shareholder's Stock that is subject to the Offer, such entity shall immediately notify its Continuing Shareholders, setting forth the number of shares of Stock available for purchase, and the Continuing Shareholders shall then have the option to purchase their pro rata share of the Stock not purchased (determined in accordance with the respective ownership of Stock in such entity by all Continuing Shareholders who exercise this option) for a period of thirty (30) days from the expiration of the entities right of purchase.

Notice of Exercise. If such an entity and/or the Continuing Shareholders elect to purchase all of the Selling Shareholder's Stock that is subject to the Offer, the specific entity, on its behalf and on behalf of the Continuing Shareholders who elect to purchase the Stock subject to the Offer, shall give notice of exercise in writing (a "Notice of Exercise") to the Selling Shareholder within sixty (60) days after the date of receipt of the Notice of Offer.

Permitted Transfer Following Right of First Refusal. If at the end of such second thirty (30) day period the Continuing Shareholders have not elected to purchase all of the remaining Stock of the Selling Shareholder that is subject to the Offer, then neither such entity nor the Continuing Shareholders shall be entitled to purchase any of such Stock and the Selling Shareholder may sell all of the Stock subject to the Offer pursuant to the terms of the Offer for a period of sixty (60) days from the end of such second thirty (30) day period. Notwithstanding the foregoing, any material modification of the Offer made subsequent to the Notice of Offer shall constitute a new Offer and notice in writing must be given again pursuant to this Right of First Refusal.

Schedule E

Buy-Back Provisions

1 Death of Kyle. In the event of the death of Kyle the other Shareholders (or the Company, upon the agreement of such surviving Shareholders) shall have the option to purchase, and upon the exercise of such option the holder(s) of the deceased Shareholder's Common Stock in the LGR Entities shall be obligated to sell, within thirty (30) days after the death of such Shareholder, all, but not less than all, of the shares of Common Stock owned by the deceased Shareholder and his spouse in the LGR Entities, at the price and pursuant to the terms and conditions set forth in Section 8 and Section 9 hereof.

2 Disability of Kyle.

(a) Purchase. In the event of the Disability (hereinafter defined) of Kyle, the other Shareholders (or the Company, upon the agreement of the other Shareholders of the in the LGR Entities) shall have the option to purchase, and, upon the exercise of such option, the disabled Shareholder shall have the obligation to sell, within 90 days after the Shareholder has been rendered Disabled pursuant to Section 2(b), all, but not less than all, of the shares of Common Stock owned by the disabled Shareholder and his spouse in the LGR Entities, at the price and upon the terms and conditions set forth in Section 8 and Section 9 hereof.

(b) Definition of Disability. For purposes of this Agreement, a Shareholder shall be subject to a Disability at such a time as he is unable, due to illness or other incapacity, to perform his normal functions on behalf of the Company for a period in excess of one year.

3 Bankruptcy of Kyle. In the event that Kyle files a petition under the bankruptcy or insolvency laws or has such a petition filed against him which is not dismissed within ninety (90) days, the other Shareholders (or the Company, upon the agreement of the other Shareholders) shall, within thirty (30) days after the expiration of such ninety (90) day period, have the right, but not the obligation, to purchase all, but not less than all, of the shares of Common Stock in the LGR Entities owned by the bankrupt Shareholder on a pro rata basis, at the price and upon the terms and conditions set forth in Section 8 and Section 9 hereof.

4 Divorce of Kyle. In the event of the divorce of Kyle and the spouse of the Kyle receives any shares of Common Stock in the LGR Entities, Kyle shall have the option, within thirty (30) days after such divorce becomes final (the "Initial Period"), to purchase from his spouse, and his spouse hereby agrees to sell to Kyle, all, but not less than all, of the shares of Common Stock in the LGR Entities held by such spouse, at the price and upon the terms and conditions set forth in Section 8 and Section 9 hereof. If Kyle does not exercise his option pursuant to this Agreement, the remaining Shareholders (or the Company upon the agreement of the Shareholders) shall have the option, within ten (10) days after the Initial Period, to purchase from the Kyle's spouse, and Kyle's spouse shall agree to sell all, but not less than all, of the shares of Common Stock held by such spouse, at the price and upon the terms and conditions set forth in Section 8 and Section 9 hereof.

5 Termination of Kyle.

(a) For Cause. In the event Kyle's employment relationship with the Company is terminated For Cause (as defined in Exhibit _____), the remaining Shareholders (or the Company, upon the agreement of the Shareholders of the LGR Entities) shall, within thirty (30) days after such date of termination, purchase all, but not less than all, of the shares of Common Stock as of the date of his termination at the price and upon the terms and conditions set forth in Section 8 and Section 9 hereof.

(b) Without Cause. In the event a Kyle's employment and/or consulting relationship with the LGR Entities is terminated other than For Cause, Kyle shall have the option, within thirty (30) days after such date of termination, to sell, and the remaining Shareholders or the LGR Entities shall have the obligation to buy all, but not less than all, of the shares of Common Stock in the LGR Entities owned by Kyle, at the price and upon the terms and conditions set forth in Section 8 and Section 9 hereof.

(c) Definition of For Cause. For purposes of this Agreement, the termination of a nonfounding shareholder as an employee or consultant of the Company "For Cause" shall mean the termination of Kyle as an employee or consultant of the Company at any time upon

---

---

6 Other Involuntary Transfers. In the case of any Transfer of title or beneficial ownership of shares of Common Stock upon default, foreclosure, forfeit, court order or otherwise than by a voluntary decision on the part of a Shareholder, the other Shareholders (or the Company, upon the agreement of the other Shareholders) shall have the option, within thirty (30) days after the Shareholder receives notice of the occurrence of the involuntary transfer, to purchase all, but not less than all, of the shares of Common Stock held by such Shareholder on a pro rata basis, at the price and upon the terms and conditions set forth in Section 8 and Section 9 hereof. This Section 6 shall be applicable to all of the LGR Shareholders.

7 Notice of Transfer. In the event of a Transfer pursuant to Section 3, 4, or 6, the Shareholder whose Common Stock is the subject of such Transfer shall, within three (3) days of such Transfer, furnish written notice to the Company and the other Shareholder indicating that the Transfer has occurred, specifying the name of the person to whom the Common Stock has been transferred, and giving a detailed description of the circumstances giving rise to, and stating the legal basis for, the Transfer.

8 Price

(a) Price. The purchase price per share of the shares of Common Stock to be sold in accordance with Sections 1, 2, 3, 4, 5(a) and (b) and 6 shall be equal to the quotient obtained by dividing (i) the product of the Gross Revenue (hereinafter defined) of each LGR entity for the most recently completed calendar year multiplied by forty percent (40%) by, (ii)

the number of issued and outstanding shares of Common Stock in such LGR entity – The Gross Revenue shall be computed for each entity and the total shall be added together to determine total value of the LGR Entities. For purposes of this Agreement, the term "Gross Revenue" shall mean the receipts during such calendar year before deductions for any purpose.

(b) Special Rule. Notwithstanding anything contained in this Agreement to the contrary, in the event of a purchase and sale resulting from (A) the termination of Kyle's employment For Cause, (B) Disability due to drug or alcohol abuse, or (C) the resignation or retirement of Kyle, the purchase price shall be an amount equal to the purchase price determined pursuant to Section 8(a) above.

THIS IS ONLY ONE EXAMPLE OF HOW TO DETERMINE VALUE.
Another value option:

Total Value. The Total Value shall be equal to $2,000,000.00, unless agreed in writing to the contrary by the Shareholders and the Corporation. The Total Corporation Value may be redetermined (upward or downward) at any time by mutual agreement of all the Parties to the Master Agreement. The last previously stipulated Total Value shall control, except that if the Shareholders and the Corporation have not redetermined the Total Corporation Value within one hundred twenty (120) days preceding the occurrence of a purchase event, the Total Value shall be determined in the following manner:

A. Mutual Agreement. The Total Value may be determined by the mutual agreement of the selling Shareholder, the LGR Entities and the continuing Shareholders, within thirty (30) days following the notice of a purchase event.

B. Appraisal. If the Parties to the Master Agreement, cannot agree on the Total Corporation Value within thirty (30) days following notice of purchase event, the Parties shall agree on an appraiser within forty-five (45) days of the notice of purchase event, who shall determine the Total Corporation Value as of the Valuation Date. In the event the parties cannot agree on an appraiser, the selling Shareholder on the one hand, and the LGR Entities and the continuing Shareholders on the other hand, shall each appoint an appraiser within forty-five (45) days, and the two appraisers shall appoint a third appraiser within three (3) days thereafter. The third appraiser shall determine the Total Value as of the Valuation Date. In determining the fair market value of the entities, the appraiser shall take into account the cash surrender value of any life insurance policies owned by the LGR Entities. The determination of Total Value shall not include discounts for limited marketability, minority ownership or other similar discounts. The determination of the Total Value by the appraiser selected shall be final and binding. The appraiser selected to determine the Total Value shall deliver to the Corporation a written determination of the Total Value within seventy-five (75) days following the receipt of the notice of purchase event.

Notice of Determination. Upon the determination of the Total Value, the LGR Entities shall immediately give written notice of the determination of the Total Value and the Purchase

Price Per Share for each entity (along with any written determination of an appraiser, if applicable), to the selling Shareholder and the continuing Shareholders.

Appraiser. Each appraiser selected must be independent and experienced in appraising closely held businesses. The selling Shareholder and the continuing Shareholders will each be responsible for the fees and expenses of the appraiser appointed by them. The entities will be responsible for the fees and expenses of the appraiser select to determine the Total Corporation Value.

9 Special Valuation Rule. In the event of Kyle's death, if the LGR Entities (or the surviving Shareholders) hold life insurance on the life of Kyle and the proceeds of such policies exceed the value of his interests in the LGR Entities as determined above, for purposes of the Master Agreement the actual value of Kyle's interests in the LGR Entities shall be the total of any such life insurance proceeds. Kyle's Estate shall be entitled to all proceeds of insurance held by the Parties to the Master Agreement on Kyle's life.

10 Closing Terms and Conditions. The closing, unless mutually agreed otherwise, shall be held within thirty (30) days following the date on which a price is determined. At the closing (i) the selling party shall deliver any certificates representing the interests in the LGR Entities, free and clear of any lien claim or encumbrance, duly endorsed in blank or accompanied by stock powers duly executed in blank in proper form for transfer, and such other documents, including evidence of ownership and authority, as the purchasing party may reasonably request, and (ii) the purchasing party or parties shall deliver to the selling party the entire amount of the purchase price, by certified or cashier's check, or by wire transfer of federal or other immediately available funds.

Schedule F

RESTRICTIONS IMPOSED ON TRANSFER OF STOCK

Restrictions on Transfer of Stock. No Shareholder shall, directly or indirectly, sell, transfer, assign, gift, pledge, hypothecate or otherwise dispose of any of the their interests in the LGR Entities, by operation of law or otherwise, except in accordance with the terms and conditions of this Schedule.

A. Restrictions on Transfer. Notwithstanding any other provision of this Schedule, no Shareholder may transfer, sell, assign, encumber or otherwise dispose of, and no person may acquire, the legal or beneficial ownership of any interests in the LGR Entities without the express unanimous consent of the Owners.

B. Effect of Purported Transfer. Any purported transfer or acquisition in the LGR Entities in violation of this Schedule shall be null and void. The purported transferee shall have no interest in the equities purported to be transferred. Each Shareholder agrees that any such transfer or acquisition may and should be enjoined.

C. Beneficial Ownership. Any purported transfer in violation of this Schedule will not affect the beneficial ownership of the Stock. Thus, a Shareholder making the purported transfer will retain the right to vote and the right to receive dividends and liquidation proceeds. Additionally, a Shareholder making the purported transfer shall continue to report the portion of income or loss allocated in accordance with the provisions of the Code as then in effect.

Schedule G

Co-Sale Rights

Sale Notice. If at any time the Mark and Larkin propose to transfer any interest or interests in the LGR Entities in a transaction not involving the Sale of the one or more of the LGR Entities, then at least thirty (30) days prior to the closing of such transfer, Mark and Larkin shall deliver a written notice (the "Sale Notice") to Kyle offering him the option to participate in such proposed transfer. Such Sale Notice shall specify in reasonable detail the identity of the prospective transferee and the terms and conditions of the transfer.

Tag-Along Notice. Kyle may, within fifteen (15) days of the receipt of a Sale Notice, give written notice (each, a "Tag-Along Notice") to Mark and Larkin stating that the he wishes to participate in such proposed transfer and specifying the amount of stock he desires to include in such proposed transfer.

Sale of Shares. If the Kyle does not give Mark and Larkin a timely Tag-Along Notice with respect to the transfer proposed in the Sale Notice, Mark and Larkin may thereafter transfer the Shares specified in the Sale Notice on substantially the same terms and conditions set forth in the Sale Notice. If Kyle gives Mark and Larkin a timely Tag-Along Notice, then Mark and Larkin shall use all reasonable efforts to cause each prospective transferee to agree to acquire all Shares identified in all Tag-Along Notices that are timely given to the Founding Shareholder, upon the same terms and conditions as applicable to Mark and Larkin's Shares. If such prospective transferee is unwilling or unable to acquire all Shares proposed to be included in such sale upon such terms, then Mark and Larkin may elect either to cancel such proposed transfer or to allocate the maximum number of shares that each prospective transferee is willing to purchase among Mark and Larkin and the Kyle giving timely Tag-Along Notices in proportion to such Shareholder's proportionate percentages.

Schedule H

Draws and Distributions

Schedule I

Right to Acquire Additional Equity

Addendum
Sample Employment Agreement (Texas)

EXECUTIVE EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of the _____, 2007 (the "Effective Date") by and between _____ (the "Company"), and _____ (the "Executive").

In consideration of the employment of Executive and the compensation the Company agrees to pay Executive, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1) Employment. The Company hereby employs Executive and Executive hereby accepts such employment upon the terms and conditions set forth in this Agreement, during the period commencing on _____, 2007, and continuing thereafter until the close of business on _____, 2008, unless earlier terminated in accordance with the provisions of this Agreement (the "Period of Employment").

2) Position and Duties. Executive will initially have the title of _____, but may later be given a different title by the Company. During the Period of Employment, Executive shall faithfully and diligently devote his business time, attention, skills, and efforts exclusively to the performance of those duties as the Company may assign from time to time, during such times and in such a manner as the Company may reasonably prescribe, and to the furtherance of the business objectives and the best interests of the Company. The Company may change or expand the position, responsibilities and duties of Executive at any time, provided that there is no diminishment of the position or responsibilities.

3) Executive's Compensation. Executive shall be afforded the following compensation and benefits during the Period of Employment:

a) Salary. The Company shall pay Executive a salary (the "Salary") of $_____ on an annualized basis, subject to applicable federal and state withholding requirements, and other withholding elected by Executive.

b) Bonus. The Executive shall be entitled to a Bonus that will allow him up to _____ of salary based upon an agreed final amount approved by the Board of Directors.

c) Stock. The Company will grant Executive stock in the Company equal to _____.

d) Benefits. Executive shall be entitled to participate in the employee benefit programs that the Company may elect to provide the Company's Executives generally. Executive shall have the right to participate in all other benefit plans that the Company may, from time to time, offer to all Executives, if the Executive meets the eligibility requirements of those plans.

e) Severance: In the event the Executive is terminated he shall be entitled to the following Severance package:

(1) "For Cause" Termination. The Company may discharge Executive "for cause" without any further liability to Executive or his estate under this Agreement except to pay accrued but unpaid salary. "Discharge for cause" means termination of Executive, upon written notice, limited to one or more of the following reasons:

a) Fraud, misappropriation, or embezzlement by Executive in connection with the Company as determined by the affirmative vote of at least a majority of the Board of Directors (exclusive of Employee if he sits on the Board of Directors); or

b) Mismanagement or gross neglect of Employee's duties as determined by the affirmative vote of at least a two-thirds of the Board of Directors (exclusive of Executive if he sits on the Board of Directors); or

c) Willful and unauthorized disclosure of Confidential Information (as defined in Section 4(b) of this Agreement) as determined by the affirmative vote of at least a two-thirds of the Board of Directors (exclusive of Executive if he sits on the Board of Directors.

(2) "Not For Cause" Termination: The Company may, with thirty (30) days written notice discharge Executive at any time and terminate this Agreement. Upon such a "Not For Cause" termination the Executive shall be entitled to a minimum of one year's base salary (base salary shall be determined by adding up the trailing twelve months base salary).

(3) Change of Control. In the event of a "change of control" of the Company which results in the Executive being terminated or resigning of his own accord, the Company shall pay him a Severance payment equal to three years base salary (three years base salary shall be determined by adding up the trailing twelve months base

salary and multiplying that number by three). A change of control shall occur when

4) Other Representations and Obligations. Executive acknowledges and agrees that his acceptance of the covenants contained in this Section 4 is a condition to employment by the Company and the Company's execution of this Agreement. Executive further acknowledges and agrees that the covenants set forth below are being made by him voluntarily, at the time of his execution of this Agreement and as part of the terms of his employment with the Company. Accordingly, in return for the Company's employment of Executive, the Company's compensation of Executive and disclosure of confidential information to him, and the possible additional grant of stock in the Company to Executive as described herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Executive does hereby agree as follows:

a) Assistance in Litigation. During the Period of Employment and for three (3) full years thereafter, Executive shall, upon reasonable notice, furnish such information and proper assistance to the Company as may reasonably be required by the Company in connection with any litigation in which the Company is, or may become, a party.

b) Confidential Information. Executive acknowledges that he may receive information relating to research, development, trade secrets, clients or business affairs (collectively, "Confidential Information") as a result of employment, and agrees to keep all such Confidential Information confidential and not to disclose any such Confidential Information to any third party. Confidential Information does not include (i) information that is, or becomes, public knowledge through no fault of the Executive; (ii) information that becomes available to the Executive legitimately and lawfully from a third party not under a confidentiality obligation to the other party; (iii) information that is independently developed by the Executive without access to the Company's Confidential Information; or (iv) information that is already in the Executive's possession prior to the execution of this Agreement and was not received in anticipation of the execution of this Agreement.

c) Disclosures Required by Law. In the event that Executive becomes legally compelled to disclose any of the Trade Secrets or Confidential Information, Executive will provide the Company with prompt written notice so that the Company may seek a protective order or other appropriate remedy or may waive compliance with the provisions of Section 4(b). In the event that such protective order or other remedy is not obtained, or that the Company waives compliance with the provisions of Section 4(b), Executive will furnish only that portion of the Trade Secrets or Confidential Information that Executive believes, after receiving advice from counsel, may be legally required.

d) Restriction on Solicitation of Customers. Executive agrees that he will not, for a period of three (3) years immediately following Executive's termination, on his own behalf or on behalf of any other person or entity, directly or indirectly call on or otherwise contact customers of the Company for the purpose of selling products or services that are competitive with those provided by the Company.

e) Restriction on Solicitation of Executives. Executive agrees that he will not, for a period of three (3) years immediately following Executive's termination, directly or indirectly contact, solicit, interfere with or attempt to entice in any form, fashion or manner any Employee of the Company: (A) for the purpose of inducing that Employee to work with or for Executive (or with a person or business entity with which Executive is affiliated); or (B) to terminate his employment with the Company.

f) Non-Competition. Executive shall not, during the period of his/her employment with Company or for a period of three (3) years thereafter, and within a radius of twenty-five (25) miles of any of the cities where Executive has been employed by Company, either directly or indirectly, own, manage, operate, control, be employed by, engage in, participate in, or be connected in any manner with the operation, control, ownership, management, or conduct of any business which is in competition with the business of Company.

g) Equitable Relief; Reasonableness. Executive acknowledges that the Company may have no adequate means of protecting its rights under this Section 4 other than by securing an injunction (a court order prohibiting Executive from violating this Agreement). Accordingly, Executive agrees that the Company is entitled to enforce this Agreement by obtaining a temporary restraining order, preliminary and permanent injunction and any other appropriate equitable relief in any court of competent jurisdiction. Executive acknowledges that the Company's recovery of damages will not be an adequate means to redress a breach of this Agreement, but nothing in this Section 4 shall prohibit the Company from pursuing any remedies in addition to injunctive relief, including recovery of damages. The parties hereby agree that all provisions and restrictions in this Section 4 are reasonable in nature and are designed to reasonably protect the Company's interest.

h) Representation. The Company does not desire to acquire from Executive any trade secret, practice, technique or other information that he may have acquired or may in the future acquire from others that is subject to restrictions on disclosure or use. Accordingly, Executive represents warrants and covenants that he has not and will not divulge to the Company any trade secret, practice, technique or other information in violation of the rights of other parties. Executive further represents and warrants that he is free to accept employment with the Company as contemplated by this Agreement, that he is not a party to any agreement or arrangement, whether oral or written, that would constitute a conflict of interest with this Agreement, and that he is not subject to any other obligations, commitments or restrictive covenants of any kind that would in any way hinder or interfere with his acceptance of the full performance of his obligations under this Agreement or the exercise of his best efforts in his employment under this Agreement.

5) Survival. Executive's obligations provided in Sections 4(a), 4(b), 4(c), 4(d), & 4(f) above all shall continue in full force and effect for the periods specified in those Sections 4 following the termination of the Period of Employment.

6) General Provisions.

a) Nonassignability. Neither this Agreement nor any right or interest hereunder shall be assignable by Executive.

b) Entire Agreement; Amendment. This Agreement contains the entire understanding between the parties with reference to the employment of Executive by the Company, and supersedes any prior agreement, understanding or arrangement between Executive and the Company. This Agreement may not be modified or amended except by an instrument in writing signed by all the parties hereto. This Agreement shall be binding upon and shall inure to the benefit of Executive and the Company and their respective heirs, successors and assigns.

c) Notice. For purposes of this Agreement, written notice shall be effective if personally delivered or if sent by certified mail, return receipt requested, to the parties at the addresses set forth beneath their signatures below, or at such other address that either party may provide the other pursuant to this subsection. For purposes of computing time, all time periods provided under this Agreement will commence on the date notice is deposited in the mail, or if notice is personally delivered, upon receipt of such delivery.

d) Waiver. No waiver by either party of a breach of any term, provision or condition of this Agreement by the other party shall constitute a waiver of any succeeding breach of the same or any other provision hereof. No such waiver shall be valid unless executed in writing by the party making the waiver.

e) Severability. In the event that any provision of this Agreement is held to be illegal, invalid or unenforceable, laws, then (i) such provision will be fully severable and this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision were not a part hereof, (ii) the remaining provisions of this Agreement will remain in full force and will not be affected by such illegal, invalid or unenforceable provision or by its severance from this Agreement, and (iii) there will be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and still be legal, valid and enforceable.

f) Governing Law. This Agreement has been executed and delivered in the State of Texas, and its validity, interpretation, performance and enforcement shall be governed by the laws of the State of Texas, without regard to conflicts of law principles.

g) Reimbursement of Expenses. Executive may be authorized to incur ordinary, necessary and reasonable expenses in connection with the performance of his duties and responsibilities under this Agreement and for the promotion of the business and activities of the Company during the Period of Employment, including, but not limited to, expenses for necessary travel and entertainment and other items of expenses required in the normal and routine course of Executive's employment. The Company will reimburse Executive from time to time for all business expenses incurred pursuant to and in conformity with the provisions of this Section provided that Employee presents to the Company documentation of such expenses necessary to satisfy the reporting requirements of the Internal Revenue Code of 1986, as amended. Such reimbursements will be paid no later than the next payroll cycle after expense reports are submitted to the Company.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal (the individual adopting the word "SEAL" as his seal) as of the day and year first above stated.

EXECUTIVE:

_____(SEAL)
Executive Name:

Address:

0

THE COMPANY:

ATTEST:

_____
Secretary

By:_____
Name:
Title:

kyle pertuis

From: Mark Hammond [Mark@larkinsontheriver.com]
Sent: Tuesday, April 14, 2009 1:12 AM
To: 'Kyle Pertuis'
Subject: Partnership Agreement Update

Kyle,

Here's a quick update on the status of the open items:

Umbrella corporation
Mark feels it's a good idea accounting-wise to form an umbrella corporation but the only real value is to streamline some of our corporate activities. He brought up some questions that we need to sort through like, If we ever want to give stock in Front Roe to Bob or give Lake Point stock to Lewis we would still have to keep each company separate and all the umbrella does is just add another corporate tax return expense and attorney fee. From a liability stand point, Curt is concerned about loosing the separation we how have with individual companies. If one gets sued, it's much harder to go after the others under the current arrangement. Bottom line, there doesn't seem to be a clear advantage to rolling up everything under one company, at least not at this point. There may be advantages to keeping them separate from a tax stand point. The only other advise I've gotten is that an umbrella company could own all the registered trademarks and license those marks to the operating companies. That takes a lot of the company value away from the operating company and the ownership of the brand and puts it in the parent company. This may be more beneficial to manufacturing companies than ours. I'll keep looking into this and exploring what makes the most sense for us to do keeping in mind what benefits we might gain against what reduced flexibility and added cost we may be looking at.

The Lake Point lease is complete and just waiting for an annual rent figure to finalize. Mark is doing a calculation on every component of the facility to determine the new depreciation based on the latest IRS rulings for restaurants. This should be done in a month as he finalizes our taxes for the extension deadline.

I have not gotten with Raymond on the life insurance and key man insurance. I will do that tomorrow and get our options to discuss.

All due to-from accounts along with several other balance sheet accounts are being cleaned up with the 2008 tax returns. Once completed, we'll look at these accounts and make additional changes to get them where we want them to be. Mark sent a revised journal entry list to Ashley for each of the companies late last week and early this week. I'll follow up with Ashley tomorrow and see when she thinks she will have these updated for us to look at. We may also need the corporate tax returns and K-1s before we can finalize these.

As soon as we have the 2008 returns, we can look at current valuations and determine what options we have for getting you to the 33% level you want to be at.

Thanks for getting the draft of the Master Relationship Agreement and Employee Agreement to me for review. I have highlighted some question areas and will have additional ones after further review.

I know this is taking a little longer than I anticipated as I was hoping not to have the tax returns on extension this year. I failed to get the life insurance options from Raymond on time and that's totally my fault. I'll let you know when I get that from him after my call tomorrow.

Looking forward to talking to you tomorrow.

Mark

Pg. 11

kyle pertuis

From: Mark Hammond [Mark@larkinsontheriver.com]
Sent: Saturday, June 27, 2009 4:09 PM
To: 'Kyle Pertuis'
Subject: Comp Package
Attachments: Kyle Comp review June 09.docx

Kyle, attached is the comp package we reviewed yesterday. Let me know what you and April think.

Mark

doc Bob has

DEFENDANT'S EXHIBIT 12

Pg. 12

Kyle,

This week starts your 10th year with Larkin's Restaurants and it's exciting to look at today as a new starting point for what will undoubtedly be a challenging and rewarding next several years for us all. Below are some options I want to review with you as we look at changes to your competition plan.

	Current/Original	Option A	Option B	Option C
Base Salary	$55,000	$67,000	$75,000	$80,000
Bonus	$50,000	$75,000 Target paid on 85% or greater on sliding scale plus 33% of overage	$60,000 Target paid on 90% or greater on sliding scale plus 20% of overage	$30,000 Target paid on 95% or greater on sliding scale plus 10% of overage
Shareholder Dist.	8% of Net SD	10% of Net SD	8% of Net SD	8% of Net SD
Car	$6,000	$10,000	$10,000	$10,000
Boat	$0	$12,000 one time	$12,000 one time	$12,000 one time
Family Medical	$7000	$7000	$7000	$7000
Life Ins.	$200	$1000	$1000	$1000
Disability Ins.	$0	$3500	$3500	$3500
Computer/Phone	$2000	$2000	$2000	$2000
Tax Preparation	$500	$500	$500	$500
Entertainment	$1200	$2400	$2400	$2400
Training/Workshops	$2000	$2000	$2000	$2000
Total Comp	$138,900 (Inc. $15K in SD)	$202,400 (Inc. $20K in SD)	$190,400 (Inc. $15K in SD)	$165,400 (Inc. $15K in SD)

If we go with option A, we will extend the original timeline on the River into 2009 if the final numbers for 2008 fall short of what you need under the original agreement to get you to 10% ownership across the board.

As we discussed, revenue increases are nice but they don't count for a thing if the costs go up. As such, bonus payouts are based on controllable profit dollars. Likewise, net profit can change based on Larkin's and my salary, capitol expenditures and other non-controllable expenses. If we choose for the company to charter a yacht for a week, it shouldn't affect your bonus (but it will affect the shareholder distribution).

Under option A, bonus payouts for results that are from 85% to 95% of budget will be at a rate of 50% of target. Under option B, payouts are 50% for results of 90% to 95% and under option C, payouts are 50% for results from 95% to 99%. For option A or B, payouts will be 100% for results achieved that are 96% to 100% and in option C, payouts are 100% for results that are 100% of budget. In 2009 under option A, that means that we can miss our budget CP dollars by $160,000 and you still get 50% of your bonus.

For results greater than 100% of budget, payouts will be 100% of target plus 33% of overage dollars in option A, 20% of overage dollars in option B and 10% of overage dollars in option C. The only question is whether we base the payout on unit performance or aggregate performance.

I'm sure you realize that every dollar we spend is 90 cents we don't make and 10 cents you don't make. Since we budgeted to SPEND $4,645,678 this year (not including taxes or principle payments) that's A LOT of 90 cents and 10 cents! A 5% reduction in spending could net you $23,000 just in additional shareholder distributions plus it will net you $77,351 in additional bonus payout!

Once we agree on comp structure I will incorporate it into the Employment agreement. We are working with Curt on the Buy-Sell agreement and revisions to articles of incorporation where necessary to adequately and legally address buy-backs, death, divorce, exit strategy, 3rd party investors and all other current and future ramifications to our respective ownership in the three companies. Our desire and goal is to make it easy for you to assume 100% ownership of the company in the event of our death while making sure your family is safe and secure in the event of your death. Your new life insurance policy will immediately address the latter as we get the other details worked out.

Additional ownership will require the company to grow its profit position and market value. This additional ownership can be set aside at today's value and details for its acquisition spelled out in the buy-sell agreement.

Thanks for continuing your efforts to make Larkin's Restaurants the best company it can be and for your willingness to take on the necessary challenges to drive the business forward in a myriad of ways.

Mark & Larkin Hammond

From: kyle@larkinsontheriver.com [mailto:kyle@larkinsontheriver.com]
Sent: Tuesday, June 30, 2009 12:26 PM
To: Mark Hammond
Subject: RE: Comp

Sorry-- here it is

Kyle Pertuis
Managing Partner
Larkin's Restaurants Inc.
828-289-5613

-------- Original Message --------
Subject: RE: Comp
From: "Mark Hammond" <Mark@larkinsontheriver.com>
Date: Tue, June 30, 2009 10:22 am
To: "'Kyle Pertuis'" <kyle@larkinsontheriver.com>

Missing the attachment.

Kyle Pertuis
Managing Partner
Larkin's® Restaurants
828-289-5613

"Exceeding Our Guests Expectations"

www.larkinsonthelake.com **Lake Lure, NC**
www.larkinsontheriver.com **Greenville, SC**
www.larkinscarolinagrill.com **Columbus, NC**

2009 Larkin's® Rhythm on the River – Better than Ever!
www.RhythmontheRiver.com

DEFENDANT'S EXHIBIT 13

Mark and Larkin,

Thank you for putting these options together. I have made a slight revision in the bonus target and commented below. As we have discussed, it is my goal going forward to work less for wages and more for profit. As we look into the future, I anticipate subsequent conversations as it relates to compensation to see the salary line diminish and the bonus/ shareholder distribution portion increase. I am excited about the next 10 years and being an integral part of the growth of our organization, taking on new areas of responsibility, growing the profitability, market share and therefore my ownership and making an even greater contribution to improving the culture and climate of our business at all levels.

	Current/Original	Proposed NEW PLAN
Base Salary	$55,000	$67,000
Bonus	$75,000	$80,000 Target paid on 85% or greater on sliding scale plus 33% of overage
Shareholder Dist.	8% of Net SD	10% of Net SD
Car	$6,000	$10,000
Boat	$0	$12,000 one time
Family Medical	$7000	$7000
Life Ins.	$200	$1000
Disability Ins.	$0	$3500
Computer/Phone	$2000	$2000
Tax Preparation	$500	$500
Entertainment	$1200	$2400
Training/Workshops	$2000	$2000
Total Comp	$138,900 (Inc. $15K in SD)	$207,400 (Inc. $20K in SD)

BASE AND BONUS

Base Salary adjusted to $67,000 annually and bonus target of $80,000 paid out on an *aggregate* basis. Sliding scale for bonus is based on a 50% payout for Total Controllable Profit falling between 85% -95% of budget. Results above 96% of budgeted Total Controllable Profit are paid out at 100% and any results over 100% of Total Controllable Profit will pay out an additional 33%.

SHAREHOLDER DISTRIBUTIONS

If I did not achieve 10% ownership in 2008, we will extend current program through 2009 in order to equalize current ownership at 10% across the board. Distributions going forward after the close of 2009 will be based on 10% ownership.

BENEFITS

Thank you for arranging the transfer of ownership for the boat. We look forward to using it.
Medical benefits will remain the same.
We will move forward with a 10 year Term Life policy that falls within the $1000 budgeted.
Disability will be added as a company benefit.

I will finalize life insurance details and anticipate hearing from you once Curt has been able to complete our partnership and employment agreements in a timely manner. Please give me a reasonable timeline and expectation for this to be completed as it is extremely important to me to have this finalized.
I know this has been a long process (more so than it should have) and look forward to having things in place.

Thank you again

Kyle Pertuis

kyle pertuis

From: Mark Hammond [Mark@larkinsontheriver.com]
Sent: Tuesday, June 30, 2009 1:37 PM
To: kyle@larkinsontheriver.com
Subject: RE: Comp

Thanks Kyle. We're looking forward to the next 10 years also. I'll get these details to Curt to incorporate into the employment agreement and ask him about timeline as well.

I'd like you to have Ashley add you to the Grill's payroll at a rate of $1000/mo. or $461.54 per pay period. Then let's do $2500/mo. from the River which will be $1153.85 per pay period and the balance ($25,000) of your salary will come from the Lake at the rate of $2088.33/mo. or $961.54 per pay period. Just to double check the math, you should have 26 paychecks per year times each of $461.54, $1153.85 and $961.54 respectively for a total annual salary of $67,000.18. Have her set you up on direct deposit for all three locations.

The increase in the bonus plan is approved and we all hope you exceed it. It will be up to your managers to make that happen but only through your coaching and direction will that become a reality. Keep working smarter, not harder. Watch the data but don't discount your gut instinct.

Please get with Raymond or Michele on the disability. You and I need to discuss how we roll this out. As I mentioned before, if we have to pay 100% of the disability insurance premium, we may only be able to pay 90% of the manager's Blue Cross bill. Ask Michele what other companies our size are doing with regard to premium splits between employer and employee.

See you on Thursday.

Mark

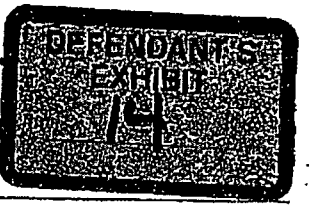
From: kyle@larkinsontheriver.com [mailto:kyle@larkinsontheriver.com]
Sent: Tuesday, June 30, 2009 12:26 PM
To: Mark Hammond
Subject: RE: Comp

Sorry-- here it is

Kyle Pertuis
Managing Partner
Larkin's Restaurants Inc.
828-289-5613

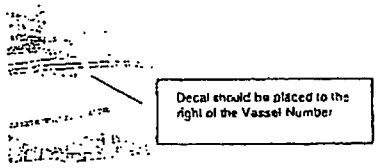
-------- Original Message --------
Subject: RE: Comp
From: "Mark Hammond" <Mark@larkinsontheriver.com>
Date: Tue, June 30, 2009 10:22 am
To: "'Kyle Pertuis'" <kyle@larkinsontheriver.com>

Missing the attachment.



...plication Instructions:

1. Decal must be displayed on the starboard bow (see below diagram) of the vessel for which it was issued.
2. Remove old validation decal. Apply decal at temperature above 40 degrees Fahrenheit to vessel surface that is clean, dry, free of dust, grease, wax or other foreign matter.
3. Remove decal from lining paper by lifting at the corner and pulling up.
4. Affix decal to the starboard bow of the vessel within 6 inches of your North Carolina Registration Number. Place in position and press firmly to surface.
5. If the card or decal is lost or destroyed, you must apply to the Transaction Management Section of the N.C. Wildlife Resources Commission, 1709 Mail Service Center, Raleigh, NC 27699-1709 for a replacement. A fee of $2.00 will be charged.
6. Decal/registration expires on the last day of the month indicated and the year shown.



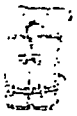
...Titling Contact Us At:

N.C. Wildlife Resources Commission
Transaction Management
1709 Mail Service Center
Raleigh, NC 27699-1709

Telephone: 1-800-628-3773

Stay current with the N.C. Wildlife Resources Commission on the Web at www.ncwildlife.org. This Web Site offers a wide variety of information related to vessels and other topics.

It Won't Work.....



If You Don't Wear It!

Save This Form For Future Use

BILL OF SALE

Revised 01/05

SELLER: If the below listed vessel is not titled, you may use this form as a bill of sale. In the event you decide to sell this vessel, this form will need to be completed, signed, and notarized prior to surrendering to the new owner. The seller's signature(s) must be notarized.

PURCHASER: You will need to obtain a VL-1 form from a local Wildlife Service Agent, online at www.ncwildlife.org, or by calling 1-800-628-3773. The VL-1 Form will need to be completed and attached to the below notarized bill of sale.

HAMMOND, MARK D
PO BOX 681
LAKE LURE, NC 28746 0681

HULL ID NO: GDYB3778F202
VESSEL: NC-7664 WT
TITLE:

Note: If there are more than two sellers and/or new owners, attach a separate sheet listing the additional seller/owner information

I (We) Mark D. Hammond (print name of first seller) _____ (print name of second seller) do hereby on this date June 26, 2009

for the sum of $ 1,000 sell this vessel to Kyle Pertuis (print name of first owner) _____ (print name of second owner)

Seller's Signature(s): _____ (signature of first seller) _____ (signature of second seller)

Purchaser's Signature(s): _____ (signature of first purchaser) _____ (signature of second purchaser)

Notarization of Seller's Signature(s) — *required*

Sworn to and subscribed before me this 26 day of June in the year 2009

Witness my hand and official seal Julie L Searcy Notary Public

My Commission expires July 27 2013 (month) (day) (year)

JULIE L. SEARCY NOTARY PUBLIC POLK COUNTY, N.C. Official Seal

DEFENDANT'S EXHIBIT 5

547

BOAT/YACHT INSURANCE IDENTIFICATION CARD

TRAVELERS

Company: THE TRAVELERS HOME AND MARINE INSURANCE

Summer Mooring Location State: NC

Policy Number	Effective Date
8301	07-17-09

Not valid more than one year from Effective Date.

Year	Manufacturer
2002	HURRICANE

Model	Hull Identification Number (HIN)
187 SUNDECK	GDYB3778F202

Agent
FOREST M EDWARDS INS AGC
PO BOX 389
RUTHERFORDTON NC 28139

Insured
KYLE PERTUIS

LAKE LURE NC

PI-12129 12-04 See Important Notice On Reverse Side

Seller(s) must complete Section A and deliver this Certificate of Title with the vessel to the purchaser.

A TRANSFER OF TITLE BY REGISTERED OWNER(S)

I (We) KYLE PERRUZZI _____ do hereby on this date July 31, 2010
(print name of first seller) (print name of second seller, if applicable)

transfer the vessel described on the face of this certificate to DAVID MOORE _____
(first purchaser's full name) (second purchaser's full name, if applicable)

_____ _____ _____
(first purchaser's resident address) (first purchaser's mailing address, if different from resident address) (telephone number)

I certify that this vessel is free of all liens and encumbrances except as noted on the face of this certificate, and except:
List in the space below any mortgages, liens or encumbrances not noted on the face of this Certificate of Title.

KL PE
Signature of First Seller

Signature of Second Seller, if applicable

Notary Information (required):
Sworn to and subscribed before me this 2ND day of AUGUST year 2010
Notary Public Signature [signature]
My Commission Expires On 2/11/2015

Affix Notary Seal or Stamp Here

B TRANSFER OF TITLE BY DEALER

The undersigned hereby certifies that the vessel described in this title has been transferred to the following printed name(s) below:

New Owner Information:

Primary Owner's Name: _____ Second Owner's Name (if applicable): _____
Mailing Address: _____ City _____ State _____ Zip _____
Resident Address: _____ City _____ State _____ Zip _____
(if different from above)
Telephone # _____

_____
Signature of Dealer

_____
Signature of Primary Owner

_____
Signature of Secondary Owner, if applicable

Notary Information (required):
Sworn to and subscribed before me this _____ day of _____ year _____
Notary Public Signature _____
My Commission Expires On _____

Affix Notary Seal or Stamp Here

C PURCHASER'S APPLICATION FOR REGISTRATION AND CERTIFICATE OF TITLE

This Form May Be Used In Lieu Of The VL-1 Form

The undersigned purchaser(s) of the vessel described on the face of this certificate, hereby makes application for registration and a new certificate of title and certifies that said vessel is free and clear of all liens, except as noted below and none other and that the information contained herein is true and accurate to the best of my/our knowledge and belief. One or three year registration is required in North Carolina.

Check Appropriate Box(s): ☐ 1 yr registration - $15 OR ☐ 3 yr registration - $40
☐ Transfer Title - $20 (Required)

Purchaser / Vessel Information:

Full Legal Name of Primary Owner: _____
Last First Middle Suffix

*NC Driver's License #: _____ *Date of Birth #: _____ Telephone #: _____
*Optional Fields — We request this information in order to uniquely identify your customer record in our database.

Mailing Address: _____ City _____ State _____ Zip _____
Resident Address (required if titling): _____ City _____ State _____ Zip _____
Name of Second Owner (if applicable): _____ Second Owner Address: _____
County where vessel will be taxed: _____ State Where Purchased From: _____ Purchase Price: _____

Lienholder Information:

Date of Lien: _____ Lienholder Name: _____
Lienholder Address: _____ Lienholder Telephone Number: _____

Certification: I/We, listed below, am/are the rightful owner(s) of the vessel described on the face of this certificate and hereby make application for that which is indicated above and certify that the statements made herein are true and correct, to the best of my/our knowledge, information and belief, and that the vessel is subject to any liens or encumbrances listed and none other.

Signature(s) of Owner(s):

_____ _____ _____ _____
Primary Owner Date Secondary Owner Date

Signature of Duly Authorized Attorney in Fact (attach Properly Executed Power of Attorney): _____ Date _____

Mail To: NCWRC, Transaction Mgmt., 1709 Mail Service Center, Raleigh, NC 27699-1709

Make check or money order payable to: NCWRC
A service charge of up to $25 will be charged on returned checks (G.S. 25-3-506).

kyle pertuis

From: Mark Hammond [Mark@larkinsontheriver.com]
Sent: Wednesday, October 07, 2009 8:45 AM
To: kyle@larkinsontheriver.com
Subject: RE: Thing to Think About

Kyle,

Looks like you've been doing some real thinking. I think it would be valuable to talk sooner than later so you can have your questions answered and get our point of view as we continue to work through this.

I'm shooting pictures at Chimney Rock today with Mary Jager-Gale for the magazine and at the Lake for the final Billboard. I would be available later this afternoon or tomorrow afternoon before the beer dinner. I'm going to Asheville tomorrow morning.

Mark

From: kyle@larkinsontheriver.com [mailto:kyle@larkinsontheriver.com]
Sent: Tuesday, October 06, 2009 5:49 PM
To: Mark Hammond
Subject: RE: Thing to Think About

Mark and Larkin
Thanks again for taking the time to share your thoughts- and examples of some of the people I know- I was curious that you did not list what your idea of balance is-- or maybe you did by stating that most entrepreneurs you know or read about live and breathe their business--

Thank you both for covering for me when I needed this time on short notice--

I only emailed this to Mark as I would prefer for you to share it or read it together at the same time--

I have had a good couple of days really digging into myself, my past, present and future and asking some questions- my living room looks like Lynn Pitts when we did the evaluations with Bob- big sticky notes everywhere (even on Oscar)-
One question I was forced to answer immediately is how in the hell did I get where I am today? Why am I frustrated, confused, unfocused, detached, questioning my confidence, contribution, values and priorities, and I came up with a number of answers-

I feel that it is only fair that I share these with you so you both know where my head is as I progress--
In no certain order here is what I have come up with so far-

- Feeling challenged to "choose" between family and business after almost 10 years of living and breathing this business
- Feeling micro managed
- Feeling detached from you all as well as the managers
- Lost some of my passion and drive for the industry-- maybe operational burnout
- Feel like a filter of information- you all to me and me to the mgrs-- not taking the time to think for myself
- Spread thin- seems like my hands are in a little bit of everything- and don't focus

DEFENDANT'S EXHIBIT 10

clearly because of it-

- Feeling boxed in- where can I go with this partnership? What can I be doing now to make sure MY investment is paying off?
- Frequently feel that the "partnership" is only on the surface or based on how I perform on any given day-
- Growing concern that the Business will never be bigger than the Entrepreneurs- There are a lot of "me" and "I" statements-
- Delay in getting Documentation complete- no sense of urgency on your part- (I did speak with Curtis and he said Kevin had them but was out sick yesterday)
- Are the exit strategies we have discussed feasible as it relates to me buying you out and what kind of time line are we looking at? Where would I raise the capital? Would you take a check for $5M tomorrow and is that really what I want to do??
- Since I was granted the First 1% in my vesting schedule I have not received any form of distribution payout- (with the exception of the untaxed bonuses paid which showed up on the books as a "loan") and only until recently when I questioned it- I don't feel like I have received clear answers or I did not understand them-- Distributions/ Income are on my tax filings- or maybe I don't have a clear understanding of that either--
- We have never, to my knowledge, had a Full End of Year Financial Review- normally because the taxes are not complete until October--

This is not an exhaustive list and clearly most of these areas are fully within my control to change, improve, learn and have open conversations with the two of you--

I have always placed a great deal of pressure on my self to "achieve" something--daily-- it's like racking up points- I know that I am flexible and adaptable to situations and that it is my nature more to respond by solving problems (firefighting ring a bell) than preventing them- I like to be recognized as a leader and see that my efforts pay off through the success of my team and when they don't I take full responsibility- I am also a very private person and often internalize issues as opposed to addressing them when they occur-

I have become more clear in my mind about what it is that I really want and what no-one will stand in my way to achieve- I have had a lot of A-ha moments, good ideas, new thoughts on my future, direction and the success of our business.

This has been good for me and I look forward to talking with you next Monday if not sooner--

Sincerely,

Kyle Pertuis
Managing Partner
Larkin's Restaurants Inc.
828-289-5613

> -------- Original Message --------
> Subject: Thing to Think About
> From: "Mark Hammond" <Mark@larkinsontheriver.com>
> Date: Sat, October 03, 2009 6:04 am
> To: <kyle@larkinsontheriver.com>
>
> Kyle,
>
> I understand the difficulty of making decisions when your head is spinning. I've been

Pg. 20

there before and it isn't a good place. I wanted to give you the benefit of my thoughts on a couple things as you work through the crossroads that you are at. The following is in no particular order or priority and isn't designed to convince you to stay or to move on, just another point of view from someone who's been around a bit and cares about you as a person.

The grass is sometimes greener elsewhere – but it still has weeds. It just depends on how you define a weed. You have to decide what is most important to you. I will tell you that you truly can have anything you want in life but you can almost never have everything you want. Some things are just too opposite to have both. Go for what is most important as that will bring you the greatest joy. The reality is some career pursuits simply require more time than others. Most businesses don't operate seven days a week. Of course the rewards are different too. The thing is to know which rewards are the ones most important to you and are they worth what is required of you to get them.

Everyone's definition of "Balance" is different. Some people feel balanced when they are doing one thing 80% of the time and something else 20%. Raymond Newsom would feel out of balance if he wasn't working 80 hours a week and traveling up and down the east coast. Bill Ashman would feel out of balance if he didn't spend 80 hours a week with his family somewhere – often not at his home. They're both the same age doing what they love to do and feel balanced. Then there's Dave Alban. His idea of balance was to work his ass off for 20 years devoting his then-current life to his company working 100 hours a week then balancing that with not working at all the rest of his life. That sounds like a dream but in reality most people wouldn't put in that level of time and energy. That's why so many start up businesses, especially restaurants fail. Most successful entrepreneurs I know or read about live and breathe their business.

I also think it's important to make sure you know how I see the state of the business and what it needs going forward. First, we take way too long to implement things or just get things done. Pulled pork nachos at the Grill, Alex's freezer he needs, dock cleats at the lake, bar cooler doors at the grill, whatever. You know the list. Being fast and nimble allows us to take advantage of new learnings and opportunities and stay ahead of our competition. Going forward this has to change. Especially with regard to revenue opportunities. You must hold your managers accountable for getting stuff done and being responsible for their own business. That will allow you time to focus on what is necessary to grow the business and give you the time to coach and direct their efforts. You can't do their job for them and coach them at the same time.

Additionally, my expectations about the business are going up. We are paying more in management compensation in 2009 than in any year in our history. We are budgeted to payout over $800,000 in manager comp before bonuses. If that number doesn't line up with what you're thinking don't forget that the cost of a manager includes medical insurance, cell phones, three cars, payroll taxes, manager meals, training, etc. The more we have, the more it costs us. The good news is we've got some great people in place. But if I'm spending a MILLION dollars a year on management (include bonuses and related taxes), I now have great expectations that I expect to be met and hopefully exceeded. I expect the quality of our facilities, the quality of our staff, our guests' experiences and our profitability to be at or above our expectation. I expect to go into any of our locations and see things being taken care of, maintained, guests' needs being met, etc. And I expect to see management doing it smartly with a keen eye on the bottom line.

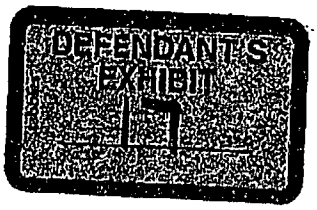
I have spent the past 11 years investing my time and all the money I have into this business. I've sold my homes, boats, cars, rental property, 401K, whatever I had to grow the business. I've used my credit card just to make payroll a couple of times. My expectation is to now see the return on that investment. But I also expect my management team to be rewarded. I expect to payout bonuses and help you and all our

Pg. 21

managers attain their goals.

Whatever you choose, be realistic about your expectations by really seeing yourself in that place. Visualize your day, your week and see how that fits with your goals and what you want for yourself. Talk with people if you're not sure. I look forward to hearing your thoughts and decision. Call me if you need anything next week.

Mark



kyle pertuis

From: Mark Hammond [Mark@larkinsontheriver.com]
Sent: Tuesday, October 13, 2009 1:37 AM
To: mark@ltcpas.com
Cc: 'Kyle Pertuis'
Subject: Company Valuations

Mark,

Kyle has made the difficult decision to pursue other interests and leave Larkin's Restaurants. Larkin and I are choosing to buy back his shares of the company and I'd like your opinion in helping to determining the current net market value of the three operating companies to give Kyle a fair price for his stock. Since no real estate is involved, I'm looking at determining value through either a cost approach based on asset value or on income approach based on an operating income multiple. I know some business brokers use a combination of both.

I'm not quite sure what to do with some of the balance sheet items like retained earnings or officer loans. Maybe those don't matter when determining market value. Bottom line is, if we had to sell the companies today, what would they net us? I know that, unfortunately, just like our two homes, they're not worth what they were a year ago.

Some current facts are as follows:

Company	Debit	'09 Revenue Forecast	'09 Operating Income Forecast	Sales & Income Trend	Asset Value
Lake Point	$0	$1,590,000	$135,000	2nd year of sales and income decline from 2007	Book value $80K. Street value of FFE is about the same.
Beachfront Foods	$50K line of credit plus $554K const. loan balance for total of $604K.	$805,000	Breakeven to $10,000	1st full year in operation. Sales flat and profit flat to negative.	Book value was $579K at the beginning of the year, probably $550K now. Street value would be close to $200 if we could get someone to buy the whole thing. Equipment only might get $50K.
Front Roe Rests.	Morgan Stnly - $195K Am. Com. Bnk. - $610K Crtna. 1st -	$3MM +/-	$350,000	Sales and profit should be flat even with last year.	Book value of $286K with street value being closer to $100K.

Pg. 23

Subject: Fw: Meeting

From: kylepertuis@yahoo.com (kylepertuis@yahoo.com)

To: Mark@Larkinsontheriver.com;

Date: Sunday, November 15, 2009 6:29 PM

I sent this tuesday and thought it went through but now I see I misspelled your email
Call you shortly
Sent from my Verizon Wireless BlackBerry

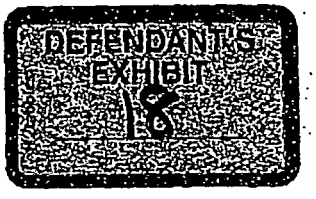
-----Original Message-----
From: kylepertuis@yahoo.com
Date: Tue, 10 Nov 2009 20:59:05
To: <mark@larkinsontheriver.com>
Subject: Meeting

Couple of notes from our meeting

•please send the offer in writing
•Doug has been in court and hasn't had a chance to reach Kevin
•the boat is no longer on the lake so it won't be an issue until we can finalize things

Looks like we will have to wait a bit longer to get things resolved- I still have some unanswered questions

Have a safe trip back to Florida
Sent from my Verizon Wireless BlackBerry



Subject: Re: Meeting

From: kylepertuis@yahoo.com (kylepertuis@yahoo.com)

To: Mark@Larkinsontheriver.com;

Date: Monday, November 16, 2009 10:57 AM

Ok
------Original Message------
From: Mark Hammond
To: kylepertuis@yahoo.com
Subject: RE: Meeting
Sent: Nov 16, 2009 7:38 AM

I guess Lewis needs to pay closer attention to the boat docks. I got in late last night and got your messages. I'll call later today to touch base and get next steps.

Mark Hammond
Larkin's Restaurants
(828) 289-5615

-----Original Message-----
From: kylepertuis@yahoo.com [mailto:kylepertuis@yahoo.com]
Sent: Sunday, November 15, 2009 6:29 PM
To: Mark Hammond
Subject: Fw: Meeting

I sent this tuesday and thought it went through but now I see I misspelled your email
Call you shortly
Sent from my Verizon Wireless BlackBerry

-----Original Message-----
From: kylepertuis@yahoo.com
Date: Tue, 10 Nov 2009 20:59:05
To: <mark@larkunsontheriver.com>
Subject: Meeting

Couple of notes from our meeting

.please send the offer in writing
.Doug has been in court and hasn't had a chance to reach Kevin
.the boat is no longer on the lake so it won't be an issue until we can finalize things

Looks like we will have to wait a bit longer to get things resolved- I still have some unanswered questions

Have a safe trip back to Florida
Sent from my Verizon Wireless BlackBerry

Sent from my Verizon Wireless BlackBerry

Subject: Re: Boat?

From: kylepertuis@yahoo.com (kylepertuis@yahoo.com)

To: Mark@Larkinsontheriver.com;

Date: Sunday, November 15, 2009 6:36 PM

Just left you a vm
Give me a call when you can
Thanks

Sent from my Verizon Wireless BlackBerry

From: "Mark Hammond" <Mark@larkinsontheriver.com>
Date: Sun, 15 Nov 2009 17:53:01 -0500
To: <kylepertuis@yahoo.com>
Subject: Boat?

Kyle,

Lewis told me he noticed the Hurricane missing today. I assume you came and picked it up but I wanted to make sure. If not we need to file a report with LLPD on a stolen boat.

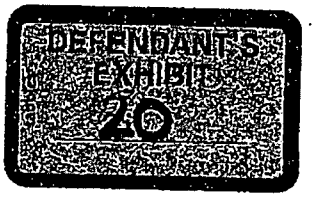
If you did pick it up, I'm not sure why you wouldn't let someone know. Just out of courtesy. I am also curious why you didn't get back to me at all last week. If you needed more time that's fine. You need to communicate. As I stated in our meeting on Monday, I'm willing to work with you on all this but you need to communicate with me. We have always been generous with you in the past and have every intention of doing the same now. However, not hearing anything from you at all makes it hard for me to work with you.

Did your attorney ever get a hold of Kevin? Please let me know about the boat and when we can get together on the stock and other details.

Mark Hammond

Larkin's Restaurants

(828) 289-5615



Subject: Re: Kyle insurance

From: kylepertuis@yahoo.com (kylepertuis@yahoo.com)

To: Mark@Larkinsontheriver.com;

Date: Monday, November 23, 2009 10:25 AM

According to Michelle at corporate benefits you all cancelled my policy on Oct 31. Should be effective on a new policy this week and will contact Ashley once in place
-----Original Message------
From: Mark Hammond
To: kylepertuis@yahoo.com
Subject: FW: Kyle insurance
Sent: Nov 23, 2009 10:17 AM

Kyle, I was checking with Ashley on your insurance and she says that she hasn't received anything from you. I know you mentioned that you were getting your own plan I just didn't know when it went in to effect.

Please let me know the effective date so we can back-cancel your policy to that date. I don't want to go back too far if you had any bills that might hit prior to your new plan start date.

Thanks.

Mark Hammond
Larkin's Restaurants
(828) 289-5615

-----Original Message-----
From: Ashley Duke [mailto:Ashley@larkinsrestaurants.com]
Sent: Monday, November 23, 2009 8:54 AM
To: mark@larkinsontheriver.com
Subject: RE: Kyle insurance

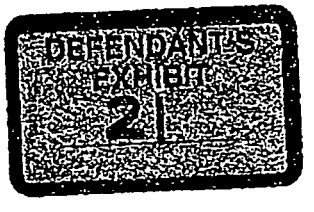
I do not know, I have not received anything from him for Cobra election.

Thank you,
Ashley Duke
Accounting Manager
Larkin's® Restaurants, Inc.

Mobile (864) 684-7314
Phone/Fax (864) 228-0172

"Exceeding Our Guests' Expectations!"

Larkin's® on the River, Downtown Greenville, SC
www.larkinsontheriver.com



Larkin's® on the Lake, Lake Lure, NC
www.larkinsonthelake.com

Larkin's® Carolina Grill, Columbus, NC
www.larkinscarolinagrill.com

-----Original Message-----
From: mark@larkinsontheriver.com [mailto:mark@larkinsontheriver.com]
Sent: Saturday, November 21, 2009 12:07 PM
To: Ashley Duke
Subject: Kyle insurance

Ashley,
Just checking to see where we are on Kyle's BCBS insurance. Did he get his own policy or is he on our plan via COBRA?
Sent from my Verizon Wireless BlackBerry

Sent from my Verizon Wireless BlackBerry

Subject: Re: Stock Repurchase

From: Kyle Pertuis (kylepertuis@yahoo.com)

To: Mark@larkinsontheriver.com;

Cc: lpm@larkinsontheriver.com;

Bcc: kylepertuis@yahoo.com;

Date: Friday, December 4, 2009 5:29 PM

Mark
Just wanted to get back to you before the weekend-

First of all I assume the rescinded offer you are referring to is the same offer that I told you on the phone that I did not believe was a fair valuation and that I needed more information from Mark LeWinter in order to complete a more thorough analysis- Since that time I have not received a call or email from him, nor has my financial advisor, requesting documents for that review. Is there a reason for this? I am sure he has just been busy or out of the office--I left him a message this morning--I will be out through Monday at which time I will try to reach Mark L. again and complete that analysis before you return on Dec 9th so we can have further discusions-

As far as my boat is concerned- I don't know why you continue to bring this up-- I know I was clear on the phone about the fact that it is my boat and there is nothing further to discuss about that. I especially don't appreciate the fact that you are bringing this up again after the slanderous email that Larkin sent and the fact that when you made your initial stock re-purchase offer you also offered to re-purchase the boat from me in order to save me the expense from having to move it-

I have every intention to resolve things with you both on fair and ammenable terms- that is all I have ever requested. My decision to move on from Larkin's was based on changes I needed to make to positively impact my life. I represented the brand with the utmost integrity and professionalism. The last 9 1/2 years have given me a tremendous number of experiences, learning opportunities and growth - and for that- I am truly appreciative. Now I am looking forward to every new opportunity and what is truly best for me and my family and wish the same for you and everyone that represents the Larkin's Brand. I continue to promote & support your businesses and the people that represent you on a daily basis and do not appreciate you all taking this direction-

I will be available again after Monday for further correspondence, discussions and to schedule a time to meet when you are in town-

Kyle Pertuis
864-380-0228

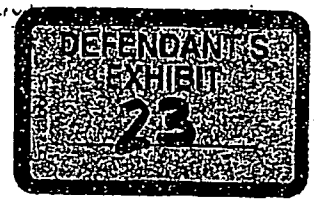
From: Mark Hammond <Mark@larkinsontheriver.com>
To: kylepertuis@yahoo.com
Cc: Larkin <LPM@larkinsontheriver.com>
Sent: Wed, December 2, 2009 2:59:44 PM
Subject: Stock Repurchase

Kyle,

We are rescinding our offer to purchase your stock interest. Should you choose to deliver the Hurricane boat back to us this weekend before the lake goes down for proper storage we will consider further discussions.

Thank you.

Mark Hammond
Larkin's Restaurants
(828) 289-5615



To: 'Kyle Pertuis'
Cc: 'mark@ltcpas.com'; 'Curt Stodghill'; 'Ashley Duke'
Subject: RE: Valuation

Kyle,

After a discussion with Mark LeWinter regarding his conversation with you and with your "accountant" in Greenville, I find it unnecessary and fiscally irresponsible to turn over our corporate accounting files especially in light of the fact that your "accountant" is not an accountant but a financial advisor in Greenville where we operate a business. I have asked Ashley not to prepare or deliver a copy of our QuickBooks accounting files.

I am aware that Mark had a conversation with you and your financial advisor regarding questions you had and my understanding is these were the same questions you and I discussed earlier. I don't know what additional clarification you need but I will have Mark LeWinter get in touch with you again and try and answer your questions.

As you are aware, you and I met with our corporate attorney in an effort to draft documents that were mutually agreeable to you and the corporations. However, you resigned before these documents were completed. As such, there are no signed copies of buy-sell, employment agreements or other similar documents.

All our leases are confidential and contain competitive information in their respective marketplaces. If there is specific information you need please let me know and we can discuss the specific questions you have further.

Kyle, I too would like to finalize things but none of this moves the company closer to preparing another offer to purchase your stock. I will be in town later this week and would be happy to discuss your questions further and try and further clarify things.

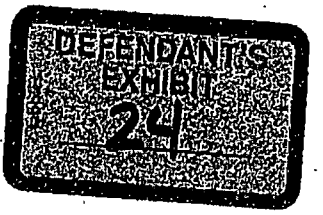
Mark Hammond
Larkin's Restaurants
(828) 289-5615

From: Kyle Pertuis [mailto:kylepertuis@yahoo.com]
Sent: Friday, January 08, 2010 2:35 PM
To: mark@larkinsontheriver.com
Subject: Valuation

Mark
Couple of things--

- I am going to ask Ashley to prepare a copy of the back up disk for quickbooks. I would like to pick this up early next week in order to complete my analysis. Can you please follow up with her- I would like to pick the disk up at the River by Wednesday --
- I would also like to have another signed copy of all corporate governance documents i.e.- buy sell, shareholder agreeements etc. to make sure our valuation methods line up- I know you said you had something for Front Roe but I never got a copy- please just send me all 3
- I have not heard back from Mark LeWinter after multiple attempts to conatact him-- I would like copies of the 2005 and 2006 Tax Returns as well and as you and I have discussed I asked him for an explanation of the loans on the books-- he can email them directly to me--
- I will also need copies of the Leases for each location and would like a copy of the lease that you had in place with Jo Ward prior to your purchase of the property--

Pg. 25



Robert C. Wilson, Jr.
Attorney at Law

201 Whitsett Street
Greenville, South Carolina 29601

Telephone 864/ 242-9488

Fax 864/ 242-6251
E-Mail: TRIGOR527@AOL.COM

January 19, 2010

Curt Stodghill, Esq.
P.O. Box 2431
Greenville, SC 29602-2431

BY FAX, ORIGINAL BY US MAIL

Re: *Kyle Pertuis* v. *Larkin's Restaurant Group*

Dear Mr. Stodghill:

This is to confirm that I have been retained by Kyle Pertuis, who is a minority shareholder in Beachfront Foods, Inc., Front Roe Restuarants, Inc., and Lake Pointe, Inc. It is my understanding that you have served as counsel for these restaurants, ("Larkins Restaurant Group"). As you may be aware, Mr. Pertuis and the majority shareholders of the Larkins Restaurant Group have parted ways. Mr. Pertuis and the majority shareholders have made an unsuccessful effort at a mutually agreeable buyout of Mr. Pertuis' ownership position. Mr. Pertuis has asked that I become involved in the process of securing a fair and equitable buyout of Mr. Pertuis' interests in the Larkins Restaurant Group.

Mr. Pertuis has requested certain financial and other information from the Larkins Restaurant Group. Mr. Hammond has rejected Mr. Pertuis' request. Apparently, Mr. Hammond is unaware of the rights of a shareholder to have access to the administrative and financial records of the corporations in which the shareholder has an interest. I have enclosed the exchange of emails between Mr. Pertuis and Mr. Hammond which documents Mr. Pertuis' request for records and Mr. Hammond's rejection of the request.

The purpose of this letter is to ask that you contact Mr. Hammond. It is my suggestion that Mr. Hammond might need to become aware of the rights of a shareholder to have access to the books and records of the corporation in which the shareholder has an interest. It is my further suggestion that it will be in the best interest of all to allow Mr. Pertuis to have access to the corporate books and records as soon as possible, as provided in the corporate code, to avoid the expense and acrimony of any recourse to litigation, just to review the corporate records. I believe that the Court will require the non-cooperative corporation and/or its non-cooperative majority shareholders to pay the attorney's fees incurred in enforcing Mr. Pertuis' rights to have access to the corporate records.

It is my hope that we can have access to the corporate records without judicial intervention.

Should you have any questions concerning this matter, please do not hesitate to call.

Thanking you for your attention to this matter, I am

Very Truly Yours,

Robert C. Wilson

Robert C. Wilson, Jr.

cc: Kyle Pertuis

To: 'Kyle Pertuis'
Cc: 'mark@ltcpas.com'; 'Curt Stodghill'; 'Ashley Duke'
Subject: RE: Valuation

Kyle,

After a discussion with Mark LeWinter regarding his conversation with you and with your "accountant" in Greenville, I find it unnecessary and fiscally irresponsible to turn over our corporate accounting files especially in light of the fact that your "accountant" is not an accountant but a financial advisor in Greenville where we operate a business. I have asked Ashley not to prepare or deliver a copy of our QuickBooks accounting files.

I am aware that Mark had a conversation with you and your financial advisor regarding questions you had and my understanding is these were the same questions you and I discussed earlier. I don't know what additional clarification you need but I will have Mark LeWinter get in touch with you again and try and answer your questions.

As you are aware, you and I met with our corporate attorney in an effort to draft documents that were mutually agreeable to you and the corporations. However, you resigned before these documents were completed. As such, there are no signed copies of buy-sell, employment agreements or other similar documents.

All our leases are confidential and contain competitive information in their respective marketplaces. If there is specific information you need please let me know and we can discuss the specific questions you have further.

Kyle, I too would like to finalize things but none of this moves the company closer to preparing another offer to purchase your stock. I will be in town later this week and would be happy to discuss your questions further and try and further clarify things.

Mark Hammond
Larkin's Restaurants
(828) 289-5615

From: Kyle Pertuis [mailto:kylepertuis@yahoo.com]
Sent: Friday, January 08, 2010 2:35 PM
To: mark@larkinsontheriver.com
Subject: Valuation

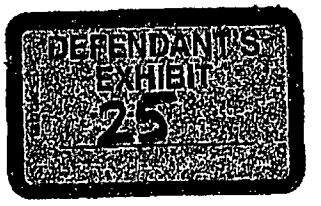
Mark
Couple of things--

- I am going to ask Ashley to prepare a copy of the back up disk for quickbooks. I would like to pick this up early next week in order to complete my analysis. Can you please follow up with her- I would like to pick the disk up at the River by Wednesday --
- I would also like to have another signed copy of all corporate governance documents i.e.- buy sell, shareholder agreeements etc. to make sure our valuation methods line up- I know you said you had something for Front Roe but I never got a copy- please just send me all 3
- I have not heard back from Mark LeWinter after multiple attempts to conatact him-- I would like copies of the 2005 and 2006 Tax Returns as well and as you and I have discussed I asked him for an explanation of the loans on the books-- he can email them directly to me--
- I will also need copies of the Leases for each location and would like a copy of the lease that you had in place with Jo Ward prior to your purchase of the property-

Looking forward to finalizing things soon--

Thank you

Kyle Pertuis
864-380-0228



STODGHILL Law Firm
Uncommon Business Sense

3 February 2010

Robert C. Wilson, Jr.
201 Whitsett Street
Greenville, SC 29601

Dear Bob:

I received your letter dated 26 January 2010, and your email today. Your last letter raised two immediate concerns. First, you characterized the matter in your reference line as *Pertuis v. Larkin's Restaurants*. While there are obviously different perspectives and expectations, the reference line implies a raised the level of conflict between our clients. Let's try to reduce that and save our clients some time and money, but if a lawsuit is where this ultimately winds up, so be it. Second, and more importantly, your letter inaccurately implies that I have not been responsive to your attempted contacts. To make sure the record is set straight, I would ask you to recall that the day I received your first letter, I called and left a message that you could contact me or my colleague, Kevin Reese. Again after receiving your emails, I made several unsuccessful attempts to contact you by telephone, and in my last attempt I left a message suggesting multiple times and at least two days last week for either a face-to-face conference or telephone call. Prior to my last call we did exchange voicemails; however, there was no response to my last call until I received your letter. Mr. Reese has received no contact from you.

We have both represented corporations too long to needlessly threaten litigation and the risk of attorney fees for a bona-fide disagreement about what records your client is entitled to see and under what conditions. This is especially true given the potential use of my clients' confidential information by your client, including trade secrets, and only mentioning the fact that he has apparently converted company property to which he held title as an agent or nominee.

Mr. Pertuis' rights to company information are subject to the requirements set forth in the applicable statutes. My client is aware of that. I do not think your client has complied with the statutory requirements. But, that notwithstanding, your client has already been provided a good bit of information by Mr. Hammond or Mr. LeWinter. Mr. Pertuis' last request was extraordinary in its breadth and detail. His occupation as a restaurant consultant raises substantial concern over wrongful disclosure or misuse of my clients' information. I am at a loss as to what good faith reason Mr. Pertuis will advance to justify the information requested at such a detailed level. In my experience, in such situations, there is a high likelihood of pretense and a substantial risk of irreparable harm to the companies if the information is wrongfully disclosed or used.

To balance your client's purported need for information and to ameliorate the risks of providing that information, we would request reasonable protections against wrongful disclosure or use before providing the additional information requested. I have provided a draft agreement to that end. Reiterating my last phone message, I think it would be helpful for us to sit down and converse on areas of agreement and what options are available which may achieve both groups' interests. In the meantime, I think it will go a long way for your client to return the boat he wrongfully took.

Very truly yours,

Curtis Stodghill

C: Mark Hammond

201 East McBee Avenue, Suite 300 A, Greenville, SC 29601 • P.O. Box 2431, Greenville, SC 29602

Phone: 864.271.0966 • Fax: 864.770.6167 • www.stodghill-law.com

STATE OF SOUTH CAROLINA)
)
COUNTY OF GREENVILLE)

CONFIDENTIAL INFORMATION PROTECTION AGREEMENT

This agreement is between Front Roe Restaurants, Inc., a South Carolina corporation ("Front Roe"), Beachfront Foods, Inc., a North Carolina corporation ("Beachfront"), and Lake Point Restaurants, Inc., a North Carolina corporation ("Lake Point") (Front Roe, Beachfront, and Lake Point may be collectively referred to as "Larkin's Restaurants") and Kyle Petrius a resident of Greenville, South Carolina ("Petrius") and is dated on the last date below.

Recitals

A. Front Roe operates a restaurant in Greenville South Carolina, Beachfront and Lake Point operate restaurants in or around Lake Lure, North Carolina. Larkin's Restaurants operate as S-corporations in accord with §§1361-1379 of the Internal Revenue Code of 1986, as amended.

B. Petruis was an employee and terminated employment on 12 October 2009.

C. Petruis owns the following capital interest in Larkin's Restaurants:

Front Roe	1%
Lake Point	10%
Beachfront	10%

D. Upon termination of employment with Larkin's Restaurants, Petruis began doing business as a restaurant consultant.

E. Larkin's Restaurants has provided Petruis with information initially requested related to the companies.

F. Petruis has requested additional financial and other business information about Larkin's Restaurants, which management believes constitutes trade secrets under applicable law; will result in substantial and irreparable harm if wrongfully used or disclosed; is not required to be disclosed to shareholders without protection of the companies' interests; and not required to be disclosed if the requests are not made in good faith and for a proper purpose.

G. Larkin's Restaurants acknowledge Petruis' rights to information about Larkin's Restaurants so long as such information is requested in good faith for a proper purpose and the information is directly connected to the purpose.

F. The information Petruis has and has requested could have a material and adverse affect on Larkin's Restaurants' business and cause irreparable harm if wrongfully disclosed or used.

In consideration of the recitals above and good and valuable consideration of the provisions below the parties agree as follows:

1. **Scope.** All documents and information provided by any of the parties to the other before or after this agreement is signed, whether before any litigation or in the course of discovery, all responses to requests for information and discovery requests and all deposition testimony and deposition exhibits and any other materials which may be subject to discovery (hereinafter collectively "documents") shall be subject to this agreement. Larkin's Restaurants and Petruis acknowledge the possibility of litigation resulting from their conflicting interests, and in such event the parties shall consent to have this instrument become a incorporated into an order of the court with the intention of protecting Larkin's Restaurants against wrongful disclosure or use of the documents and information.

2. **Form and Timing of Designation.** Confidential documents shall be so designated by

placing or affixing the word "CONFIDENTIAL" or "CONFIDENTIAL – ATTORNEYS EYES ONLY" on the document in a manner which will not interfere with the legibility of the document and which will permit complete removal of the Confidential designation. Documents shall be designated CONFIDENTIAL or "CONFIDENTIAL – ATTORNEYS EYES ONLY" prior to, or contemporaneously with, the production or disclosure of the documents. Inadvertent or unintentional production of documents without prior designation as confidential shall not be deemed a waiver, in whole or in part, of the right to designate documents as confidential as otherwise allowed by this Agreement and Order.

3. **Documents Which May be Designated Confidential.**

(a) **Designation.** Any party may designate documents as confidential but only after review of the documents by an attorney[1] who has, in good faith, determined that the documents contain information protected from disclosure by statute, sensitive personal information, trade secrets, or confidential research, development, or commercial information. The certification shall be made concurrently with the disclosure of the documents, using the form attached hereto as Attachment A, which shall be executed subject to the standards of Rule 11 of the South Carolina Rules of Civil Procedure. Information or documents which are available in the public sector may not be designated as confidential.

(b) **Higher Protection.** The CONFIDENTIAL ATTORNEYS EYES ONLY" classification, being more highly protective of disclosure than the "CONFIDENTIAL" classification, governs information that an attorney, in good faith, determined has a high probability of materially and adversely affecting the business, financial, commercial, proprietary interests, or privacy interests of the party or person producing such material if such information is disclosed. Materials entitled to protection under the CONFIDENTIAL – ATTORNEYS EYES ONLY designation are limited to business plans, marketing surveys, financial statements (including budgets, accounting records, sales or profit projections or reports, profit and loss statements, balance sheets and income statements); customer lists; documents that identify customers or suppliers of the producing party or person; technical drawings and specifications; and documents related to the development or improvement of items, products or processes as well as sensitive personal financial information of individuals (e.g. tax returns).

4. **Depositions.** Portions of depositions shall be deemed confidential only if designated as such when the deposition is taken or within seven business days after receipt of the transcript. Such designation shall be specific as to the portions to be protected.

5. **Protection of Confidential Material.**

(a) **General Protections.** Documents designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY under this Agreement shall not be used or disclosed by the parties or counsel for the parties or any other persons identified below (5(b)) for any purposes whatsoever other than (i) the purpose set forth in Petruis request for corporate information or (ii) Petruis' or Larkins Restaurant's preparing for and conducting the litigation between Petruis or Larkins Restaurants in which the documents were disclosed (including any appeal of that litigation).

---

[1]The attorney who reviews the documents and certifies them to be CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY must be admitted to the South Carolina or North Carolina Bars, as the case may be. By signing the certification, counsel submits to the jurisdiction of the court hearing the matter in regard to the certification.

(b) **Limited Third Party Disclosures.** The parties and counsel for the parties shall not disclose or permit the disclosure of any documents designated CONFIDENTIAL under the terms of this agreement to any other person or entity except as set forth in subparagraphs (1)-(5) below, and then only after the person to whom disclosure is to be made has executed an acknowledgment (in the form set forth at Attachment B hereto), that he or she has read and understands the terms of this agreement and is bound by it. The following categories of persons may be allowed to review documents which have been designated CONFIDENTIAL pursuant to this agreement:

(1) Counsel and employees of counsel for the parties who have responsibility for the preparation and trial of the lawsuit;

(2) Parties and employees of a party to this agreement but only to the extent counsel shall certify that the specifically named individual party or employee's assistance is necessary to the conduct of the litigation in which the information is disclosed:[2]

(3) Court reporters engaged for depositions and those persons, if any, specifically engaged for the limited purpose of making photocopies of documents;

(4) Consultants, investigators, or experts (hereinafter referred to collectively as "experts") employed by the parties or counsel for the parties to assist in the preparation and trial of the lawsuit; and

(5) Other persons only upon consent of the producing party or upon order of the court and on such conditions as are agreed to or ordered.

The parties and counsel for the parties shall not disclose or permit the disclosure of any documents designated CONFIDENTIAL- ATTORNEYS EYES ONLY under the terms of this agreement to any other person or entity except as set forth in subparagraphs (1)-(3) below, and then only after the person to whom disclosure is to be made has executed an acknowledgment (in the form set forth at Attachment B hereto), that he or she has read and understands the terms of this agreement and is bound by it. The following categories of persons may be allowed to review documents which have been designated CONFIDENTIAL – ATTORNEYS EYES ONLY pursuant to this agreement:

(1) Counsel and employees of counsel for the parties who have responsibility for the preparation and trial of the lawsuit;

(2) Consultants, investigators, or experts (hereinafter referred to collectively as "experts") employed by the parties' counsel to assist in the preparation and trial of the lawsuit; and

(3) Other persons only upon consent of the producing party or upon order of the court and on such conditions as are agreed to or ordered.

(c) **Control of Documents.** Counsel for the parties shall prevent unauthorized disclosure of documents designated as CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY pursuant to the terms of this agreement. Counsel shall maintain a record of those persons, including employees of counsel, who have reviewed or been given access to the

[2]At or prior to the time such party or employee completes his or her acknowledgment of review of this agreement to be bound by it (Attachment B hereto), counsel shall complete a certification in the form shown at Attachment C hereto. Counsel shall retain the certification together with the signed forms.

documents along with the originals of the forms signed by those persons acknowledging their obligations under this agreement.

(d) **Copies.** All copies, duplicates, extracts, summaries or descriptions (hereinafter referred to collectively as "copies"), of documents designated as CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY under this agreement or any portion of such a document, shall be immediately affixed with the designation CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY if the word does not already appear on the copy. All such copies shall be afforded the full protection of this agreement.

6. **Filing of Confidential Materials.** In the event a party seeks to file any material that is subject to protection under this agreement with the court, that party shall take appropriate action to insure that the documents receive proper protection from public disclosure including: (1) filing a redacted document with the consent of the party who designated the document as confidential; (2) where appropriate (e.g. in relation to discovery and evidentiary motions), submitting the documents solely for *in camera* review; or (3) where the preceding measures are not adequate, seeking permission to file the document under seal pursuant to South Carolina or North Carolina law, whichever the case. Absent extraordinary circumstances making prior consultation impractical or inappropriate, the party seeking to submit the document to the court shall first consult with counsel for the party who designated the document as confidential to determine if some measure less restrictive than filing the document under seal may serve to provide adequate protection. This duty exists irrespective of the duty to consult on the underlying motion. Nothing in this agreement shall be construed as a prior directive to the Clerk of Court to allow any document be filed under seal.

7. **Greater Protection of Specific Documents.** No party may withhold information from discovery on the ground that it requires protection greater than that afforded by this agreement unless the party moves for an Agreement and Order providing such special protection.

8. **Challenges to Designation as Confidential.** Any CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY designation is subject to challenge. The following procedures shall apply to any such challenge

(a) **Burden.** The burden of proving the necessity of a Confidential designation remains with the party asserting confidentiality.

(b) **Confirmation Request.** A party who contends that documents designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY are not entitled to confidential treatment shall give written notice to the party who affixed the designation of the specific basis for the challenge. The party who so designated the documents shall have fifteen (15) days from service of the written notice to determine if the dispute can be resolved without judicial intervention and, if not, to move for an order confirming the Confidential designation.

(c) **Pending Challenge.** Notwithstanding any challenge to the designation of documents as confidential, all material previously designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY shall continue to be treated as subject to the full protections of this agreement until one of the following occurs:

(1) The party who claims that the documents are confidential withdraws such designation in writing;

(2) The party who claims that the documents are confidential fails to move timely for an order designating the documents as confidential as set forth in paragraph 8(b). above; or

(3) The court rules that the documents should no longer be designated as confidential information.

(d) Challenges to the confidentiality of documents may be made at any time and are not waived by the failure to raise the challenge at the time of initial disclosure or designation.

9. **Treatment on Conclusion of Litigation.**

(a) **Agreement and Order Remains in Effect.** All provisions of this Agreement and Order restricting the use of documents designated CONFIDENTIAL or CONFIDENTIAL - ATTORNEYS EYES ONLY shall continue to be binding after the conclusion of the litigation unless otherwise agreed or ordered.

(b) **Return of Confidential Documents.** Within thirty (30) days after the conclusion of any litigation or resolution prior to instituting litigation, including conclusion of any appeal, all documents treated as confidential under this Agreement and Order, including copies as defined above (¶5(d)) shall be returned to the producing party unless: (1) the document has been entered as evidence or filed (unless introduced or filed under seal); (2) the parties stipulate to destruction in lieu of return; or (3) as to documents containing the notations, summations, or other mental impressions of the receiving party, that party elects destruction. Notwithstanding the above requirements to return or destroy documents, counsel may retain attorney work product including an index which refers or relates to information designated CONFIDENTIAL or CONFIDENTIAL ATTORNEYS EYES ONLY so long as that work product does not duplicate verbatim substantial portions of the text of confidential documents. This work product continues to be Confidential under the terms of this agreement. An attorney may use his or her work product in a subsequent litigation provided that its use does not disclose the confidential documents.

10. **Agreement Subject to Modification.** This any order derived from adopting this agreement may call for this agreement to be subject to modification on motion of any party or any other person who may show an adequate interest in the matter to intervene for purposes of addressing the scope and terms of this agreement. The agreement shall not, however, be modified until the parties shall have been given notice and an opportunity to be heard on the proposed modification.

11. **No Judicial Determination.** This agreement is entered based on the representations and agreements of the parties and for the purpose of complying with shareholder inspection rights, facilitating resolution prior to litigation, and discovery should litigation ensue. Nothing herein shall be construed or presented as a judicial determination that any specific document or item of information designated as CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY by counsel is subject to protection under Rule 26(c) of the South Carolina Rules of Civil Procedure, corresponding rules in North Carolina, or otherwise until such time as a document-specific ruling shall have been made. This agreement shall in no way be interpreted as acceptance or waiver of jurisdiction or determination of appropriate venue.

12. **Warranty and Covenant of Property Use.** Pertuis represents and warrants that he has not and covenants that he shall not use or disclose any information about the Company or its business that derives independent economic value from not being generally known to and ascertainable by other persons who may obtain economic value from its disclosure or use, and Work Product (defined below). While portions of such information considered may not be confidential, the form of its compilation or the manner in which it is to be used makes it confidential information and subject to the warranties and covenants above. However, this warranty and covenant does not include information which, (a) a Pertuis can show by written

evidence was in its possession prior to disclosure by Larkin's Restaurants; (b) becomes generally available to the public in tangible form other than by acts or omissions of a person (or persons obtaining such information from the Larkin's Restaurants); and (c) is lawfully obtained from a third party who is properly in possession of such information, has a right to reveal the same to a person, and did not obtain the Information directly or indirectly from Larkin's Restaurants with restrictions on disclosure. **Work Product** means information, whether prepared by the person receiving the confidential information, which contains, reflects, is based upon, or arises out of (in whole or in part) such information.

12. **Persons Bound.** This agreement shall take effect when entered and shall be binding upon: (1) counsel who signed below and their respective law firms; and (2) their respective clients.

IT IS SO AGREED.

_____

Kyle Pertuis

Front Roe Restaurants, Inc.

By:_____

Mark Hammond, President

Beachfront Foods, Inc.

By:_____

Mark Hammond, President

Lake Point Restaurants, Inc.

By:_____

Mark Hammond, President

ATTACHMENT A
CERTIFICATION BY COUNSEL OF DESIGNATION OF INFORMATION AS CONFIDENTIAL

Documents produced herewith whose bates numbers are listed below or are listed on an index attached hereto have been marked as CONFIDENTIAL or CONFIDENTIAL -- ATTORNEYS EYES ONLY subject to the Confidential Information Protection Agreement and any order associated therewith. By signing below, I am certifying that I have personally reviewed the marked documents and believe, based on that review, that they are properly subject to protection under the terms of Paragraph 3 of said agreement.

Date: _____

[Signature of Counsel]]

ATTACHMENT B

ACKNOWLEDGMENT OF UNDERSTANDING & AGREEMENT TO BE BOUND

The undersigned hereby acknowledges that he or she has read the Confidential Information Protection Agreement and any order associated therewith, with respect to Front Roe Restaurants, Inc., Beachfront Foods, Inc., and Lake Point Restaurants, Inc., and Kyle Petrius, understands the terms thereof, and agrees to be bound by such terms. The undersigned submits to the jurisdiction of the Court of Common Pleas for Greenville County in South Carolina or Courts seated in Rutherford County, North Carolina in matters relating to the agreement or order related thereto and understands that the terms of said agreement and any order obligate him/her to use materials designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY solely for the purposes of the above-captioned action, and not to disclose any such confidential information to any other person, firm or concern.

The undersigned acknowledges that violation of the Confidential Information Protection Agreement and any appurtenant order may result in damages or penalties, including contempt of court.

Name: _____
Job Title: _____
Employer: _____
Business Address: _____

Date: _____ _____
Signature

ATTACHMENT C

STATE OF SOUTH CAROLINA	)	IN THE COURT OF COMMON PLEAS
	)	
COUNTY OF GREENVILLE	)	THIRTEENTH JUDICIAL CIRCUIT
North American Rescue Products, Inc.,	)	Civil Action No. 2007-CP-23-3206
Petruis,	)	
	)	
vs.	)	Certification of Counsel
	)	of Need for Assistance of
P.J. Richardson,	)	Party/Employee
	)	
Defendant.	)	

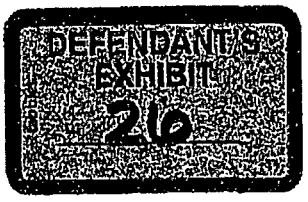
Pursuant to the Confidential Information Protection Agreement and any order derived as a result of that agreement, most particularly the provisions of Paragraph 6(b)2, I certify that the assistance of _____ is reasonably necessary to the conduct of this matter and that this assistance requires the disclosure to this individual of information which has been designated as CONFIDENTIAL or CONFIDENTIAL - ATTORNEYS EYES ONLY.

I have explained the terms of the Confidential Information Protection Agreement and any related order to the individual named above and will obtain his or her signature on an "Acknowledgment of Understanding and Agreement to be Bound" prior to releasing any confidential documents to the named individual and I will release only such confidential documents as are reasonably necessary to the conduct of this matter.

The individual named above is:

Date: _____

_____
Signature



Robert C. Wilson, Jr.
Attorney at Law

201 Whitsett Street
Greenville, South Carolina 29601

Telephone 864/ 242-9488

Fax 864/ 242-6251
E-Mail: TRIGOR527@AOL.COM

February 24, 2010

Curt Stodghill, Esq.
P.O. Box 2431
Greenville, SC 29602-2431

BY FAX, ORIGINAL BY US MAIL

Re: *Kyle Pertuis v. Larkin's Restaurant Group*

Dear Mr. Stodghill:

Let us not tarry any longer composing unnecessary documents to protect majority shareholders from their malefactions. Please send me the financial and administrative records for which my client has asked by the close of business this Friday. If the documents are not received by then, without any *impedimenta*, then I will have a judge tell your clients to produce the records, as provided under both the S.C. and N.C. corporate codes. I am mindful that, under both the S.C. and the N.C. corporate statutory codes, the Court may award attorney's fees to the shareholder who has been denied access to the records of his corporation.

I will look forward to receiving the records by the close of business on Friday.

Should you have any questions concerning this matter, please do not hesitate to call.

Thanking you for your attention to this matter, I am

Very Truly Yours,

Robert C. Wilson, Jr.

cc: Kyle Pertuis

STODGHILL Law Firm
Uncommon Business Sense

26 February 2010

Robert C. Wilson, Jr.
201 Whitsett Street
Greenville, SC 29601

Reference: Pertuis/Larkins

Dear Mr. Wilson:

On 3 February 2010, I sent a letter outlining my clients' concerns relating to Mr. Pertuis' request for information (a copy is enclosed for your easy reference), and the need to assure that my clients' legitimate business interests to have confidential information and trade secrets protected. With that letter, I proffered a draft agreement to protect my clients' confidential information and trade secrets: a means to resolve the dilemma that we both faced in advancing and protecting our respective clients' interests without litigation. I received no response to my letter until you faxed a letter to my office after the close of business Wednesday, summarily rejecting the proffered solution (characterizing it as "*impediments*") and demanding production of a substantial amount of information in two days without addressing the prerequisites set forth in §12-16-102(c).

Unless ordered by the court otherwise, until we have reasonable assurances that my clients' confidential information and trade secrets are protected from wrongful use or disclosure, I have advised my clients not to produce additional information.

Govern yourself accordingly.

Very truly yours,

Curtis Stodghill

C: Mark Hammond

201 East McBee Avenue, Suite 900 A, Greenville, SC 29601 • P.O. Box 2431, Greenville, SC 29602

Phone: 864.271.0966 • Fax: 864.770.6167 • www.stodghill-law.com

DEFENDANT'S EXHIBIT 28

Louis G. Manios, LLC
Public Accountant
1249 South Pleasantburg Drive
Greenville, SC 29605
(864) 277-9600 Fax (864) 422-9665

Enrolled To Practice
Before Internal Revenue Service

Member
National Society of Public Accountants
SC Association of Public Accountants

May 16, 2013

Mr. Rodney Pillsbury
Pillsbury & Read, P.A.
1204-A East Washington St
Greenville, SC 29601

Re: Front Roe Restaurants, Inc.
Lake Point Restaurants, Inc.
Beachfront Foods, Inc.

Dear Mr. Pillsbury:

At your request, I have calculated what I feel is a net value for the following restaurants based on 100% ownership as of December 31, 2012. I arrived at the value of each company based on prior year and current year tax returns. I arrived at these values by taking net profits into consideration, along with depreciation, amortization, interest and officers' wages, if any were paid.

After arriving at this value, I added the cash, inventory, advances to officers and receivables from related parties. I subtracted payables, notes payable, notes payable to related parties, common stock and paid in capital to arrive at a net value of the different restaurants.

These net values were then adjusted to reflect the impact from the new Peace Center rental rates, doubtful receivables from related parties, and discounts for the lease term and minority interest to arrive at a discounted net value of the different restaurants.

The net values and discounted net values are listed below and the valuations of each company are enclosed:

	Net Value	Discounted Net Value
Front Roe Restaurant, Inc.:	$1,166,338	$477,598
Lake Point Restaurant, Inc.:	$ 189,159	$ 19,643
Beachfront Foods, Inc.:	$ 0	$ 0

I am available to discuss my analyses, conclusions, and report. Thank you for allowing me to work with you on this matter.

Sincerely,

Louis G. Manios

LGM/jc
Enclosures

FRONT ROE RESTAURANT, INC.

Profit Impact from new Peace Center Rental Rates

The following information on the new rental rates was provided to me by Mark Hammond:

Pavillion Rent

Was $250 per use .. Now $750 per use

The corporation passes on the $500 extra about 75% of the time, the other 25% is negotiated for something less. The space is rented about 45 times per year.

Total Pavillion impact to the net profit - $5,625

Amphitheater/TD Stage

Rhythm on the River (ROR) -- was $500 per use...now $4,000 per use

The corporation reduced concerts from 17 per year to 4 per year. With the increase the corporation is still paying $7,500 more per year on 13 less events.

Increase in business from ROR concerts is not exact but a best guess is a reduction of $1,700 per night in the dining room and $3,200 per night in lost concessions from each concert. That equals $4,900 in lost revenue times 13 concerts or $63,700 in total lost revenue. That translates to $31,850 in lost bottom line profit.

Note: The concert tickets sold covered production and retal expenses in the past so that portion is a wash with the exception of the additional $7,500 in rent over prior years.

Total Amphitheater Estimated impact to the net profit - $39,350

These increases also impact the ability to raise rental rates for years to come. This would normally be a positive impact to future profit growth.

Genevieve's

This newer and more convenient restaurant operated by the Peace Center competes directly with the corporation on some of the most popular nights. There are approximately 45 major show days and another 25 minor show days. This leads to an estimated loss of 30 dinners on major days and 10 on minor days. At the current guest average on show nights of $42.50 per person this translates to a loss in business of $68,000.

The bottom line impact from Genevieve's is approximately $34,000

FRONT ROE RESTAURANT, INC.

Profit Impact from new Peace Center Rental Rates

After taking the assumptions of decreased net profits of $78,975, this would have an effect on the value of the corporation of a reduction of $157,950.

There is a notes receivable from a related party (Beachfront, Inc.) in the amount of $256,266 calculated into the net value which is doubtful that it will ever be collected. This also would have an effect on the value of the corporation.

The corporation has less that 10 years left on its lease which includes options. It appears that the Peace Center is attempting to take full control of all restaurants. If the lease cannot be extended this would also reduce the value of the corporation.

NET VALUE	
1,166,338	- Value
(157,950)	- 2x 78,975
(256,266)	- Notes Receivable
752,122	- Adjusted Net Value
(150,424)	- Discounted Lease 20%
(124,100)	- Discounted Minority Interest 16.5%
477,598	- Discounted Net Value

LAKE POINT RESTAURANT, INC.

There is a notes receivable from a related party, Beachfront, Inc., in the amount of $165,635 calculated into the net value which is doubtful that it would ever be collected. This would have an effect on the value of the corporation.

NET VALUE	
189,159	- Value
(165,635)	- Notes Receivable
23,524	- Adjusted Net Value
3,881	- Discounted Minority Interest 16.5%
19,643	- Discounted Net Value

Front Roe Restaurants, Inc.
dba Larkins on the River

Net Income	265,516
Depreciation	56,016
Amortizatioin	39,997
Interest	47,468
Officer's Wages	60,000
Net Income	468,997
	x 2
Value	937,994
Cash	45,563
Inventory	93,366
Receivables (Related Parties)	505,056
Advances to Officers	668,860
Total Value	2,250,839
Liabilities	
Payables	93,276
N/P - Officers	275,338
N/P	463,362
Common Stock	252,525
Total Liabilities	1,084,501
Net Value	1,166,338

Beachfront, Inc.
dba Larkins Carolina Grill

Net Income (Loss)	(118,616)
Depreciation	28,512
Amortization	133
Interest	22,122
Net Income (Loss)	(67,849)

Value based on leasehold improvements and age of improvements and equipment

Value Estimated	100,000
Cash	29,209
Inventory	11,417
Total Value	140,626

Liabilities	
Payables	48,411
N/P - Officers	456,052
N/P	366,593
N/P - Related Parties	424,851
Common Stock	2,300
Paid in Capital	25,200
Total Liabilities	1,322,907
Net Value	(1,182,281)

Lake Point Restaurants, Inc.
dba Larkins on the Lake

Net Income	28,731
Depreciation	14,353
Amortization	12,267
Interest	3,114
Officer's Wages	89,274
Net Income	147,739
	x2
Value	295,478
Cash	21,957
Inventory	18,345
Advances to Officers	152,433
Receivables (Related Parties)	166,635
Total Value	653,848
Liabilities	
Payables	24,228
N/P	74,267
N/P - Related Parties	241,887
Common Stock	12,300
Paid In Capital	112,507
Total Liabilities	464,689
Net Value	189,159

Department of the Treasury Internal Revenue Service

Form 1120S U.S. Income Tax Return for an S Corporation 2002

OMB No. 1545-0130 | IRS use only — Do not write or staple in this space.

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

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

A Effective date of election as an S corporation: 9/01/1998	Use IRS label. Otherwise, print or type.	LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE P.O. BOX 681 LAKE LURE, NC 28746	C Employer identification number: 2945
B Business code no. (see instructions): 722110			D Date incorporated: 9/01/1998
			E Total assets (see instructions): $ 340,926.

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 ► 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	1,076,228.	b Less returns and allowances	c Bal ►	1c 1,076,228.
	2	Cost of goods sold (Schedule A, line 8)				2 667,912.
	3	Gross profit. Subtract line 2 from line 1c				3 408,316.
	4	Net gain (loss) from Form 4797, Part II, line 18 *(attach Form 4797)*				4
	5	Other income (loss) *(attach schedule)*				5
	6	Total income (loss). Combine lines 3 through 5			►	6 408,316.
DEDUCTIONS (SEE INSTRUCTIONS)	7	Compensation of officers				7 36,000.
	8	Salaries and wages (less employment credits)				8
	9	Repairs and maintenance				9 8,116.
	10	Bad debts				10
	11	Rents				11 65,200.
	12	Taxes and licenses				12 1,510.
	13	Interest				13 4,075.
	14a	Depreciation *(if required, attach Form 4562)*		14a 44,650.		
	b	Depreciation claimed on Schedule A and elsewhere on return		14b		
	c	Subtract line 14b from line 14a				14c 44,650.
	15	Depletion (Do not deduct oil and gas depletion.)				15
	16	Advertising				16 9,956.
	17	Pension, profit-sharing, etc, plans				17
	18	Employee benefit programs				18
	19	Other deductions *(attach schedule)*	SEE STATEMENT 1			19 117,689.
	20	Total deductions. Add the amounts shown in the far right column for lines 7 through 19			►	20 287,196.
	21	Ordinary income (loss) from trade or business activities. Subtract line 20 from line 6				21 121,120.
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 2002 estimated tax payments and amount applied from 2001 return		23a		
	b	Tax deposited with Form 7004		23b		
	c	Credit for Federal tax paid on fuels *(attach Form 4136)*		23c		
	d	Add lines 23a through 23c				23d
	24	Estimated tax penalty. Check if Form 2220 is attached			► [ ]	24
	25	Tax due. If the total of lines 22c and 24 is larger than line 23d, enter amount owed. See instructions for depository method of payment			►	25 0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid			►	26
	27	Enter amount of line 26 you want: Credited to 2003 estimated tax ►		Refunded ►		27

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 ► PRESIDENT Title

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

Paid Preparer's Use Only

Preparer's signature ►	Date	Check if self-employed [ ]	Preparer's SSN or PTIN: P00036004
Firm's name (or yours if self-employed), address, and ZIP code ►	MARK E. LEWINTER, C.P.A., INC. 26300 LA ALAMEDA, SUITE 340 MISSION VIEJO, CA 92691		EIN 33-0549077

BAA For Paperwork Reduction Act Notice, see separate instructions. SP[illegible] 02)

DEFENDANT'S EXHIBIT 29a

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	21,940.
2	Purchases	2	374,435.
3	Cost of labor	3	244,782.
4	Additional section 263A costs *(attach schedule)*	4	
5	Other costs *(attach schedule)* SEE STATEMENT 2	5	47,974.
6	Total. Add lines 1 through 5	6	689,131.
7	Inventory at end of year	7	21,219.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	667,912.

9a Check all methods used for valuing closing inventory:
- (i) [X] Cost as described in Regulations section 1.471-3
- (ii) [ ] Lower of cost or market as described in Regulations section 1.471-4
- (iii) [ ] Other (specify method used and attach explanation)

b Check if there was a writedown of 'subnormal' goods as described in Regulations section 1.471-2(c) ▶ [ ]

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

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

e Do the rules of section 263A (for property produced or acquired for resale) apply to the corporation? [ ] Yes [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 B Other Information

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

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

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

	(a) Pro rata share items		(b) Total amount
Income (Loss)	1 Ordinary income (loss) from trade or business activities (page 1, line 21)	1	121,120.
	2 Net income (loss) from rental real estate activities *(attach Form 8825)*	2	
	3a Gross income from other rental activities 3a		
	b Expenses from other rental activities *(attach schedule)* 3b		
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c	
	4 Portfolio income (loss):		
	a Interest income	4a	
	b Ordinary dividends	4b	
	c Royalty income	4c	
	d Net short-term capital gain (loss) *(attach Schedule D (Form 1120S))*	4d	
	e (1) Net long-term capital gain (loss) *(attach Schedule D (Form 1120S))*:	4e (1)	
	(2) 28% rate gain (loss) ▶ (3) Qualified 5-year gain ▶		
	f Other portfolio income (loss) *(attach schedule)*	4f	
	5 Net section 1231 gain (loss) (other than due to casualty or theft) *(attach Form 4797)*	5	
	6 Other income (loss) *(attach schedule)*	6	

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

		(a) Pro rata share items		(b) Total amount
Deductions	7	Charitable contributions *(attach schedule)* ..... SEE STATEMENT 3	7	1,545.
	8	Section 179 expense deduction *(attach Form 4562)*	8	
	9	Deductions related to portfolio income (loss) (itemize)	9	
	10	Other deductions *(attach schedule)*	10	
Investment Interest	11a	Interest expense on investment debts	11a	
	b (1)	Investment income included on lines 4a, 4b, 4c, and 4f above	11b (1)	
	(2)	Investment expenses included on line 9 above	11b (2)	
Credits	12a	Credit for alcohol used as a fuel *(attach Form 6478)*	12a	
	b	Low-income housing credit:		
	(1)	From partnerships to which section 42(j)(5) applies	12b (1)	
	(2)	Other than on line 12b(1)	12b (2)	
	c	Qualified rehabilitation expenditures related to rental real estate activities *(attach Form 3468)*	12c	
	d	Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d	
	e	Credits related to other rental activities	12e	
	13	Other credits	13	
Adjustments and Tax Preference Items	14a	Depreciation adjustment on property placed in service after 1986	14a	3,026.
	b	Adjusted gain or loss	14b	
	c	Depletion (other than oil and gas)	14c	
	d (1)	Gross income from oil, gas, or geothermal properties	14d (1)	
	(2)	Deductions allocable to oil, gas, or geothermal properties	14d (2)	
	e	Other adjustments and tax preference items *(attach schedule)*	14e	
Foreign Taxes	15a	Name of foreign country or U.S. possession ▶ _____		
	b	Gross income from all sources	15b	
	c	Gross income sourced at shareholder level	15c	
	d	Foreign gross income sourced at corporate level:		
	(1)	Passive	15d (1)	
	(2)	Listed categories *(attach schedule)*	15d (2)	
	(3)	General limitation	15d (3)	
	e	Deductions allocated and apportioned at shareholder level:		
	(1)	Interest expense	15e (1)	
	(2)	Other	15e (2)	
	f	Deductions allocated and apportioned at corporate level to foreign source income:		
	(1)	Passive	15f (1)	
	(2)	Listed categories *(attach schedule)*	15f (2)	
	(3)	General limitation	15f (3)	
	g	Total foreign taxes (check one): ▶ ☐ Paid ☐ Accrued	15g	
	h	Reduction in taxes available for credit *(attach schedule)*	15h	
Other	16	Section 59(e)(2) expenditures: a Type ▶ _____ b Amount ▶	16b	
	17	Tax-exempt interest income	17	
	18	Other tax-exempt income	18	
	19	Nondeductible expenses	19	1,463.
	20	Total property distributions (including cash) other than dividends reported on line 22 below	20	111,100.
	21	Other items and amounts required to be reported separately to shareholders *(attach schedule)*		
	22	Total dividend distributions paid from accumulated earnings and profits	22	
	23	Income (loss). (Required only if Schedule M-1 must be completed.) Combine lines 1 through 6 in column (b). From the result, subtract the sum of lines 7 through 11a, 15g, and 16b	23	119,575.

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		2,744.		2,767.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		21,940.		21,219.
4 U.S. Government obligations				
5 Tax-exempt securities				
6 Other current assets (attach schedule) SEE ST 4		26,825.		
7 Loans to shareholders				51,904.
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	292,065.		301,514.	
b Less accumulated depreciation	124,933.	167,132.	169,583.	131,931.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	192,269.		192,269.	
b Less accumulated amortization	45,243.	147,026.	59,164.	133,105.
14 Other assets (attach schedule)				
15 Total assets		365,667.		340,926.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach sch) SEE ST 5		132,276.		107,956.
19 Loans from shareholders				100.
20 Mortgages, notes, bonds payable in 1 year or more		34,228.		26,695.
21 Other liabilities (attach schedule)				
22 Capital stock		1,000.		1,000.
23 Additional paid-in capital		112,507.		112,507.
24 Retained earnings		85,656.		92,668.
25 Adjustments to shareholders' equity (att sch)				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		365,667.		340,926.

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

1 Net income (loss) per books	118,112.	5 Income recorded on books this year not included on Schedule K, lines 1 through 5 (itemize): a Tax-exempt interest $	
2 Income included on Schedule K, lines 1 through 6, not recorded on books this year (itemize):			
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 11a, 15g, and 16b (itemize): a Depreciation $ b Travel and entertainment $ 1,463.	1,463.	6 Deductions included on Schedule K, lines 1 through 11a, 15g, and 16b, not charged against book income this year (itemize): a Depreciation $	
		7 Add lines 5 and 6	0.
4 Add lines 1 through 3	119,575.	8 Income (loss) (Schedule K, line 23). Line 4 less line 7	119,575.

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	85,656.		
2 Ordinary income from page 1, line 21	121,120.		
3 Other additions			
4 Loss from page 1, line 21			
5 Other reductions SEE STATEMENT 6	(3,008.)		
6 Combine lines 1 through 5	203,768.		
7 Distributions other than dividend distributions	111,100.		
8 Balance at end of tax year. Subtract line 7 from line 6	92,668.		

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

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

► See separate instructions.

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

OMB No. 1545-0130

2002

Shareholder's identifying number ►	Corporation's identifying number ► 2945
Shareholder's name, address, and ZIP code	Corporation's name, address, and ZIP code
MARK D. HAMMOND LAKE LURE, NC	LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE P.O. BOX 681 LAKE LURE, NC 28746

A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ► 49.5 %

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

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

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

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1	59,954.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):			
	a Interest	4a		Schedule B, Part I, line 1
	b Ordinary dividends	4b		Schedule B, Part II, line 5
	c Royalties	4c		Schedule E, Part I, line 4
	d Net short-term capital gain (loss)	4d		Schedule D, line 5, col (f)
	e (1) Net long-term capital gain (loss)	4e(1)		Schedule D, line 12, col (f)
	(2) 28% rate gain (loss)	4e(2)		Schedule D, line 12, col (g)
	(3) Qualified 5-year gain	4e(3)		Line 5 of worksheet for Schedule D, line 29
	f Other portfolio income (loss) *(attach schedule)*	4f		(Enter on applicable line of return.)
	5 Net section 1231 gain (loss) (other than due to casualty or theft)	5		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	6 Other income (loss) *(attach schedule)*	6		(Enter on applicable line of return.)
Deductions	7 Charitable contributions *(attach schedule)* SEE LINE 23	7	765.	Schedule A, line 15 or 16
	8 Section 179 expense deduction	8		
	9 Deductions related to portfolio income (loss) *(attach schedule)*	9		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	10 Other deductions *(attach schedule)*	10		
Investment Interest	11a Interest expense on investment debts	11a		Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above	11b(1)		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	(2) Investment expenses included on line 9 above	11b(2)		
Credits	12a Credit for alcohol used as fuel	12a		Form 6478, line 10
	b Low-income housing credit:			
	(1) From section 42(j)(5) partnerships	12b(1)		Form 8586, line 5
	(2) Other than on line 12b(1)	12b(2)		
	c Qualified rehabilitation expenditures related to rental real estate activities	12c		See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d		
	e Credits related to other rental activities	12e		
	13 Other credits	13		

BAA For Paperwork Reduction Act Notice, see the Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2002

SPSA0412L 12/02/02

SHAREHOLDER 1

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Adjustments and Tax Preference Items	14a Depreciation adjustment on property placed in service after 1986	14a	1,498.	See Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251
	b Adjusted gain or loss	14b		
	c Depletion (other than oil and gas)	14c		
	d (1) Gross income from oil, gas, or geothermal properties	14d(1)		
	(2) Deductions allocable to oil, gas, or geothermal properties	14d(2)		
	e Other adjustments and tax preference items (attach sch)	14e		
Foreign Taxes	15a Name of foreign country or U.S. possession ►			Form 1116, Part I
	b Gross income from all sources	15b		
	c Gross income sourced at shareholder level	15c		
	d Foreign gross income sourced at corporate level:			
	(1) Passive	15d(1)		
	(2) Listed categories (attach schedule)	15d(2)		
	(3) General limitation	15d(3)		
	e Deductions allocated and apportioned at shareholder level:			
	(1) Interest expense	15e(1)		
	(2) Other	15e(2)		
	f Deductions allocated and apportioned at corporate level to foreign source income:			
	(1) Passive	15f(1)		
	(2) Listed categories (attach schedule)	15f(2)		
	(3) General limitation	15f(3)		
	g Total foreign taxes (check one): ► ☐ Paid ☐ Accrued	15g		Form 1116, Part II
	h Reduction in taxes available for credit (attach schedule)	15h		See Instructions for Form 1116
Other	16 Section 59(e)(2) expenditures: a Type ►			See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Amount	16b		
	17 Tax-exempt interest income	17		Form 1040, line 8b
	18 Other tax-exempt income	18		
	19 Nondeductible expenses	19	724.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	20 Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	20	55,000.	
	21 Amount of loan repayments for 'Loans from Shareholders'	21		
	22 Recapture of low-income housing credit:			
	a From section 42(j)(5) partnerships	22a		Form 8611, line 8
	b Other than on line 22a	22b		

Supplemental Information

23 Supplemental information required to be reported separately to each shareholder *(attach additional schedules if more space is needed)*:

LINE 7
CHARITABLE CONTRIBUTIONS

CASH CONTRIBUTIONS - 50% LIMITATION	$ 765.
TOTAL	$ 765.

SHAREHOLDER 1 : MARK D. HAMMOND

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

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

► See separate instructions.

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

OMB No. 1545-0130

2002

Shareholder's identifying number ►	Corporation's identifying number ► :2945
Shareholder's name, address, and ZIP code	Corporation's name, address, and ZIP code
LARKIN LAWSON LAKE LURE, NC	LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE P.O. BOX 681 LAKE LURE, NC 28746

A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ► 49.5 %

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

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

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

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1	59,955.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):			
	a Interest	4a		Schedule B, Part I, line 1
	b Ordinary dividends	4b		Schedule B, Part II, line 5
	c Royalties	4c		Schedule E, Part I, line 4
	d Net short-term capital gain (loss)	4d		Schedule D, line 5, col (f)
	e (1) Net long-term capital gain (loss)	4e(1)		Schedule D, line 12, col (f)
	(2) 28% rate gain (loss)	4e(2)		Schedule D, line 12, col (g)
	(3) Qualified 5-year gain	4e(3)		Line 5 of worksheet for Schedule D, line 29
	f Other portfolio income (loss) (attach schedule)	4f		(Enter on applicable line of return.)
	5 Net section 1231 gain (loss) (other than due to casualty or theft)	5		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	6 Other income (loss) (attach schedule)	6		(Enter on applicable line of return.)
Deductions	7 Charitable contributions (attach schedule) SEE LINE 23	7	765.	Schedule A, line 15 or 16
	8 Section 179 expense deduction	8		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	9 Deductions related to portfolio income (loss) (attach schedule)	9		
	10 Other deductions (attach schedule)	10		
Investment Interest	11 a Interest expense on investment debts	11a		Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above	11b(1)		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	(2) Investment expenses included on line 9 above	11b(2)		
Credits	12 a Credit for alcohol used as fuel	12a		Form 6478, line 10
	b Low-income housing credit:			
	(1) From section 42(j)(5) partnerships	12b(1)		Form 8586, line 5
	(2) Other than on line 12b(1)	12b(2)		
	c Qualified rehabilitation expenditures related to rental real estate activities	12c		See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d		
	e Credits related to other rental activities	12e		
	13 Other credits	13		

SPSA0412L 12/03/02

SHAREHOLDER 2

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Adjustments and Tax Preference Items	14a Depreciation adjustment on property placed in service after 1986	14a	1,498.	See Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251
	b Adjusted gain or loss	14b		
	c Depletion (other than oil and gas)	14c		
	d (1) Gross income from oil, gas, or geothermal properties	14d(1)		
	(2) Deductions allocable to oil, gas, or geothermal properties	14d(2)		
	e Other adjustments and tax preference items *(attach sch)*	14e		
Foreign Taxes	15a Name of foreign country or U.S. possession ▸			Form 1116, Part I
	b Gross income from all sources	15b		
	c Gross income sourced at shareholder level	15c		
	d Foreign gross income sourced at corporate level:			
	(1) Passive	15d(1)		
	(2) Listed categories *(attach schedule)*	15d(2)		
	(3) General limitation	15d(3)		
	e Deductions allocated and apportioned at shareholder level:			
	(1) Interest expense	15e(1)		
	(2) Other	15e(2)		
	f Deductions allocated and apportioned at corporate level to foreign source income:			
	(1) Passive	15f(1)		
	(2) Listed categories *(attach schedule)*	15f(2)		
	(3) General limitation	15f(3)		
	g Total foreign taxes (check one): ▸ ☐ Paid ☐ Accrued	15g		Form 1116, Part II
	h Reduction in taxes available for credit *(attach schedule)*	15h		See Instructions for Form 1116
Other	16 Section 59(e)(2) expenditures: a Type ▸			See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Amount	16b		
	17 Tax-exempt interest income	17		Form 1040, line 8b
	18 Other tax-exempt income	18		See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	19 Nondeductible expenses	19	724.	
	20 Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	20	55,000.	
	21 Amount of loan repayments for 'Loans from Shareholders'	21		
	22 Recapture of low-income housing credit:			
	a From section 42(j)(5) partnerships	22a		Form 8611, line 8
	b Other than on line 22a	22b		

Supplemental Information

23 Supplemental information required to be reported separately to each shareholder *(attach additional schedules if more space is needed)*:

LINE 7
CHARITABLE CONTRIBUTIONS

CASH CONTRIBUTIONS - 50% LIMITATION		$ 765.
	TOTAL	$ 765.

SHAREHOLDER 2 : LARKIN LAWSON

Schedule K-1 (Form 1120S)	Shareholder's Share of Income, Credits, Deductions, etc	OMB No. 1545-0130
Department of the Treasury Internal Revenue Service	► See separate instructions. For calendar year 2002 or tax year beginning , 2002, and ending	2002

Shareholder's identifying number ►	Corporation's identifying number ►	2945
Shareholder's name, address, and ZIP code	Corporation's name, address, and ZIP code	
KYLE PERTUIS LAKE LURE, NC	LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE P.O. BOX 681 LAKE LURE, NC 28746	

A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ► 1 %

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

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

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

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1	1,211.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):			
	a Interest	4a		Schedule B, Part I, line 1
	b Ordinary dividends	4b		Schedule B, Part II, line 5
	c Royalties	4c		Schedule E, Part I, line 4
	d Net short-term capital gain (loss)	4d		Schedule D, line 5, col (f)
	e (1) Net long-term capital gain (loss)	4e(1)		Schedule D, line 12, col (f)
	(2) 28% rate gain (loss)	4e(2)		Schedule D, line 12, col (g)
	(3) Qualified 5-year gain	4e(3)		Line 5 of worksheet for Schedule D, line 29
	f Other portfolio income (loss) *(attach schedule)*	4f		(Enter on applicable line of return.)
	5 Net section 1231 gain (loss) (other than due to casualty or theft)	5		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	6 Other income (loss) *(attach schedule)*	6		(Enter on applicable line of return.)
Deductions	7 Charitable contributions *(attach schedule)* SEE LINE 23	7	15.	Schedule A, line 15 or 16
	8 Section 179 expense deduction	8		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	9 Deductions related to portfolio income (loss) *(attach schedule)*	9		
	10 Other deductions *(attach schedule)*	10		
Investment Interest	11a Interest expense on investment debts	11a		Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above	11b(1)		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	(2) Investment expenses included on line 9 above	11b(2)		
Credits	12a Credit for alcohol used as fuel	12a		Form 6478, line 10
	b Low-income housing credit:			
	(1) From section 42(j)(5) partnerships	12b(1)		Form 8586, line 5
	(2) Other than on line 12b(1)	12b(2)		
	c Qualified rehabilitation expenditures related to rental real estate activities	12c		See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d		
	e Credits related to other rental activities	12e		
	13 Other credits	13		

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Adjustments and Tax Preference Items	14 a Depreciation adjustment on property placed in service after 1986	14a	30.	See Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251
	b Adjusted gain or loss	14b		
	c Depletion (other than oil and gas)	14c		
	d (1) Gross income from oil, gas, or geothermal properties	14d(1)		
	(2) Deductions allocable to oil, gas, or geothermal properties	14d(2)		
	e Other adjustments and tax preference items *(attach sch)*	14e		
Foreign Taxes	15 a Name of foreign country or U.S. possession ▶			Form 1116, Part I
	b Gross income from all sources	15b		
	c Gross income sourced at shareholder level	15c		
	d Foreign gross income sourced at corporate level:			
	(1) Passive	15d(1)		
	(2) Listed categories *(attach schedule)*	15d(2)		
	(3) General limitation	15d(3)		
	e Deductions allocated and apportioned at shareholder level:			
	(1) Interest expense	15e(1)		
	(2) Other	15e(2)		
	f Deductions allocated and apportioned at corporate level to foreign source income:			
	(1) Passive	15f(1)		
	(2) Listed categories *(attach schedule)*	15f(2)		
	(3) General limitation	15f(3)		
	g Total foreign taxes (check one): ▶ ☐ Paid ☐ Accrued	15g		Form 1116, Part II
	h Reduction in taxes available for credit *(attach schedule)*	15h		See Instructions for Form 1116
Other	16 Section 59(e)(2) expenditures: a Type ▶			See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Amount	16b		
	17 Tax-exempt interest income	17		Form 1040, line 8b
	18 Other tax-exempt income	18		
	19 Nondeductible expenses	19	15.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	20 Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	20	1,100.	
	21 *Amount of loan repayments for 'Loans from Shareholders'*	21		
	22 Recapture of low-income housing credit:			
	a From section 42(j)(5) partnerships	22a		Form 8611, line 8
	b Other than on line 22a	22b		

Supplemental Information

23 Supplemental information required to be reported separately to each shareholder *(attach additional schedules if more space is needed):*

LINE 7
CHARITABLE CONTRIBUTIONS

CASH CONTRIBUTIONS - 50% LIMITATION	$ 15.
TOTAL	$ 15.

SHAREHOLDER 3 : KYLE PERTUIS

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

2003

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

A Effective date of election as an S corporation: 9/01/1998

B Business code number (see instructions): 722110

Use the IRS label. Otherwise, print or type.

LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
P.O. BOX 681
LAKE LURE, NC 28746

C Employer identification number: 2945

D Date incorporated: 9/01/1998

E Total assets (see instructions): $ 284,067.

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 ► 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: 1,141,463. b Less returns and allowances: c Bal ►	1c	1,141,463.
	2	Cost of goods sold (Schedule A, line 8)	2	739,232.
	3	Gross profit. Subtract line 2 from line 1c	3	402,231.
	4	Net gain (loss) from Form 4797, Part II, line 18 (attach Form 4797)	4	
	5	Other income (loss) (attach schedule)	5	
	6	Total income (loss). Add lines 3 through 5 ►	6	402,231.
DEDUCTIONS (See instructions for limitations)	7	Compensation of officers	7	51,000.
	8	Salaries and wages (less employment credits)	8	
	9	Repairs and maintenance	9	12,446.
	10	Bad debts	10	
	11	Rents	11	67,600.
	12	Taxes and licenses	12	3,012.
	13	Interest	13	4,283.
	14a	Depreciation (Attach Form 4562) 14a: 26,987.		
	b	Depreciation claimed on Schedule A and elsewhere on return 14b:		
	c	Subtract line 14b from line 14a	14c	25,987.
	15	Depletion (Do not deduct oil and gas depletion.)	15	
	16	Advertising	16	6,729.
	17	Pension, profit-sharing, etc. plans	17	
	18	Employee benefit programs	18	
	19	Other deductions (attach schedule) SEE STATEMENT 1	19	126,364.
	20	Total deductions. Add the amounts shown in the far right column for lines 7 through 19 ►	20	298,421.
	21	Ordinary income (loss) from trade or business activities. Subtract line 20 from line 6	21	103,810.
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 2003 estimated tax payments and amount applied from 2002 return 23a:		
	b	Tax deposited with Form 7004 23b:		
	c	Credit for Federal tax paid on fuels (attach Form 4136) 23c:		
	d	Add lines 23a through 23c	23d	
	24	Estimated tax penalty (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	0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid	26	
	27	Enter amount of line 26 you want: Credited to 2004 estimated tax ► Refunded	27	

Sign Here

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

► Signature of officer — Date — ► PRESIDENT Title

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

Paid Preparer's Use Only

Preparer's signature ► — Date — Check if self-employed ☐ — Preparer's SSN or PTIN: P0003

Firm's name (or yours if self-employed), address, and ZIP code: ► MARK E. LEWINTER, C.P.A., INC.
26300 LA ALAMEDA, SUITE 340
MISSION VIEJO, CA 92691

EIN: 33-05

Phone no. (94

DEFENDANT'S EXHIBIT 29

BAA For Paperwork Reduction Act Notice, see separate instructions. — SPSA0105L 08/20/0

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	21,219.
2	Purchases	2	434,843.
3	Cost of labor	3	238,712.
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule) SEE STATEMENT 2	5	63,080.
6	Total. Add lines 1 through 5	6	757,854.
7	Inventory at end of year	7	18,622.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	739,232.

9a Check all methods used for valuing closing inventory:
- (i) [X] 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 [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 B 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 ▶ RESTAURANT (b) Product or service ▶ FOOD SERVICE		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a schedule showing: (a) name, address, and employer identification number and (b) percentage owned		X
4	Was the corporation a member of a controlled group subject to the provisions of section 1561?		X
5	Check this box if the corporation has filed or is required to file Form 8264, Application for Registration of a Tax Shelter ▶ [ ]		
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

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

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

	(a) Pro rata share items		(b) Total amount
Income (Loss) 1	Ordinary income (loss) from trade or business activities (page 1, line 21)	1	103,810.
2	Net income (loss) from rental real estate activities (attach Form 8825)	2	
3a	Gross income from other rental activities 3a		
b	Expenses from other rental activities (attach schedule) 3b		
c	Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c	
4	Portfolio income (loss):		
a	Interest income	4a	
b	Dividends: (1) Qualified dividends ▶ (2) Total ordinary dividends ▶	4b (2)	
c	Royalty income	4c	
d	Net short-term capital gain (loss): (1) Post-May 5, 2003 ▶ (2) Entire year ▶	4d (2)	
e	Net long-term capital gain (loss): (1) Post-May 5, 2003 ▶ (2) Entire year ▶	4e (2)	
f	Other portfolio income (loss) (attach schedule)	4f	
5	Net section 1231 gain (loss) (attach Form 4797): (a) Post-May 5, 2003 ▶ (b) Entire year ▶	5(b)	
6	Other income (loss) (attach schedule)	6	

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

		(a) Pro rata share items		(b) Total amount
Deductions	7	Charitable contributions (attach schedule) ..... SEE STATEMENT 3	7	889.
	8	Section 179 expense deduction (attach Form 4562)	8	2,475.
	9	Deductions related to portfolio income (loss) (itemize)	9	
	10	Other deductions (attach schedule)	10	
Investment Interest	11a	Interest expense on investment debts	11a	
	b	(1) Investment income included on lines 4a, 4b(2), 4c, and 4f on page 2	11b (1)	
		(2) Investment expenses included on line 9 above	11b (2)	
Credits	12a	Credit for alcohol used as a fuel (attach Form 6478)	12a	
	b	Low-income housing credit:	12b	
		(1) From partnerships to which section 42(j)(5) applies	12b (1)	
		(2) Other than on line 12b(1)	12b (2)	
	c	Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468)	12c	
	d	Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d	
	e	Credits related to other rental activities	12e	
	13	Other credits	13	
Adjustments and Tax Preference Items	14a	Depreciation adjustment on property placed in service after 1986	14a	-7,120.
	b	Adjusted gain or loss	14b	
	c	Depletion (other than oil and gas)	14c	
	d	(1) Gross income from oil, gas, or geothermal properties	14d (1)	
		(2) Deductions allocable to oil, gas, or geothermal properties	14d (2)	
	e	Other adjustments and tax preference items (attach schedule)	14e	
Foreign Taxes	15a	Name of foreign country or U.S. possession ►		
	b	Gross income from all sources	15b	
	c	Gross income sourced at shareholder level	15c	
	d	Foreign gross income sourced at corporate level:		
		(1) Passive	15d (1)	
		(2) Listed categories (attach schedule)	15d (2)	
		(3) General limitation	15d (3)	
	e	Deductions allocated and apportioned at shareholder level:		
		(1) Interest expense	15e (1)	
		(2) Other	15e (2)	
	f	Deductions allocated and apportioned at corporate level to foreign source income:		
		(1) Passive	15f (1)	
		(2) Listed categories (attach schedule)	15f (2)	
		(3) General limitation	15f (3)	
	g	Total foreign taxes (check one): ► ☐ Paid ☐ Accrued	15g	
	h	Reduction in taxes available for credit (attach schedule)	15h	
Other	16	Section 59(e)(2) expenditures: a Type ► b Amount ►	16b	
	17	Tax-exempt interest income	17	
	18	Other tax-exempt income	18	
	19	Nondeductible expenses	19	227.
	20	Total property distributions (including cash) other than dividends reported on line 22 below	20	105,816.
	21	Other items and amounts required to be reported separately to shareholders (attach schedule)	21	
	22	Total dividend distributions paid from accumulated earnings and profits	22	
	23	Income (loss). (Required only if Schedule M-1 must be completed.) Combine lines 1 through 6 in column (b). From the result, subtract the sum of lines 7 through 11a, 15g, and 16b	23	100,446.

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		2,767.		5,364.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		21,219.		18,622.
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach schedule)				
7 Loans to shareholders		51,904.		29,539.
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	301,514.		309,989.	
b Less accumulated depreciation	169,583.	131,931.	199,045.	110,944.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	192,269.		192,269.	
b Less accumulated amortization	59,164.	133,105.	72,671.	119,598.
14 Other assets (attach schedule)				
15 Total assets		340,926.		284,067.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach sch)... SEE. ST. 4.		107,956.		65,553.
19 Loans from shareholders		100.		100.
20 Mortgages, notes, bonds payable in 1 year or more		26,695.		16,836.
21 Other liabilities (attach schedule)				
22 Capital stock		1,000.		1,000.
23 Additional paid-in capital		112,507.		112,507.
24 Retained earnings		92,668.		87,071.
25 Adjustments to shareholders' equity (att sch)				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		340,926.		284,067.

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

1 Net income (loss) per books	100,219.	5 Income recorded on books this year not included on Schedule K, lines 1 through 6 (itemize): a Tax-exempt interest $	
2 Income included on Schedule K, lines 1 through 6, not recorded on books this year (itemize):		6 Deductions included on Schedule K, lines 1 through 11a, 15f, and 16b, not charged against book income this year (itemize): a Depreciation... $	
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 11a, 15g, and 16b (itemize): a Depreciation... $ b Travel and entertainment $ 227.	227.	7 Add lines 5 and 6	0.
4 Add lines 1 through 3	100,446.	8 Income (loss) (Schedule K, line 23). Ln 4 less ln 7...	100,446.

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	92,668.		
2 Ordinary income from page 1, line 21	103,810.		
3 Other additions			
4 Loss from page 1, line 21			
5 Other reductions... SEE. STATEMENT. 6	(3,591.)		
6 Combine lines 1 through 5	192,887.		
7 Distributions other than dividend distributions	105,816.		
8 Balance at end of tax year. Subtract line 7 from line 6	87,071.		

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

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

► See separate instructions.

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

OMB No. 1545-0130

2003

Shareholder's identifying number ►

Shareholder's name, address, and ZIP code

MARK D. HAMMOND

LAKE LURE, NC

Corporation's identifying number ► 2945

Corporation's name, address, and ZIP code

LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
P.O. BOX 681
LAKE LURE, NC 28746

A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ► 48.5 %

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

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

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

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1	50,348.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):			
	a Interest income	4a		Form 1040, line 8a
	b (1) Qualified dividends	4b(1)		Form 1040, line 9b
	(2) Total ordinary dividends	4b(2)		Form 1040, line 9a
	c Royalty income	4c		Schedule E, Part I, line 4
	d (1) Net short-term capital gain (loss) (post-May 5, 2003)	4d(1)		Schedule D, line 5, col (g)
	(2) Net short-term capital gain (loss) (entire year)	4d(2)		Schedule D, line 5, col (f)
	e (1) Net long-term capital gain (loss) (post-May 5, 2003)	4e(1)		Schedule D, line 12, col (g)
	(2) Net long-term capital gain (loss) (entire year)	4e(2)		Schedule D, line 12, col (f)
	f Other portfolio income (loss) (attach schedule)	4f		(Enter on applicable line of return.)
	5a Net section 1231 gain (loss)(post-May 5, 2003)	5a		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Net section 1231 gain (loss)(entire year)	5b		
	6 Other income (loss) (attach schedule)	6		(Enter on applicable line of return.)
Deductions	7 Charitable contributions (attach schedule) SEE LINE 23	7	431.	Schedule A, line 15 or 16
	8 Section 179 expense deduction	8	1,200.	See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	9 Deductions related to portfolio income (loss) (attach schedule)	9		
	10 Other deductions (attach schedule)	10		
Investment Interest	11a Interest expense on investment debts	11a		Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f above	11b(1)		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	(2) Investment expenses included on line 9 above	11b(2)		
Credits	12a Credit for alcohol used as fuel	12a		Form 6478, line 10
	b Low-income housing credit:			
	(1) From section 42(j)(5) partnerships	12b(1)		Form 8586, line 5
	(2) Other than on line 12b(1)	12b(2)		
	c Qualified rehabilitation expenditures related to rental real estate activities	12c		See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d		
	e Credits related to other rental activities	12e		
	13 Other credits	13		

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

Schedule K-1 (Form 1120S) 2003

SPSA 6611 11/20/03

SHAREHOLDER 1

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Adjustments and Tax Preference Items	14 a Depreciation adjustment on property placed in service after 1986	14a	-3,453.	See Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251
	b Adjusted gain or loss	14b		
	c Depletion (other than oil and gas)	14c		
	d (1) Gross income from oil, gas, or geothermal properties	14d(1)		
	(2) Deductions allocable to oil, gas, or geothermal properties	14d(2)		
	e Other adjustments and tax preference items (attach sch)	14e		
Foreign Taxes	15 a Name of foreign country or U.S. possession ►			Form 1116, Part I
	b Gross income from all sources	15b		
	c Gross income sourced at shareholder level	15c		
	d Foreign gross income sourced at corporate level:			
	(1) Passive	15d(1)		
	(2) Listed categories (attach schedule)	15d(2)		
	(3) General limitation	15d(3)		
	e Deductions allocated and apportioned at shareholder level:			
	(1) Interest expense	15e(1)		
	(2) Other	15e(2)		
	f Deductions allocated and apportioned at corporate level to foreign source income:			
	(1) Passive	15f(1)		
	(2) Listed categories (attach schedule)	15f(2)		
	(3) General limitation	15f(3)		
	g Total foreign taxes (check one): ► ☐ Paid ☐ Accrued	15g		Form 1116, Part II
	h Reduction in taxes available for credit (attach schedule)	15h		See Instructions for Form 1116
Other	16 Section 59(e)(2) expenditures: a Type ►			See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Amount	16b		
	17 Tax-exempt interest income	17		Form 1040, line 8b
	18 Other tax-exempt income	18		
	19 Nondeductible expenses	19	110.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	20 Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	20	51,321.	
	21 Amount of loan repayments for 'Loans from Shareholders'	21		
	22 Recapture of low-income housing credit:			
	a From section 42(j)(5) partnerships	22a		Form 8611, line 8
	b Other than on line 22a	22b		

23 Supplemental information required to be reported separately to each shareholder (attach additional schedules if more space is needed):

Supplemental Information

LINE 7
CHARITABLE CONTRIBUTIONS

CASH CONTRIBUTIONS - 50% LIMITATION	$ 431.
TOTAL	$ 431.

SHAREHOLDER 1 : MARK D. HAMMOND

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

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

► See separate instructions.

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

OMB No. 1545-0130

2003

Shareholder's identifying number ►	Corporation's identifying number ► 2945
Shareholder's name, address, and ZIP code	Corporation's name, address, and ZIP code
LARKIN LAWSON LAKE LURE, NC	LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE P.O. BOX 681 LAKE LURE, NC 28746

A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ► 48.5 %

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

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

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

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1	50,348.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):			
	a Interest income	4a		Form 1040, line 8a
	b (1) Qualified dividends	4b(1)		Form 1040, line 9b
	(2) Total ordinary dividends	4b(2)		Form 1040, line 9a
	c Royalty income	4c		Schedule E, Part I, line 4
	d (1) Net short-term capital gain (loss) (post-May 5, 2003)	4d(1)		Schedule D, line 5, col (g)
	(2) Net short-term capital gain (loss) (entire year)	4d(2)		Schedule D, line 5, col (f)
	e (1) Net long-term capital gain (loss) (post-May 5, 2003)	4e(1)		Schedule D, line 12, col (g)
	(2) Net long-term capital gain (loss) (entire year)	4e(2)		Schedule D, line 12, col (f)
	f Other portfolio income (loss) (attach schedule)	4f		(Enter on applicable line of return.)
	5a Net section 1231 gain (loss)(post-May 5, 2003)	5a		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Net section 1231 gain (loss)(entire year)	5b		
	6 Other income (loss) (attach schedule)	6		(Enter on applicable line of return.)
Deductions	7 Charitable contributions (attach schedule) SEE LINE 23	7	431.	Schedule A, line 15 or 16
	8 Section 179 expense deduction	8	1,201.	See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	9 Deductions related to portfolio income (loss) (attach schedule)	9		
	10 Other deductions (attach schedule)	10		
Investment Interest	11a Interest expense on investment debts	11a		Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f above	11b(1)		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	(2) Investment expenses included on line 9 above	11b(2)		
Credits	12a Credit for alcohol used as fuel	12a		Form 6478, line 10
	b Low-income housing credit:			
	(1) From section 42(j)(5) partnerships	12b(1)		Form 8586, line 5
	(2) Other than on line 12b(1)	12b(2)		
	c Qualified rehabilitation expenditures related to rental real estate activities	12c		See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d		
	e Credits related to other rental activities	12e		
	13 Other credits	13		

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Adjustments and Tax Preference Items	14 a Depreciation adjustment on property placed in service after 1986	14a	-3,453.	See Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251
	b Adjusted gain or loss	14b		
	c Depletion (other than oil and gas)	14c		
	d (1) Gross income from oil, gas, or geothermal properties	14d(1)		
	(2) Deductions allocable to oil, gas, or geothermal properties	14d(2)		
	e Other adjustments and tax preference items (attach sch)	14e		
Foreign Taxes	15 a Name of foreign country or U.S. possession ►			Form 1116, Part I
	b Gross income from all sources	15b		
	c Gross income sourced at shareholder level	15c		
	d Foreign gross income sourced at corporate level:			
	(1) Passive	15d(1)		
	(2) Listed categories (attach schedule)	15d(2)		
	(3) General limitation	15d(3)		
	e Deductions allocated and apportioned at shareholder level:			
	(1) Interest expense	15e(1)		
	(2) Other	15e(2)		
	f Deductions allocated and apportioned at corporate level to foreign source income:			
	(1) Passive	15f(1)		
	(2) Listed categories (attach schedule)	15f(2)		
	(3) General limitation	15f(3)		
	g Total foreign taxes (check one): ► ☐ Paid ☐ Accrued	15g		Form 1116, Part II
	h Reduction in taxes available for credit (attach schedule)	15h		See Instructions for Form 1116
Other	16 Section 59(e)(2) expenditures: a Type ►			See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Amount	16b		
	17 Tax-exempt interest income	17		Form 1040, line 8b
	18 Other tax-exempt income	18		
	19 Nondeductible expenses	19	110.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	20 Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	20	51,321.	
	21 Amount of loan repayments for 'Loans from Shareholders'	21		
	22 Recapture of low-income housing credit:			
	a From section 42(j)(5) partnerships	22a		Form 8611, line 8
	b Other than on line 22a	22b		

Supplemental Information

23 Supplemental information required to be reported separately to each shareholder (attach additional schedules if more space is needed):

LINE 7
CHARITABLE CONTRIBUTIONS

CASH CONTRIBUTIONS - 50% LIMITATION	$ 431.
TOTAL	$ 431.

SHAREHOLDER 2 : LARKIN LAWSON

Schedule K-1 (Form 1120S)	Shareholder's Share of Income, Credits, Deductions, etc	OMB No. 1545-0130
Department of the Treasury Internal Revenue Service	► See separate instructions. For calendar year 2003 or tax year beginning , 2003, and ending	2003

Shareholder's identifying number ►	Corporation's identifying number ► 2945
Shareholder's name, address, and ZIP code	Corporation's name, address, and ZIP code
KYLE PERTUIS LAKE LURE, NC	LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE P.O. BOX 681 LAKE LURE, NC 28746

A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ► 3 %

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

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

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

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1	3,114.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):			
	a Interest income	4a		Form 1040, line 8a
	b (1) Qualified dividends	4b(1)		Form 1040, line 9b
	(2) Total ordinary dividends	4b(2)		Form 1040, line 9a
	c Royalty income	4c		Schedule E, Part I, line 4
	d (1) Net short-term capital gain (loss) (post-May 5, 2003)	4d(1)		Schedule D, line 5, col (g)
	(2) Net short-term capital gain (loss) (entire year)	4d(2)		Schedule D, line 5, col (f)
	e (1) Net long-term capital gain (loss) (post-May 5, 2003)	4e(1)		Schedule D, line 12, col (g)
	(2) Net long-term capital gain (loss) (entire year)	4e(2)		Schedule D, line 12, col (f)
	f Other portfolio income (loss) (attach schedule)	4f		(Enter on applicable line of return.)
	5 a Net section 1231 gain (loss)(post-May 5, 2003)	5a		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Net section 1231 gain (loss)(entire year)	5b		
	6 Other income (loss) (attach schedule)	6		(Enter on applicable line of return.)
Deductions	7 Charitable contributions (attach schedule) SEE LINE 23	7	27.	Schedule A, line 15 or 16
	8 Section 179 expense deduction	8	74.	See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	9 Deductions related to portfolio income (loss) (attach schedule)	9		
	10 Other deductions (attach schedule)	10		
Investment Interest	11 a Interest expense on investment debts	11a		Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f above	11b(1)		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	(2) Investment expenses included on line 9 above	11b(2)		
Credits	12 a Credit for alcohol used as fuel	12a		Form 6478, line 10
	b Low-income housing credit:			
	(1) From section 42(j)(5) partnerships	12b(1)		Form 8586, line 5
	(2) Other than on line 12b(1)	12b(2)		
	c Qualified rehabilitation expenditures related to rental real estate activities	12c		See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d		
	e Credits related to other rental activities	12e		
	13 Other credits	13		

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Adjustments and Tax Preference Items	14a Depreciation adjustment on property placed in service after 1986	14a	-214.	See Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251
	b Adjusted gain or loss	14b		
	c Depletion (other than oil and gas)	14c		
	d (1) Gross income from oil, gas, or geothermal properties	14d(1)		
	(2) Deductions allocable to oil, gas, or geothermal properties	14d(2)		
	e Other adjustments and tax preference items (attach sch)	14e		
Foreign Taxes	15a Name of foreign country or U.S. possession ►			Form 1116, Part I
	b Gross income from all sources	15b		
	c Gross income sourced at shareholder level	15c		
	d Foreign gross income sourced at corporate level:			
	(1) Passive	15d(1)		
	(2) Listed categories (attach schedule)	15d(2)		
	(3) General limitation	15d(3)		
	e Deductions allocated and apportioned at shareholder level:			
	(1) Interest expense	15e(1)		
	(2) Other	15e(2)		
	f Deductions allocated and apportioned at corporate level to foreign source income:			
	(1) Passive	15f(1)		
	(2) Listed categories (attach schedule)	15f(2)		
	(3) General limitation	15f(3)		
	g Total foreign taxes (check one): ► ☐ Paid ☐ Accrued	15g		Form 1116, Part II
	h Reduction in taxes available for credit (attach schedule)	15h		See Instructions for Form 1116
Other	16 Section 59(e)(2) expenditures: a Type ►			See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Amount	16b		
	17 Tax-exempt interest income	17		Form 1040, line 8b
	18 Other tax-exempt income	18		
	19 Nondeductible expenses	19	7.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	20 Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	20	3,174.	
	21 Amount of loan repayments for 'Loans from Shareholders'	21		
	22 Recapture of low-income housing credit:			
	a From section 42(j)(5) partnerships	22a		Form 8611, line 8
	b Other than on line 22a	22b		

Supplemental Information

23 Supplemental information required to be reported separately to each shareholder (attach additional schedules if more space is needed):

LINE 7
CHARITABLE CONTRIBUTIONS

CASH CONTRIBUTIONS - 50% LIMITATION		$ 27.
	TOTAL	$ 27.

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: 9/01/1998	Use the IRS label. Otherwise, print or type.	C Employer identification number: 2945
B Business code number (see instructions): 722110	LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE P.O. BOX 681 LAKE LURE, NC 28746	D Date incorporated: 9/01/1998
		E Total assets (see instructions): $ 363,005.

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 ► 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: 1,322,931.	b Less returns and allowances:	c Bal ► 1c	1,322,931.
	2	Cost of goods sold (Schedule A, line 8)		2	814,282.
	3	Gross profit. Subtract line 2 from line 1c		3	508,649.
	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	508,649.
DEDUCTIONS (SEE INSTRUCTIONS)	7	Compensation of officers		7	35,500.
	8	Salaries and wages (less employment credits)		8	
	9	Repairs and maintenance		9	29,525.
	10	Bad debts		10	
	11	Rents		11	70,000.
	12	Taxes and licenses		12	2,747.
	13	Interest		13	7,827.
	14a	Depreciation *(attach Form 4562)*	14a: 28,719.		
	b	Depreciation claimed on Schedule A and elsewhere on return	14b:		
	c	Subtract line 14b from line 14a		14c	28,719.
	15	Depletion (Do not deduct oil and gas depletion.)		15	
	16	Advertising		16	13,775.
	17	Pension, profit-sharing, etc, plans		17	
	18	Employee benefit programs		18	4,638.
	19	Other deductions *(attach schedule)*	SEE STATEMENT 1	19	130,922.
	20	Total deductions. Add the amounts shown in the far right column for lines 7 through 19		► 20	323,653.
	21	Ordinary business income (loss). Subtract line 20 from line 6		21	184,996.
TAX AND PAYMENTS	22a	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	
	23a	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	0.
	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	

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 ► PRESIDENT Title

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

Paid Preparer's Use Only

Preparer's signature ►	Date	Check if self-employed ☐	Preparer's SSN or PTIN: P00036004
Firm's name (or yours if self-employed), address, and ZIP code ►	LEWINTER | THELANDER CHAS | BUSINESS ADVISORS 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691		EIN 20-1969491

DEFENDANT'S EXHIBIT 29 C

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Form 1120S (2004)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	18,622.
2	Purchases	2	474,035.
3	Cost of labor	3	263,041.
4	Additional section 263A costs *(attach schedule)*	4	
5	Other costs *(attach schedule)* SEE STATEMENT 2	5	70,960.
6	Total. Add lines 1 through 5	6	826,658.
7	Inventory at end of year	7	12,376.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	814,282.

9a Check all methods used for valuing closing inventory:
- (i) [X] 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 [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 B 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 ▶ RESTAURANT (b) Product or service ▶ FOOD SERVICE		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a schedule showing: (a) name, address, and employer identification number and (b) percentage owned		X
4	Was the corporation a member of a controlled group subject to the provisions of section 1561?		X
5	Check this box if the corporation has filed or is required to file Form 8264, Application for Registration of a Tax Shelter ▶ [ ]		
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

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	184,996.
	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	
	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	34,372.
	12a Contributions SEE STATEMENT 3	12a	824.
	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)* SEE STATEMENT 4	12e	5,528.
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	
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	-7,275.
	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	640.
	d Property distributions	16d	140,000.
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	144,272.

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		5,364.		46,750.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		18,622.		12,376.
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach schedule)				
7 Loans to shareholders		29,539.		75,339.
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	309,989.		372,009.	
b Less accumulated depreciation	199,045.	110,944.	250,800.	121,209.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	192,269.		192,269.	
b Less accumulated amortization	72,671.	119,598.	84,938.	107,331.
14 Other assets (attach schedule)				
15 Total assets		284,067.		363,005.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach sch) ...SEE .ST..5.		66,553.		95,849.
19 Loans from shareholders		100.		
20 Mortgages, notes, bonds payable in 1 year or more		16,836.		62,946.
21 Other liabilities (attach schedule)				
22 Capital stock		1,000.		1,000.
23 Additional paid-in capital		112,507.		112,507.
24 Retained earnings		87,071.		90,703.
25 Adjustments to shareholders' equity (att sch)				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		284,067.		363,005.

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

1 Net income (loss) per books	143,632.	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):		6 Deductions included on Schedule K, lines 1 through 12, and 14l or (14m), not charged against book income this year (itemize): a Depreciation ... $	
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 12, & 14l or (14m) (itemize): a Depreciation ... $			
b Travel and entertainment. $ 28.			
SEE STATEMENT 6 612.	640.	7 Add lines 5 and 6	0.
4 Add lines 1 through 3	144,272.	8 Income (loss) (Schedule K, ln 17e). Ln 4 less ln 7	144,272.

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	87,071.		
2 Ordinary income from page 1, line 21	184,996.		
3 Other additions			
4 Loss from page 1, line 21			
5 Other reductions ...SEE STATEMENT 7	(41,364.)		
6 Combine lines 1 through 5	230,703.		
7 Distributions other than dividend distributions	140,000.		
8 Balance at end of tax year. Subtract line 7 from line 6	90,703.		

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
'2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
P.O. BOX 681
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
MARK D. HAMMOND

LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 47.5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 87,873.	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
		A	-3,456.
11	Section 179 deduction 16,327.	16	Items affecting shareholder basis
		C	304.
12	Other deductions		
A	391.	D	66,500.
P*	2,626.		
		17	Other information

*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

SHAREHOLDER 1

SPSA0412L 12/09/04

BOX 12
OTHER DEDUCTIONS

* DESCRIPTIVE INFORMATION

P	HEALTH INSURANCE	$	2,626.

SHAREHOLDER 1 : MARK D. HAMMOND

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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
P.O. BOX 681
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
LARKIN LAWSON

LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 47.5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 87,873.	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 A	Alternative minimum tax (AMT) items -3,455.
11	Section 179 deduction 16,326.	16 C	Items affecting shareholder basis 304.
12 A	Other deductions 392.	D	66,500.
P*	2,626.		
		17	Other information

*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

SHAREHOLDER 2

SP SA0412L 12/09/04

BOX 12
OTHER DEDUCTIONS

* DESCRIPTIVE INFORMATION

P	HEALTH INSURANCE	$	2,626.

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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
P.O. BOX 681
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIS

LAKE LURE,

H Shareholder's percentage of stock ownership for tax year..... 5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 9,250.	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 A	Alternative minimum tax (AMT) items -364.
11	Section 179 deduction 1,719.	16 C	Items affecting shareholder basis 32.
12	Other deductions A 41.	D	7,000.
	P* 276.		
		17	Other information

*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

SHAREHOLDER 3

SPSA0412L 12/09/04

BOX 12
OTHER DEDUCTIONS

* DESCRIPTIVE INFORMATION		
P HEALTH INSURANCE	$	276.

SHAREHOLDER 3 : KYLE PERTUIS

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: 9/01/1998	Use the IRS label. Otherwise, print or type.	LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE P.O. BOX 681 LAKE LURE, NC 28746
B Business code number (see instructions): 722110		C Employer identification number: .2945 D Date incorporated: 9/01/1998 E Total assets (see instructions): $ 348,717.

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 ► 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 1,458,251. b Less returns and allowances c Bal ►	1c	1,458,251.
	2	Cost of goods sold (Schedule A, line 8)	2	945,115.
	3	Gross profit. Subtract line 2 from line 1c	3	513,136.
	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	513,136.
DEDUCTIONS (See instructions)	7	Compensation of officers	7	49,446.
	8	Salaries and wages (less employment credits)	8	
	9	Repairs and maintenance	9	30,253.
	10	Bad debts	10	
	11	Rents	11	72,625.
	12	Taxes and licenses	12	3,610.
	13	Interest	13	4,369.
	14a	Depreciation *(attach Form 4562)* 14a 35,743.		
	b	Depreciation claimed on Schedule A and elsewhere on return 14b		
	c	Subtract line 14b from line 14a	14c	35,743.
	15	Depletion (Do not deduct oil and gas depletion.)	15	
	16	Advertising	16	17,854.
	17	Pension, profit-sharing, etc, plans	17	
	18	Employee benefit programs	18	2,629.
	19	Other deductions *(attach statement)* SEE STATEMENT 1	19	147,266.
	20	Total deductions. Add the amounts shown in the far right column for lines 7 through 19 ►	20	363,795.
	21	Ordinary business income (loss). Subtract line 20 from line 6	21	149,341.
TAX AND PAYMENTS	22	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	
	23	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	0.
	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	

DO NOT FILE

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 — ► PRESIDENT Title

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

Paid Preparer's Use Only

Preparer's signature ►	Date	Check if self-employed ☐	Preparer's SSN or PTIN: P00036004
Firm's name (or yours if self-employed), address, and ZIP code ►	LEWINTER | THELANDER CPAS | BUSINESS ADVISORS 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691		EIN 20-1969491

DEFENDANT'S EXHIBIT 29d

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. 040 Form 1120S (2005)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	12,376.
2	Purchases	2	529,902.
3	Cost of labor	3	327,210.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 2	5	89,896.
6	Total. Add lines 1 through 5	6	959,384.
7	Inventory at end of year	7	14,269.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	945,115.

9a Check all methods used for valuing closing inventory:
- (i) [X] 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 [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 B 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 ▶ RESTAURANT (b) Product or service ▶ FOOD SERVICE		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name, address, and employer identification number and (b) percentage owned		X
4	Was the corporation a member of a controlled group subject to the provisions of section 1561?		X
5	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 ▶ [ ]		
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 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.*

DO NOT FILE

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	149,341.
	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	
	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	

	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	39,321.
	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 ► SEE STATEMENT 3	12d	6,220.
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	352.
	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	890.
	d Property distributions	16d	119,896.
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	
	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	103,800.

DO NOT FILE

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		46,750.		47,250.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		12,376.		14,269.
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach stmt) SEE ST 4				34,581.
7 Loans to shareholders		75,339.		72,087.
8 Mortgage and real estate loans				
9 Other investments (attach statement)				
10a Buildings and other depreciable assets	372,009.		411,330.	
b Less accumulated depreciation	250,800.	121,209.	325,864.	85,466.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	192,269.		192,269.	
b Less accumulated amortization	84,938.	107,331.	97,205.	95,064.
14 Other assets (attach stmt)				
15 Total assets		363,005.		348,717.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach stmt) SEE ST 5		95,849.		110,150.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		62,966.		51,343.
21 Other liabilities (attach statement)				
22 Capital stock		1,000.		1,000.
23 Additional paid-in capital		112,507.		112,507.
24 Retained earnings		90,703.		73,717.
25 Adjustments to shareholders' equity (att stmt)				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		363,005.		348,717.

DO NOT FILE

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

1 Net income (loss) per books	102,910.	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):		6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation $	
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 12, and 14l (itemize): a Depreciation $			
b Travel and entertainment $ 308.			
SEE STATEMENT 6 582.	890.	7 Add lines 5 and 6	0.
4 Add lines 1 through 3	103,800.	8 Income (loss) (Schedule K, line 17e). Line 4 less line 7	103,800.

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	90,703.		
2 Ordinary income from page 1, line 21	149,341.		
3 Other additions			
4 Loss from page 1, line 21			
5 Other reductions SEE STATEMENT 7	(46,431.)		
6 Combine lines 1 through 5	193,613.		
7 Distributions other than dividend distributions	119,896.		
8 Balance at end of tax year. Subtract line 7 from line 6	73,717.		

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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
P.O. BOX 681
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
MARK D HAMMOND
LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 47.5 %

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

1	Ordinary business income (loss) 70,937.	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 A	Alternative minimum tax (AMT) items 167.
11	Section 179 deduction 18,677.	16 C	Items affecting shareholder basis 422.
12	Other deductions S* 2,955.	D	56,951.
		17	Other information

DO NOT FILE

*See attached statement for additional information.

FOR IRS USE ONLY

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Enter on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	Schedule A, line 15a
	B Cash contributions (30%)	Schedule A, line 15a
	C Noncash contributions (50%)	Schedule A, line 16
	D Noncash contributions (30%)	Schedule A, line 16
	E Capital gain property to a 50% organization (30%)	Schedule A, line 16
	F Capital gain property (20%)	Schedule A, line 16
	G Cash contributions (100%)	See the Shareholder's Instructions
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 22
	L Deductions — portfolio (other)	Schedule A, line 27
	M Reforestation expense deduction	See the Shareholder's Instructions
	N Preproductive period expenses	See the Shareholder's Instructions
	O Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's W-2 wages	Form 8903, line 13
	S Other deductions	See the Shareholder's Instructions
13	Credits and credit recapture	
	A Low-income housing credit (section 42(j)(5))	Form 8586, line 4
	B Low-income housing credit (other)	Form 8586, line 4
	C Qualified rehabilitation expenditures (rental real estate)	Form 3468, line 1
	D Qualified rehabilitation expenditures (other than rental real estate)	Form 3468, line 1
	E Basis of energy property	See the Shareholder's Instructions
	F Other rental real estate credits	See the Shareholder's Instructions
	G Other rental credits	See the Shareholder's Instructions
	H Undistributed capital gains credit	Form 1040, line 70, box a
	I Credit for alcohol used as fuel	Form 6478, line 4
	J Work opportunity credit	Form 5884, line 3
	K Welfare-to-work credit	Form 8861, line 3
	L Disabled access credit	Form 8826, line 7

Code	Enter on
M Empowerment zone and renewal community employment credit	Form 8844, line 3
N Credit for increasing research activities	Form 6765, line 42
O New markets credit	Form 8874, line 2
P Credit for employer social security and Medicare taxes	Form 8846, line 5
Q Backup withholding	Form 1040, line 64
R Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
S Recapture of low-income housing credit (other)	Form 8611, line 8
T Recapture of investment credit	See Form 4255
U Other credits	See the Shareholder's Instructions
V Recapture of other credits	See the Shareholder's Instructions
14 Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	Form 1116, Part I
C Gross income sourced at shareholder level	Form 1116, Part I
Foreign gross income sourced at corporate level	
D Passive	Form 1116, Part I
E Listed categories	Form 1116, Part I
F General limitation	Form 1116, Part I
Deductions allocated and apportioned at shareholder level	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
Deductions allocated and apportioned at corporate level to foreign source income	
I Passive	Form 1116, Part I
J Listed categories	Form 1116, Part I
K General limitation	Form 1116, Part I
Other information	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Shareholder's Instructions
15 Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal — gross income	
E Oil, gas, & geothermal — deductions	
F Other AMT items	
16 Items affecting shareholder basis	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Shareholder's Instructions
C Nondeductible expenses	See the Shareholder's Instructions
D Property distributions	See the Shareholder's Instructions
E Repayment of loans from shareholders	See the Shareholder's Instructions
17 Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Look-back interest — completed long-term contracts	See Form 8697
D Look-back interest — income forecast method	See Form 8866
E Dispositions of property with section 179 deductions	See the Shareholder's Instructions
F Recapture of section 179 deduction	
G Section 453(l)(3) information	
H Section 453A(c) information	
I Section 1260(b) information	
J Interest allocable to production expenditures	
K CCF nonqualified withdrawal	
L Information needed to figure depletion — oil and gas	
M Amortization of reforestation costs	
N Other information	

DO NOT FILE

BOX 12
OTHER DEDUCTIONS

* DESCRIPTIVE INFORMATION		
S HEALTH INSURANCE	$	2,955.

DO NOT FILE

SHAREHOLDER 1 : MARK D. HAMMOND

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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
P.O. BOX 681
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
LARKIN T HAMMOND
LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year ..... 47.5 %

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

1	Ordinary business income (loss) 70,937.	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 A	Alternative minimum tax (AMT) items 167.
11	Section 179 deduction 18,678.	16 C	Items affecting shareholder basis 424.
12 S*	Other deductions 2,954.	D	56,950.
		17	Other information

*See attached statement for additional information.

DO NOT FILE

FOR IRS USE ONLY

BAA For Privacy Act and Paperwork Reduction Act Notice, see instructions for Form 1120S. Schedule K-1 (Form 1120S) 2005

SHAREHOLDER 2

SPSA0412L 12/08/05

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Enter on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	Schedule A, line 15a
	B Cash contributions (30%)	Schedule A, line 15a
	C Noncash contributions (50%)	Schedule A, line 16
	D Noncash contributions (30%)	Schedule A, line 16
	E Capital gain property to a 50% organization (30%)	Schedule A, line 16
	F Capital gain property (20%)	Schedule A, line 16
	G Cash contributions (100%)	See the Shareholder's Instructions
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 23
	M Reforestation expense deduction	See the Shareholder's Instructions
	N Preproductive period expenses	See the Shareholder's Instructions
	O Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's W-2 wages	Form 8903, line 13
	S Other deductions	See the Shareholder's Instructions
13	Credits and credit recapture	
	A Low-income housing credit (section 42(j)(5))	Form 8586, line 4
	B Low-income housing credit (other)	Form 8586, line 4
	C Qualified rehabilitation expenditures (rental real estate)	Form 3468, line 1
	D Qualified rehabilitation expenditures (other than rental real estate)	Form 3468, line 1
	E Basis of energy property	See the Shareholder's Instructions
	F Other rental real estate credits	See the Shareholder's Instructions
	G Other rental credits	See the Shareholder's Instructions
	H Undistributed capital gains credit	Form 1040, line 70, box a
	I Credit for alcohol used as fuel	Form 6478, line 4
	J Work opportunity credit	Form 5884, line 3
	K Welfare-to-work credit	Form 8861, line 3
	L Disabled access credit	Form 8826, line 7

	Code	Enter on
	M Empowerment zone and renewal community employment credit	Form 8844, line 3
	N Credit for increasing research activities	Form 6765, line 42
	O New markets credit	Form 8874, line 2
	P Credit for employer social security and Medicare taxes	Form 8846, line 5
	Q Backup withholding	Form 1040, line 64
	R Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	S Recapture of low-income housing credit (other)	Form 8611, line 8
	T Recapture of investment credit	See Form 4255
	U Other credits	See the Shareholder's Instructions
	V Recapture of other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	Form 1116, Part I
	C Gross income sourced at shareholder level	Form 1116, Part I
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	Form 1116, Part I
	F General limitation	Form 1116, Part I
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	Form 1116, Part I
	K General limitation	Form 1116, Part I
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	See the Shareholder's Instructions
	D Property distributions	See the Shareholder's Instructions
	E Repayment of loans from shareholders	See the Shareholder's Instructions
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Look-back interest — completed long-term contracts	See Form 8697
	D Look-back interest — income forecast method	See Form 8866
	E Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	F Recapture of section 179 deduction	
	G Section 453(l)(3) information	
	H Section 453A(c) information	
	I Section 1260(b) information	
	J Interest allocable to production expenditures	
	K CCF nonqualified withdrawal	
	L Information needed to figure depletion — oil and gas	
	M Amortization of reforestation costs	
	N Other information	

DO NOT FILE

SP6AD412L 12/00/05

SHAREHOLDER 2 : LARKIN L. RAMMOND

BOX 12
OTHER DEDUCTIONS

* DESCRIPTIVE INFORMATION		
S HEALTH INSURANCE	$	2,954.

DO NOT FILE

SHAREHOLDER 2 : LARKIN L. HAMMOND

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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
P.O. BOX 681
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIS

LAKE LURE,

H Shareholder's percentage of stock ownership for tax year..... 5 %

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

1	Ordinary business income (loss) 7,467.	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 A	Alternative minimum tax (AMT) items 18.
11	Section 179 deduction 1,966.	16 C	Items affecting shareholder basis 44.
12	Other deductions S* 311.	D	5,995.
		17	Other information

*See attached statement for additional information.

DO NOT FILE

FOR IRS USE ONLY

SHAREHOLDER 3

SPSA04121 12/08/05

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Enter on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	Schedule A, line 15a
	B Cash contributions (30%)	Schedule A, line 15a
	C Noncash contributions (50%)	Schedule A, line 16
	D Noncash contributions (30%)	Schedule A, line 16
	E Capital gain property to a 50% organization (30%)	Schedule A, line [illegible]
	F Capital gain property (20%)	Schedule A, line [illegible]
	G Cash contributions (100%)	See the Shareholder's Instructions
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 22
	L Deductions — portfolio (other)	Schedule A, line 27
	M Reforestation expense deduction	See the Shareholder's Instructions
	N Preproductive period expenses	See the Shareholder's Instructions
	O Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's W-2 wages	Form 8903, line 13
	S Other deductions	See the Shareholder's Instructions
13	Credits and credit recapture	
	A Low-income housing credit (section 42(j)(5))	Form 8586, line 4
	B Low-income housing credit (other)	Form 8586, line 4
	C Qualified rehabilitation expenditures (rental real estate)	Form 3468, line 1
	D Qualified rehabilitation expenditures (other than rental real estate)	Form 3468, line 1
	E Basis of energy property	See the Shareholder's Instructions
	F Other rental real estate credits	See the Shareholder's Instructions
	G Other rental credits	See the Shareholder's Instructions
	H Undistributed capital gains credit	Form 1040, line 70, box a
	I Credit for alcohol used as fuel	Form 6478, line 4
	J Work opportunity credit	Form 5884, line 3
	K Welfare-to-work credit	Form 8861, line 3
	L Disabled access credit	Form 8826, line 7

	Code	Enter on
	M Empowerment zone and renewal community employment credit	Form 8844, line 3
	N Credit for increasing research activities	Form 6765, line 42
	O New markets credit	Form 8874, line 2
	P Credit for employer social security and Medicare taxes	Form 8846, line 5
	Q Backup withholding	Form 1040, line 64
	R Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	S Recapture of low-income housing credit (other)	Form 8611, line 8
	T Recapture of investment credit	See Form 4255
	U Other credits	See the Shareholder's Instructions
	V Recapture of other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	Form 1116, Part I
	C Gross income sourced at shareholder level	Form 1116, Part I
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	Form 1116, Part I
	F General limitation	Form 1116, Part I
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	Form 1116, Part I
	K General limitation	Form 1116, Part I
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	See the Shareholder's Instructions
	D Property distributions	See the Shareholder's Instructions
	E Repayment of loans from shareholders	See the Shareholder's Instructions
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Look-back interest — completed long-term contracts	See Form 8697
	D Look-back interest — income forecast method	See Form 8866
	E Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	F Recapture of section 179 deduction	
	G Section 453(l)(3) information	
	H Section 453A(c) information	
	I Section 1260(b) information	
	J Interest allocable to production expenditures	
	K CCF nonqualified withdrawal	
	L Information needed to figure depletion — oil and gas	
	M Amortization of reforestation costs	
	N Other information	

DO NOT FILE

SPSA0412L 12/08/05

SHAREHOLDER 3 : KYLE PERTUIS

BOX 12
OTHER DEDUCTIONS

* DESCRIPTIVE INFORMATION
S HEALTH INSURANCE ..... $ 311.

DO NOT FILE

SHAREHOLDER 3 : KYLE PERTUIS

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: 9/01/1998	Use the IRS label. Otherwise, print or type.	LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE 1020 MEMORIAL HIGHWAY LAKE LURE, NC 28746	C Employer identification number: 12945 D Date incorporated: 9/01/1998 E Total assets (see instructions): $ 362,827.
B Business activity code number (see instructions): 722110			

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 ► 3

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: 1,664,182. b Less returns and allowances: c Bal ►	1c	1c	1,664,182.
	2	Cost of goods sold (Schedule A, line 8)	2	2	1,013,639.
	3	Gross profit. Subtract line 2 from line 1c	3	3	650,543.
	4	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	4	4	
	5	Other income (loss) (attach statement)	5	5	
	6	Total income (loss). Add lines 3 through 5 ►	6	6	650,543.
DEDUCTIONS (SEE INSTRS)	7	Compensation of officers	7	7	103,000.
	8	Salaries and wages (less employment credits)	8	8	
	9	Repairs and maintenance	9	9	32,619.
	10	Bad debts	10	10	
	11	Rents	11	11	74,800.
	12	Taxes and licenses	12	12	2,079.
	13	Interest	13	13	5,282.
	14	Depreciation not claimed on Schedule A or elsewhere on return (attach Form 4562)	14	14	19,700.
	15	Depletion (Do not deduct oil and gas depletion.)	15	15	
	16	Advertising	16	16	21,065.
	17	Pension, profit-sharing, etc, plans	17	17	
	18	Employee benefit programs	18	18	4,003.
	19	Other deductions (attach statement) SEE STATEMENT 1	19	19	158,917.
	20	Total deductions. Add lines 7 through 19 ►	20	20	421,465.
	21	Ordinary business income (loss). Subtract line 20 from line 6	21	21	229,078.
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	0.
	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	

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 — ► PRESIDENT 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	Check if self-employed ☐	Preparer's SSN or PTIN: P00036004
Firm's name (or yours if self-employed), address, and ZIP code ► LEWINTER | THELANDER CPAS | BUSINESS ADVISORS 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691			EIN 20-1969491

DEFENDANT'S EXHIBIT 29e

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. 1120S (2006)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	14,269.
2	Purchases	2	630,801.
3	Cost of labor	3	291,896.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 2	5	90,726.
6	Total. Add lines 1 through 5	6	1,027,692.
7	Inventory at end of year	7	14,053.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	1,013,639.

9a Check all methods used for valuing closing inventory:

(i) [X] 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 [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 B 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 ► RESTAURANT b Product or service ► FOOD SERVICE		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a QSub election made?		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.*

Schedule K Shareholders' Pro Rata Share Items

				Total amount
INCOME (LOSS)	1	Ordinary business income (loss) (page 1, line 21)	1	229,078.
	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	
	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	

	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	21,973.
	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 ► SEE STATEMENT 3	12d	13,934.
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	909.
	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	662.
	d Property distributions	16d	153,190.
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	193,171.

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		47,250.		2,250.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		14,269.		14,053.
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach stmt) ....SEE ST 4		34,581.		107,821.
7 Loans to shareholders		72,087.		49,196.
8 Mortgage and real estate loans				
9 Other investments (attach statement)				
10a Buildings and other depreciable assets	411,330.		474,247.	
b Less accumulated depreciation	325,864.	85,466.	367,537.	106,710.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	192,269.		192,269.	
b Less accumulated amortization	97,205.	95,064.	109,472.	82,797.
14 Other assets (attach stmt)				
15 Total assets		348,717.		362,827.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach stmt) ..SEE ST 5		110,150.		78,452.
19 Loans from shareholders				18,564.
20 Mortgages, notes, bonds payable in 1 year or more		51,343.		39,267.
21 Other liabilities (attach statement) ....SEE ST 6				1.
22 Capital stock		1,000.		1,000.
23 Additional paid-in capital		112,507.		112,507.
24 Retained earnings		73,717.		113,036.
25 Adjustments to shareholders' equity (att stmt)				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		348,717.		362,827.

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	192,509.	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 $ 30.			
SEE STATEMENT 7 632.	662.	7 Add lines 5 and 6	0.
4 Add lines 1 through 3	193,171.	8 Income (loss) (Schedule K, line 18). Ln 4 less ln 7	193,171.

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	73,717.		
2 Ordinary income from page 1, line 21	229,078.		
3 Other additions			
4 Loss from page 1, line 21			
5 Other reductions ....SEE STATEMENT 8	(36,569.)		
6 Combine lines 1 through 5	266,226.		
7 Distributions other than dividend distributions	153,190.		
8 Balance at end of tax year. Subtract line 7 from line 6	113,036.		

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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
MARK D. HAMMOND

LAKE LURE, NC .

H Shareholder's percentage of stock ownership for tax year..... 47.5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 108,812.	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 A	Alternative minimum tax (AMT) items 432.
11	Section 179 deduction 10,437.	16 C	Items affecting shareholder basis 314.
12 R*	Other deductions 6,619.	D	72,765.
		17	Other information

*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

SHAREHOLDER 1

SPSA0412L 06/28/06

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Investment interest expense	Form 4952, line 1
	H Deductions — royalty income	Schedule E, line 18
	I Section 59(e)(2) expenditures	See the Shareholder's Instructions
	J Deductions — portfolio (2% floor)	Schedule A, line 22
	K Deductions — portfolio (other)	Schedule A, line 27
	L Preproductive period expenses	See the Shareholder's Instructions
	M Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	N Reforestation expense deduction	See the Shareholder's Instructions
	O Domestic production activities information	See Form 8903 Instructions
	P Qualified production activities income	Form 8903, line 7
	Q Employer's W-2 wages	Form 8903, line 13
	R Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5))	See the Shareholder's Instructions
	B Low-income housing credit (other)	
	C Qualified rehabilitation expenditures (rental real estate)	
	D Other rental real estate credits	
	E Other rental credits	
	F Undistributed capital gains credit	Form 1040, line 70, check box a
	G Credit for alcohol used as fuel	See the Shareholder's Instructions
	H Work opportunity credit	
	I Welfare-to-work credit	
	J Disabled access credit	
	K Empowerment zone and renewal community employment credit	Form 8844, line 3

		Report on
	Code	
	L Credit for increasing research activities	See the Shareholder's Instructions
	M New markets credit	
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	Form 1040, line 64
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	
	F General limitation	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	
	K General limitation	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q ODF nonqualified withdrawals	
	R Information needed to figure depletion — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

SPSA0412L 06/20/06

SHAREHOLDER 1 : MARK D. HAMMOND

BOX 12
OTHER DEDUCTIONS

* DESCRIPTIVE INFORMATION		
R HEALTH INSURANCE	$	6,619.

SHAREHOLDER 1 : MARK D. HAMMOND

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
12945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
LARKIN L. HAMMOND

LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 47.5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 108,812.	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 A	Alternative minimum tax (AMT) items 432.
11	Section 179 deduction 10,437.	16 C	Items affecting shareholder basis 315.
12 R*	Other deductions 6,618.	D	72,766.
		17	Other information

*See attached statement for additional information.

SHAREHOLDER 2

SPSA0412L 06/28/06

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Investment interest expense	Form 4952, line 1
	H Deductions — royalty income	Schedule E, line 18
	I Section 59(e)(2) expenditures	See the Shareholder's Instructions
	J Deductions — portfolio (2% floor)	Schedule A, line 22
	K Deductions — portfolio (other)	Schedule A, line 27
	L Preproductive period expenses	See the Shareholder's Instructions
	M Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	N Reforestation expense deduction	See the Shareholder's Instructions
	O Domestic production activities information	See Form 8903 Instructions
	P Qualified production activities income	Form 8903, line 7
	Q Employer's W-2 wages	Form 8903, line 13
	R Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5))	See the Shareholder's Instructions
	B Low-income housing credit (other)	
	C Qualified rehabilitation expenditures (rental real estate)	
	D Other rental real estate credits	
	E Other rental credits	
	F Undistributed capital gains credit	Form 1040, line 70, check box a
	G Credit for alcohol used as fuel	See the Shareholder's Instructions
	H Work opportunity credit	
	I Welfare-to-work credit	
	J Disabled access credit	
	K Empowerment zone and renewal community employment credit	Form 8844, line 3

		Report on
	Code	
	L Credit for increasing research activities	See the Shareholder's Instructions
	M New markets credit	
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	Form 1040, line 64
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	
	F General limitation	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	
	K General limitation	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Information needed to figure depletion — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

BOX 12
OTHER DEDUCTIONS

* DESCRIPTIVE INFORMATION		
R HEALTH INSURANCE	$	6,618.

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
'2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
KYLE PERRUIS
[redacted]
LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 5 %

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

1	Ordinary business income (loss) 11,454.	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 A	Alternative minimum tax (AMT) items 45.
11	Section 179 deduction 1,099.	16 C	Items affecting shareholder basis 33.
12	Other deductions R* 697.	D	7,659.
		17	Other information

*See attached statement for additional information.

FOR IRS USE ONLY

BAA For Privacy Act and Paperwork Reduction Act Notice, see instructions for Form 1120S. Schedule K-1 (Form 1120S) 2006

SHAREHOLDER 3

SPSA0412L 06/28/06

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Investment interest expense	Form 4952, line 1
	H Deductions — royalty income	Schedule E, line 18
	I Section 59(e)(2) expenditures	See the Shareholder's Instructions
	J Deductions — portfolio (2% floor)	Schedule A, line 22
	K Deductions — portfolio (other)	Schedule A, line 27
	L Preproductive period expenses	See the Shareholder's Instructions
	M Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	N Reforestation expense deduction	See the Shareholder's Instructions
	O Domestic production activities information	See Form 8903 Instructions
	P Qualified production activities income	Form 8903, line 7
	Q Employer's W-2 wages	Form 8903, line 13
	R Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5))	See the Shareholder's Instructions
	B Low-income housing credit (other)	
	C Qualified rehabilitation expenditures (rental real estate)	
	D Other rental real estate credits	
	E Other rental credits	
	F Undistributed capital gains credit	Form 1040, line 70, check box a
	G Credit for alcohol used as fuel	See the Shareholder's Instructions
	H Work opportunity credit	
	I Welfare-to-work credit	
	J Disabled access credit	
	K Empowerment zone and renewal community employment credit	Form 8844, line 3

		Report on
	Code	
	L Credit for increasing research activities	See the Shareholder's Instructions
	M New markets credit	
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	Form 1040, line 64
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	
	F General limitation	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	
	K General limitation	
	Other Information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Information needed to figure depletion — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

SPSA0412L 06/28/06

SHAREHOLDER 3 : KYLE PERTUIS

BOX 12
OTHER DEDUCTIONS

* DESCRIPTIVE INFORMATION		
R HEALTH INSURANCE	$	697.

SHAREHOLDER 3 : KYLE PERTUIS

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 or is attaching Form 2553 to elect to be an S corporation.
► See separate instructions.

OMB No. 1545-0130

2007

For calendar year 2007 or tax year beginning , 2007, ending

A S election effective date: 9/01/1998	Use the IRS label. Otherwise, print or type.	LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE 1020 MEMORIAL HIGHWAY LAKE LURE, NC 28746	D Employer identification number: 2945
B Business activity code number (see instrs): 722110			E Date incorporated: 9/01/1998
C Check if Sch M-3 attached ☐			F Total assets (see instructions): $ 245,661.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If "Yes," attach Form 2553 if not previously filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change
(4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders in the corporation at the end of the tax year ► 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: 1,705,354.	b Less returns and allowances:	c Bal ► 1c	1,705,354.
	2	Cost of goods sold (Schedule A, line 8)		2	1,024,237.
	3	Gross profit. Subtract line 2 from line 1c		3	681,117.
	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	681,117.
DEDUCTIONS (SEE INSTRS)	7	Compensation of officers		7	103,000.
	8	Salaries and wages (less employment credits)		8	
	9	Repairs and maintenance		9	20,105.
	10	Bad debts		10	
	11	Rents		11	83,600.
	12	Taxes and licenses		12	1,510.
	13	Interest		13	5,513.
	14	Depreciation not claimed on Schedule A or elsewhere on return *(attach Form 4562)*		14	15,092.
	15	Depletion (Do not deduct oil and gas depletion.)		15	
	16	Advertising		16	32,066.
	17	Pension, profit-sharing, etc, plans		17	
	18	Employee benefit programs		18	
	19	Other deductions *(attach statement)* SEE STATEMENT 1		19	182,628.
	20	Total deductions. Add lines 7 through 19		► 20	443,714.
	21	Ordinary business income (loss). Subtract line 20 from line 6		21	237,403.
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	2007 estimated tax payments and 2006 overpayment credited to 2007	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	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed		25	0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid		26	
	27	Enter amount from line 26 Credited to 2008 estimated tax	Refunded	27	

Sign Here

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

► Signature of officer — Date — ► PRESIDENT 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	Check if self-employed ☐	Preparer's SSN or PTIN: P00036004
Firm's name (or yours if self-employed), address, and ZIP code ►	LEWINTER | THELANDER CPAS | BUSINESS ADVISORS 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691		EIN: 20-1969491

DEFENDANT'S EXHIBIT 29 f

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. 1120S (2007)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	14,053.
2	Purchases	2	596,212.
3	Cost of labor	3	340,210.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 2	5	88,350.
6	Total. Add lines 1 through 5	6	1,038,825.
7	Inventory at end of year	7	14,588.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	1,024,237.

9a Check all methods used for valuing closing inventory:
- (i) [X] 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 [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 B 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 ▶ RESTAURANT b Product or service ▶ FOOD SERVICE		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a QSub election made?		X
4	Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
5	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.		
6	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 ▶ $		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
8	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

Schedule K Shareholders' Pro Rata Share Items

				Total amount
INCOME (LOSS)	1	Ordinary business income (loss) (page 1, line 21)	1	237,403.
	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	
	5a	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	

	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	46,387.
	12a Contributions SEE STATEMENT 3	12a	1,404.
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures (1) Type ► (2) Amount ►	12c (2)	
	d Other deductions *(see instructions)* Type ► SEE STATEMENT 4	12d	14,879.
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 category	14d	
	e General category	14e	
	f Other *(attach statement)*	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 category	14i	
	j General category	14j	
	k Other *(attach statement)*	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	-2,031.
	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	1,774.
	d Property distributions	16d	234,868.
	e Repayment of loans from shareholders	16e	18,564.
Other Information	17a Investment income	17a	
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	174,733.

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		2,250.		7,457.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		14,053.		14,588.
4 U.S. government obligations				
5 Tax-exempt securities *(see instructions)*				
6 Other current assets *(attach stmt)* ....SEE ST 5.		107,821.		6,594.
7 Loans to shareholders		49,196.		54,874.
8 Mortgage and real estate loans				
9 Other investments *(attach statement)*				
10a Buildings and other depreciable assets	474,247.		520,634.	
b Less accumulated depreciation	367,537.	106,710.	429,016.	91,618.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	192,269.		192,269.	
b Less accumulated amortization	109,472.	82,797.	121,739.	70,530.
14 Other assets *(attach stmt)*				
15 Total assets		362,827.		245,661.
Liabilities and Shareholders' Equity				
16 Accounts payable				30,400.
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities *(attach stmt)* ..SEE ST 6.		78,452.		11,522.
19 Loans from shareholders		18,564.		
20 Mortgages, notes, bonds payable in 1 year or more		39,268.		27,805.
21 Other liabilities *(attach statement)*				
22 Capital stock		1,000.		12,300.
23 Additional paid-in capital		112,507.		112,507.
24 Retained earnings		113,036.		51,127.
25 Adjustments to shareholders' equity *(att stmt)*				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		362,827.		245,661.

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	172,959.	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 $ b Travel and entertainment $ 392. SEE STATEMENT 7 1,382.	1,774.	6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation $	
		7 Add lines 5 and 6	0.
4 Add lines 1 through 3	174,733.	8 Income (loss) (Schedule K, line 18). Line 4 less line 7	174,733.

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	113,036.		
2 Ordinary income from page 1, line 21	237,403.		
3 Other additions			
4 Loss from page 1, line 21			
5 Other reductions ....SEE STATEMENT 8	(64,444.)		
6 Combine lines 1 through 5	285,995.		
7 Distributions other than dividend distributions	234,868.		
8 Balance at end of tax year. Subtract line 7 from line 6	51,127.		

671107

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2007

For calendar year 2007, or tax year beginning _____, 2007 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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
MARK D. HAMMOND
LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year ..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 106,831.	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 A	Alternative minimum tax (AMT) items -514.
11	Section 179 deduction 20,874.	16 C	Items affecting shareholder basis 798.
12 A	Other deductions 632.	D	105,690.
		E	18,564.
		17	Other information

*See attached statement for additional information.

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

Schedule K-1 (Form 1120S) 2007

SHAREHOLDER 1

SPSA04121 09/19/07

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Investment interest expense	Form 4952, line 1
	H Deductions — royalty income	Schedule E, line 18
	I Section 59(e)(2) expenditures	See the Shareholder's Instructions
	J Deductions — portfolio (2% floor)	Schedule A, line 23
	K Deductions — portfolio (other)	Schedule A, line 28
	L Preproductive period expenses	See the Shareholder's Instructions
	M Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	N Reforestation expense deduction	See the Shareholder's Instructions
	O Domestic production activities information	See Form 8903 Instructions
	P Qualified production activities income	Form 8903, line 7
	Q Employer's Form W-2 wages	Form 8903, line 16
	R Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5))	See the Shareholder's Instructions
	B Low-income housing credit (other)	
	C Qualified rehabilitation expenditures (rental real estate)	
	D Other rental real estate credits	
	E Other rental credits	
	F Undistributed capital gains credit	Form 1040, line 70, check box a
	G Credit for alcohol used as fuel	See the Shareholder's Instructions
	H Work opportunity credit	
	I Welfare-to-work credit	
	J Disabled access credit	
	K Empowerment zone and renewal community employment credit	Form 8844, line 3
	L Credit for increasing research activities	See the Shareholder's Instructions
	M New markets credit	
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	Form 1040, line 64
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Information needed to figure depletion — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

671107

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2007

For calendar year 2007, or tax year beginning _____, 2007 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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
LARKIN L. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year ..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 106,832.	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 A	Alternative minimum tax (AMT) items -914.
11	Section 179 deduction 20,874.	16 C	Items affecting shareholder basis 799.
12 A	Other deductions 632.	D	105,691.
R*	6,844.		
		17	Other information

*See attached statement for additional information.

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

Schedule K-1 (Form 1120S) 2007

SHAREHOLDER 2

SPSA0412L 09/19/07

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Investment interest expense	Form 4952, line 1
	H Deductions — royalty income	Schedule E, line 18
	I Section 59(e)(2) expenditures	See the Shareholder's Instructions
	J Deductions — portfolio (2% floor)	Schedule A, line 23
	K Deductions — portfolio (other)	Schedule A, line 28
	L Preproductive period expenses	See the Shareholder's Instructions
	M Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	N Reforestation expense deduction	See the Shareholder's Instructions
	O Domestic production activities information	See Form 8903 Instructions
	P Qualified production activities income	Form 8903, line 7
	Q Employer's Form W-2 wages	Form 8903, line 15
	R Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5))	See the Shareholder's Instructions
	B Low-income housing credit (other)	
	C Qualified rehabilitation expenditures (rental real estate)	
	D Other rental real estate credits	
	E Other rental credits	
	F Undistributed capital gains credit	Form 1040, line 70, check box a
	G Credit for alcohol used as fuel	See the Shareholder's Instructions
	H Work opportunity credit	
	I Welfare-to-work credit	
	J Disabled access credit	
	K Empowerment zone and renewal community employment credit	Form 8844, line 3
	L Credit for increasing research activities	See the Shareholder's Instructions
	M New markets credit	
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	Form 1040, line 64
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q QCF nonqualified withdrawals	
	R Information needed to figure depletion — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

Schedule K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

2007

For calendar year 2007, or tax year beginning _____, 2007
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
12945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIS

GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 10 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 23,740.	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 A	Alternative minimum tax (AMT) items -203.
11	Section 179 deduction 4,639.	16 C	Items affecting shareholder basis 177.
12	Other deductions A 140.	D	23,487.
	R* 8,035.		
		17	Other information

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see instructions for Form 1120S.

Schedule K-1 (Form 1120S) 2007

SHAREHOLDER 3

SFSA0412L 09/19/07

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 or is attaching Form 2553 to elect to be an S corporation.
► See separate instructions.

OMB No. 1545-0130

2008

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

A S election effective date: 9/01/1998	Use the IRS label. Other-wise, print or type.	LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE 1020 MEMORIAL HIGHWAY LAKE LURE, NC 28746	D Employer identification number:)2945
B Business activity code number (see instrs): 722110			E Date incorporated: 9/01/1998
C Check if Sch M-3 attached ☐			F Total assets (see instructions): $ 245,013.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not previously filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change
(4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ► 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: 1,623,378.	b Less returns and allowances:	c Bal ► 1c	1,623,378.
	2	Cost of goods sold (Schedule A, line 8)		2	958,452.
	3	Gross profit. Subtract line 2 from line 1c		3	664,926.
	4	Net gain (loss) from Form 4797, Part II, line 17 *(attach Form 4797)*		4	
	5	Other income (loss) *(attach statement)*	SEE STATEMENT 1	5	1,786.
	6	Total income (loss). Add lines 3 through 5		► 6	666,712.
DEDUCTIONS (SEE INSTRS)	7	Compensation of officers		7	95,608.
	8	Salaries and wages (less employment credits)		8	
	9	Repairs and maintenance		9	24,323.
	10	Bad debts		10	
	11	Rents		11	165,200.
	12	Taxes and licenses		12	2,235.
	13	Interest		13	2,007.
	14	Depreciation not claimed on Schedule A or elsewhere on return *(attach Form 4562)*		14	11,835.
	15	Depletion (Do not deduct oil and gas depletion.)		15	
	16	Advertising		16	26,470.
	17	Pension, profit-sharing, etc, plans		17	
	18	Employee benefit programs		18	
	19	Other deductions *(attach statement)*	SEE STATEMENT 2	19	191,319.
	20	Total deductions. Add lines 7 through 19		► 20	518,997.
	21	Ordinary business income (loss). Subtract line 20 from line 6		21	147,715.
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	2008 estimated tax payments and 2007 overpayment credited to 2008	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	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed		25	0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid		26	
	27	Enter amount from line 26 Credited to 2009 estimated tax	Refunded	27	

Sign Here

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

► Signature of officer — Date — ► PRESIDENT 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	Check if self-employed ☐	Preparer's SSN or PTIN: P00036004
Firm's name (or yours if self-employed), address, and ZIP code ►	LEWINTER | THELANDER CPAS | BUSINESS ADVISORS 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691		EIN: 33-1060401

DEFENDANT'S EXHIBIT 29 9

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. S (2008)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	14,588.
2	Purchases	2	557,047.
3	Cost of labor	3	323,817.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 3	5	83,222.
6	Total. Add lines 1 through 5	6	978,674.
7	Inventory at end of year	7	20,222.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	958,452.

9a Check all methods used for valuing closing inventory:
- (i) [X] 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 [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 B 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 ► RESTAURANT b Product or service ► FOOD SERVICE		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a QSub election made?		X
4	Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
5	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.		
6	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 ► $		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
8	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

Schedule K Shareholders' Pro Rata Share Items

			Total amount
INCOME (LOSS)	1 Ordinary business income (loss) (page 1, line 21)	1	147,715.
	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	
	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	

	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	2,050.
	12a Contributions SEE STATEMENT 4	12a	130.
	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 Alcohol and cellulosic biofuel fuels credit *(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 category	14d	
	e General category	14e	
	f Other *(attach statement)*	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 category	14i	
	j General category	14j	
	k Other *(attach statement)*	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	-3,337.
	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	821.
	d Property distributions	16d	195,000.
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	145,535.

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		7,457.		27,742.
2a Trade notes and accounts receivable			1,043.	
b Less allowance for bad debts				1,043.
3 Inventories		14,588.		20,222.
4 U.S. government obligations				
5 Tax-exempt securities *(see instructions)*				
6 Other current assets *(attach stmt)* ....SEE ST 5.		6,594.		
7 Loans to shareholders		54,874.		57,960.
8 Mortgage and real estate loans				
9 Other investments *(attach statement)*				
10a Buildings and other depreciable assets	520,634.		522,684.	
b Less accumulated depreciation	429,016.	91,618.	442,901.	79,783.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	192,269.		192,269.	
b Less accumulated amortization	121,739.	70,530.	134,006.	58,263.
14 Other assets *(attach stmt)*				
15 Total assets		245,661.		245,013.
Liabilities and Shareholders' Equity				
16 Accounts payable		30,400.		18,534.
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities *(attach stmt)* ..SEE ST 6.		11,522.		86,105.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		27,805.		14,726.
21 Other liabilities *(attach statement)*				
22 Capital stock		12,300.		12,300.
23 Additional paid-in capital		112,507.		112,507.
24 Retained earnings		51,127.		841.
25 Adjustments to shareholders' equity *(attach stmt)*				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		245,661.		245,013.

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	144,714.	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 $ 179.			
SEE STATEMENT 7 642.	821.	7 Add lines 5 and 6	0.
4 Add lines 1 through 3	145,535.	8 Income (loss) (Schedule K, line 18). Ln 4 less ln 7	145,535.

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	51,127.		
2 Ordinary income from page 1, line 21	147,715.		
3 Other additions			
4 Loss from page 1, line 21			
5 Other reductions ....SEE STATEMENT 8....	(3,001.)		
6 Combine lines 1 through 5	195,841.		
7 Distributions other than dividend distributions	195,000.		
8 Balance at end of tax year. Subtract line 7 from line 6	841.		

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
'2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
MARK D HAMMOND
LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year ..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 66,472.	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
		A	-1,502.
11	Section 179 deduction 923.	16	Items affecting shareholder basis
		C	370.
12	Other deductions		
A	59.	D	87,750.
		17	Other information

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2008

SHAREHOLDER 1

SP8A0412L 12/10/08

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 15
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 68, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 9
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
LARKIN J. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year ..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 66,472.	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 A	Alternative minimum tax (AMT) items -1,501.
11	Section 179 deduction 922.	16 C	Items affecting shareholder basis 369.
12 A	Other deductions 58.	D	87,750.
		17	Other information

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2008

SHAREHOLDER 2

SPSA0412L 12/10/08

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 15
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 68, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 9
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

SHAREHOLDER 2 : LARKIN L. HAMMOND

L71108

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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIT
GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year ..... 10 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 14,771.	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 A	Alternative minimum tax (AMT) items -334.
11	Section 179 deduction 205.	16 C	Items affecting shareholder basis 82.
12 A	Other deductions 13.	D	19,500.
		17	Other information

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see instructions for Form 1120S.

Schedule K-1 (Form 1120S) 2008

SHAREHOLDER 3

SPSA0412L 12/10/08

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 15
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 68, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 9
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

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 or is attaching Form 2553 to elect to be an S corporation.
► See separate instructions.

OMB No. 1545-0130

2009

For calendar year 2009 or tax year beginning , 2009, ending

A S election effective date: 9/01/1998	Use IRS label. Otherwise, print or type.	LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE 1020 MEMORIAL HIGHWAY LAKE LURE, NC 28746	D Employer identification number: 2945
B Business activity code number (see instrs): 722110			E Date incorporated: 9/01/1998
C Check if Sch M-3 attached ☐			F Total assets (see instructions): $ 268,497.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not previously filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ► 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: 1,483,778. b Less returns and allowances: c Bal ►	1c	1c	1,483,778.
	2	Cost of goods sold (Schedule A, line 8)	2	2	942,553.
	3	Gross profit. Subtract line 2 from line 1c	3	3	541,225.
	4	Net gain (loss) from Form 4797, Part II, line 17 *(attach Form 4797)*	4	4	
	5	Other income (loss) *(attach statement)* SEE STATEMENT 1	5	5	8,365.
	6	Total income (loss). Add lines 3 through 5 ►	6	6	549,590.
DEDUCTIONS (See instrs.)	7	Compensation of officers	7	7	59,555.
	8	Salaries and wages (less employment credits)	8	8	37,289.
	9	Repairs and maintenance	9	9	22,357.
	10	Bad debts	10	10	
	11	Rents	11	11	182,965.
	12	Taxes and licenses	12	12	2,649.
	13	Interest	13	13	3,479.
	14	Depreciation not claimed on Schedule A or elsewhere on return *(attach Form 4562)*	14	14	10,800.
	15	Depletion (Do not deduct oil and gas depletion.)	15	15	
	16	Advertising	16	16	30,961.
	17	Pension, profit-sharing, etc, plans	17	17	
	18	Employee benefit programs	18	18	
	19	Other deductions *(attach statement)* SEE STATEMENT 2	19	19	170,640.
	20	Total deductions. Add lines 7 through 19 ►	20	20	520,695.
	21	Ordinary business income (loss). Subtract line 20 from line 6	21	21	28,895.
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	2009 estimated tax payments and 2008 overpayment credited to 2009 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	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed	25	25	0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid	26		
	27	Enter amount from line 26 Credited to 2010 estimated tax Refunded	27		

Sign Here

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

► Signature of officer — Date — ► PRESIDENT 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	Check if self-employed ☐	Preparer's SSN or PTIN: P00036004
Firm's name (or yours if self-employed), address, and ZIP code ► LEWINTER | THELANDER CPAS | BUSINESS ADVISORS 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691		EIN	33-0549077
		Phone no.	949.365.1040

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. 1120S (2009)

DEFENDANT'S EXHIBIT 29 h

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	20,222.
2	Purchases	2	513,159.
3	Cost of labor	3	333,603.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 3	5	91,379.
6	Total. Add lines 1 through 5	6	958,363.
7	Inventory at end of year	7	15,810.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	942,553.

9a Check all methods used for valuing closing inventory:
- *(i)* [X] 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 [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 B 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 ► RESTAURANT b Product or service ► FOOD SERVICE		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a QSub election made?		X
4	Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
5	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.		
6	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 ► $		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
8	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

Schedule K Shareholders' Pro Rata Share Items

				Total amount
INCOME (LOSS)	1	Ordinary business income (loss) (page 1, line 21)	1	28,895.
	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	
	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)* Type ►	10	

	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	25,010.
	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	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 Alcohol and cellulosic biofuel fuels credit *(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 category	14d	
	e General category	14e	
	f Other *(attach statement)*	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 category	14i	
	j General category	14j	
	k Other *(attach statement)*	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	-2,628.
	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	656.
	d Property distributions	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	3,885.

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		27,742.		29,925.
2a Trade notes and accounts receivable	1,043.			
b Less allowance for bad debts		1,043.		
3 Inventories		20,222.		15,810.
4 U.S. government obligations				
5 Tax-exempt securities *(see instructions)*				
6 Other current assets *(attach stmt)*				
7 Loans to shareholders		57,960.		53,835.
8 Mortgage and real estate loans				
9 Other investments *(attach statement)*				
10a Buildings and other depreciable assets	522,684.		601,642.	
b Less accumulated depreciation	442,901.	79,783.	478,711.	122,931.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	192,269.		192,269.	
b Less accumulated amortization	134,006.	58,263.	146,273.	45,996.
14 Other assets *(attach stmt)*				
15 Total assets		245,013.		268,497.
Liabilities and Shareholders' Equity				
16 Accounts payable		18,534.		20,380.
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities *(attach stmt)* SEE ST. 4		86,105.		118,084.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		14,726.		1,156.
21 Other liabilities *(attach statement)*				
22 Capital stock		12,300.		12,300.
23 Additional paid-in capital		112,507.		112,507.
24 Retained earnings		841.		4,070.
25 Adjustments to shareholders' equity *(att stmt)*				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		245,013.		268,497.

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	3,229.	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 $ b Travel and entertainment $ 74. SEE STATEMENT 5 582.	656.	6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation $	
4 Add lines 1 through 3	3,885.	7 Add lines 5 and 6	0.
		8 Income (loss) (Schedule K, line 18). Ln 4 less ln 7	3,885.

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	841.		
2 Ordinary income from page 1, line 21	28,895.		
3 Other additions			
4 Loss from page 1, line 21			
5 Other reductions SEE STATEMENT 6	(25,666.)		
6 Combine lines 1 through 5	4,070.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	4,070.		

671109

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2009

For calendar year 2009, or tax year beginning _____, 2009 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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
MARK D. HAMMOND
LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

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

1	Ordinary business income (loss) 13,003.	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 A	Alternative minimum tax (AMT) items -1,183.
11	Section 179 deduction 11,255.	16 C	Items affecting shareholder basis 295.
12	Other deductions		
		17	Other information

*See attached statement for additional information.

FOR IRS USE ONLY

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2009

SHAREHOLDER 1

SPSA0412L 12/15/09

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 16
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 70, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 7
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 64
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

671109

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2009

For calendar year 2009, or tax year beginning _____, 2009 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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
LARKIN T. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

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

1	Ordinary business income (loss) 13,003.	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 A	Alternative minimum tax (AMT) items -1,182.
11	Section 179 deduction 11,254.	16 C	Items affecting shareholder basis 296.
12	Other deductions		
		17	Other information

*See attached statement for additional information.

FOR IRS USE ONLY

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

Schedule K-1 (Form 1120S) 2009

SHAREHOLDER 2

SPSA0412L 12/15/09

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 16
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 70, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 7
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 61
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

SHAREHOLDER 2 : LARKIN L. HAMMOND 2/15/09

671109

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2009

For calendar year 2009, or tax year beginning _____, 2009 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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIS

GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 10 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 2,889.	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 A	Alternative minimum tax (AMT) items -263.
11	Section 179 deduction 2,501.	16 C	Items affecting shareholder basis 65.
12	Other deductions		
		17	Other Information

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2009

SHAREHOLDER 3

SPSA0412L 12/15/09

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 15
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 70, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 7
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 61
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholders Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

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 or is attaching Form 2553 to elect to be an S corporation.
► See separate instructions.

OMB No. 1545-0130

2010

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

A S election effective date: 9/01/1998	TYPE OR PRINT: LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE 1020 MEMORIAL HIGHWAY LAKE LURE, NC 28746	D Employer identification number: 2945
B Business activity code number (see instrs): 722110		E Date incorporated: 9/01/1998
C Check if Sch M-3 attached ☐		F Total assets (see instructions): $ 551,493.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not previously filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ► 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. 1,511,742. b Less returns and allowances c Bal ►	1c	1c	1,511,742.
	2	Cost of goods sold (Schedule A, line 8)	2	2	924,614.
	3	Gross profit. Subtract line 2 from line 1c	3	3	587,128.
	4	Net gain (loss) from Form 4797, Part II, line 17 *(attach Form 4797)*	4	4	
	5	Other income (loss) *(see instrs — att statement)* SEE STATEMENT 1	5	5	3,889.
	6	Total income (loss). Add lines 3 through 5 ►	6	6	591,017.
DEDUCTIONS (See instrs)	7	Compensation of officers	7	7	67,738.
	8	Salaries and wages (less employment credits)	8	8	
	9	Repairs and maintenance	9	9	22,654.
	10	Bad debts	10	10	
	11	Rents	11	11	187,522.
	12	Taxes and licenses	12	12	3,220.
	13	Interest	13	13	2,619.
	14	Depreciation not claimed on Schedule A or elsewhere on return *(attach Form 4562)*	14	14	6,927.
	15	Depletion (Do not deduct oil and gas depletion.)	15	15	
	16	Advertising	16	16	26,292.
	17	Pension, profit-sharing, etc, plans	17	17	
	18	Employee benefit programs	18	18	
	19	Other deductions *(attach statement)* SEE STATEMENT 2	19	19	187,820.
	20	Total deductions. Add lines 7 through 19 ►	20	20	504,792.
	21	Ordinary business income (loss). Subtract line 20 from line 6	21	21	86,225.
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	2010 estimated tax payments and 2009 overpayment credited to 2010 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	24	
	25	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed	25	25	0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid	26	26	
	27	Enter amount from line 26 Credited to 2011 estimated tax Refunded	27	27	

Sign Here

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

► Signature of officer Date ► PRESIDENT Title

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

Paid Preparer Use Only

Print/Type preparer's name: MARK E. LEWINTER	Preparer's signature	Date	Check ☐ if self-employed	PTIN: P00036004
Firm's name ► LEWINTER | THELANDER CPAS | BUSINESS ADVISORS			Firm's EIN ► 33-0549077	
Firm's address ► 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691			Phone no. 949.365.1040	

BAA For Paperwork Reduction Act Notice, see separate instructions. SPSA0105L Form 1120S (2010)

DEFENDANT'S EXHIBIT 291

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	15,810.
2	Purchases	2	513,690.
3	Cost of labor	3	318,008.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 3	5	94,387.
6	Total. Add lines 1 through 5	6	941,895.
7	Inventory at end of year	7	17,281.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	924,614.

9a Check all methods used for valuing closing inventory:

(i) [X] 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 [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 B 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 ► RESTAURANT b Product or service ► FOOD SERVICE		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a qualified subchapter S subsidiary election made?		X
4	Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		X
5	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.		
6	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 the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years *(see instructions)* ► $		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
8	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
9	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If 'Yes', see instructions		X

Schedule K Shareholders' Pro Rata Share Items

				Total amount
INCOME (LOSS)	1	Ordinary business income (loss) (page 1, line 21)	1	86,225.
	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	9.
	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)* Type ►	10	

	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	32,155.
	12a Contributions SEE STATEMENT 4	12a	1,000.
	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 Alcohol and cellulosic biofuel fuels credit *(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 category	14d	
	e General category	14e	
	f Other *(attach statement)*	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 category	14i	
	j General category	14j	
	k Other *(attach statement)*	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	445.
	d Distributions *(attach stmt if required) (see instrs)*	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	9.
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	53,079.

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		29,925.		308,179.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		15,810.		17,281.
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach stmt)				
7 Loans to shareholders		53,835.		74,560.
8 Mortgage and real estate loans				
9 Other investments (attach statement)				
10a Buildings and other depreciable assets	601,642.		635,537.	
b Less accumulated depreciation	478,711.	122,931.	517,793.	117,744.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	192,269.		192,269.	
b Less accumulated amortization	146,273.	45,996.	158,540.	33,729.
14 Other assets (attach stmt)				
15 Total assets		268,497.		551,493.
Liabilities and Shareholders' Equity				
16 Accounts payable		20,380.		20,055.
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach stmt) SEE ST. 5		118,084.		349,927.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		1,156.		
21 Other liabilities (attach statement)				
22 Capital stock		12,300.		12,300.
23 Additional paid-in capital		112,507.		112,507.
24 Retained earnings		4,070.		56,704.
25 Adjustments to shareholders' equity (att stmt)				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		268,497.		551,493.

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	52,634.	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 $ b Travel and entertainment $		6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation $	
SEE STATEMENT 6 445.	445.	7 Add lines 5 and 6	0.
4 Add lines 1 through 3	53,079.	8 Income (loss) (Schedule K, line 18). Ln 4 less ln 7	53,079.

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	4,070.		
2 Ordinary income from page 1, line 21	86,225.		
3 Other additions SEE STATEMENT 7	9.		
4 Loss from page 1, line 21			
5 Other reductions SEE STATEMENT 8	(33,600.)		
6 Combine lines 1 through 5	56,704.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	56,704.		

671110

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2010

For calendar year 2010, or tax year beginning _____, 2010 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
- .02945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number
- -

E Shareholder's name, address, city, state, and ZIP code
MARK D. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 38,801.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 4.		
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 14,470.	16 C	Items affecting shareholder basis 200.
12 A	Other deductions 450.		
		17 A	Other information 4.

*See attached statement for additional information.

SHAREHOLDER 1

SPSA0412L 07/19/10

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 8
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 61
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

671110

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2010

For calendar year 2010, or tax year beginning _____, 2010 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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
LARKIN T. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 38,801.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 4.		
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 14,470.	16	Items affecting shareholder basis
		C	200.
12	Other deductions		
A	450.		
		17	Other information
		A	4.

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2010

SHAREHOLDER 2

SPSA0412L 07/19/10

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 8
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 61
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

SHAREHOLDER 2 : LARKIN L. HAMMOND

671110

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2010

For calendar year 2010, or tax year beginning _____, 2010 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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIS

GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 10 %

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

1	Ordinary business income (loss) 8,623.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 1.		
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 3,215.	16	Items affecting shareholder basis
12 A	Other deductions 100.	C	45.
		17 A	Other information 1.

*See attached statement for additional information.

FOR IRS USE ONLY

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2010

SHAREHOLDER 3

SPSA0412L 07/09/10

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A *Other portfolio income (loss)*	*See the Shareholder's Instructions*
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholders Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 8
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 61
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q ODF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

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 or is attaching Form 2553 to elect to be an S corporation.
► See separate instructions.

OMB No. 1545-0130

2011

For calendar year 2011 or tax year beginning , 2011, ending

A S election effective date: 9/01/1998	TYPE OR PRINT	LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE 1020 MEMORIAL HIGHWAY LAKE LURE, NC 28746	D Employer identification number: 2945
B Business activity code number (see instrs): 722110			E Date incorporated: 9/01/1998
C Check if Sch M-3 attached ☐			F Total assets (see instructions): $ 537,173.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not previously filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ► 3

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

INCOME	1a	Merchant card and third-party payments. For 2011, enter -0-	1a	0.	
	b	Gross receipts or sales not reported on line 1a (see instructions)	1b	1,562,054.	
	c	Total. Add lines 1a and 1b	1c	1,562,054.	
	d	Returns and allowances plus any other adjustments (see instructions)	1d		
	e	Subtract line 1d from line 1c			1e 1,562,054.
	2	Cost of goods sold (attach Form 1125-A)			2 1,024,925.
	3	Gross profit. Subtract line 2 from line 1e			3 537,129.
	4	Net gain (loss) from Form 4797, Part II, line 17 *(attach Form 4797)*			4
	5	Other income (loss) *(see instrs – attach statement)* SEE STATEMENT 1			5 1,585.
	6	Total income (loss). Add lines 3 through 5			► 6 538,714.
DEDUCTIONS (SEE INSTRS)	7	Compensation of officers			7 99,002.
	8	Salaries and wages (less employment credits)			8
	9	Repairs and maintenance			9 30,758.
	10	Bad debts			10
	11	Rents			11 224,060.
	12	Taxes and licenses			12 3,393.
	13	Interest			13 356.
	14	Depreciation not claimed on Form 1125-A or elsewhere on return *(attach Form 4562)*			14 11,859.
	15	Depletion (Do not deduct oil and gas depletion.)			15
	16	Advertising			16 28,683.
	17	Pension, profit-sharing, etc, plans			17
	18	Employee benefit programs			18
	19	Other deductions *(attach statement)* SEE STATEMENT 2			19 196,151.
	20	Total deductions. Add lines 7 through 19			► 20 594,262.
	21	Ordinary business income (loss). Subtract line 20 from line 6			21 -55,548.
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	2011 estimated tax payments and 2010 overpayment credited to 2011	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	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed			25 0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid			26
	27	Enter amount from line 26 Credited to 2012 estimated tax ► Refunded ►			27

Sign Here

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

► Signature of officer — Date — ► PRESIDENT Title

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

Paid Preparer Use Only

Print/Type preparer's name: MARK E. LEWINTER	Preparer's signature	Date	Check ☐ if self-employed	PTIN: P00036004
Firm's name ► LEWINTER | THELANDER CPAS | BUSINESS ADVISORS			Firm's EIN ► 33-0549077	
Firm's address ► 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691			Phone no. 949.365.1040	

BAA For Paperwork Reduction Act Notice, see separate instructions. SPSA0105L Form 1120S (2011)

DEFENDANT'S EXHIBIT 29

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 ▶ RESTAURANT b Product or service ▶ FOOD SERVICE		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a qualified subchapter S subsidiary election made?		X
4	Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		X
5	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.		
6	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 the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years *(see instructions)* ▶ $		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
8	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
9	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If 'Yes', see instructions		X
10a	Did the corporation make any payments in 2011 that would require it to file Form(s) 1099 (see instructions)?	X	
b	If 'Yes,' did the corporation file or will it file all required Forms 1099?	X	

Schedule K Shareholders' Pro Rata Share Items

				Total amount
INCOME (LOSS)	1	Ordinary business income (loss) (page 1, line 21)	1	-55,548.
	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	826.
	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)* Type ▶	10	

	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	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 Alcohol and cellulosic biofuel fuels credit *(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 category	14d	
	e General category	14e	
	f Other *(attach statement)*	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 category	14I	
	J General category	14J	
	k Other *(attach statement)*	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	1,207.
	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	794.
	d Distributions *(attach stmt if required)* *(see instrs)*	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	826.
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	-54,722.

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		308,179.		26,952.
2a Trade notes and accounts receivable			233.	
b Less allowance for bad debts				233.
3 Inventories		17,281.		15,617.
4 U.S. government obligations				
5 Tax-exempt securities *(see instructions)*				
6 Other current assets *(attach stmt)* ....SEE .ST..3.				155,810.
7 Loans to shareholders		74,560.		187,735.
8 Mortgage and real estate loans				
9 Other investments *(attach statement)*				
10a Buildings and other depreciable assets	635,537.		659,016.	
b Less accumulated depreciation	517,793.	117,744.	529,652.	129,364.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	192,269.		192,269.	
b Less accumulated amortization	158,540.	33,729.	170,807.	21,462.
14 Other assets *(attach stmt)*				
15 Total assets		551,493.		537,173.
Liabilities and Shareholders' Equity				
16 Accounts payable		20,055.		33,078.
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities *(attach stmt)* ..SEE .ST..4.		349,927.		378,100.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more				
21 Other liabilities *(attach statement)*				
22 Capital stock		12,300.		12,300.
23 Additional paid-in capital		112,507.		112,507.
24 Retained earnings		56,704.		1,188.
25 Adjustments to shareholders' equity *(att stmt)*				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		551,493.		537,173.

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	-55,516.	5 Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
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):		a Tax-exempt interest $	
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 12, and 14l (itemize):		6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize):	
a Depreciation $		a Depreciation $	
b Travel and entertainment $ 349.			
SEE STATEMENT 5 445.	794.	7 Add lines 5 and 6	0.
4 Add lines 1 through 3	-54,722.	8 Income (loss) (Schedule K, line 18). Ln 4 less ln 7	-54,722.

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	56,704.		
2 Ordinary income from page 1, line 21			
3 Other additions ..... SEE. STATEMENT. 6	826.		
4 Loss from page 1, line 21	(55,548.)		
5 Other reductions ..... SEE. STATEMENT. 7	(794.)		
6 Combine lines 1 through 5	1,188.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	1,188.		

Form **1125-A**
(December 2011)
Department of the Treasury
Internal Revenue Service

Cost of Goods Sold

► Attach to Form 1120, 1120-C, 1120-F, 1120-S, 1065, and 1065-B.

OMB No. 1545-2225

Name: LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE

Employer identification number: 12945

1	Inventory at beginning of year	1	17,281.
2	Purchases	2	570,229.
3	Cost of labor	3	352,441.
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule) SEE STATEMENT 8	5	100,591.
6	Total. Add lines 1 through 5	6	1,040,542.
7	Inventory at end of year	7	15,617.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return (see instructions)	8	1,024,925.

9a Check all methods used for valuing closing inventory:
- (i) [X] Cost
- (ii) [ ] Lower of cost or market
- (iii) [ ] Other (Specify method used and att. expl.) ►

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 amount 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

BAA For Paperwork Reduction Act Notice, see separate instructions. Form 1125-A (12-2011)

CPCZ0401L 01/25/12

671111

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2011

For calendar year 2011, or tax year beginning _____, 2011 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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
MARK D. HAMMOND
LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) -24,997.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 372.		
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 543.
11	Section 179 deduction	16 C	Items affecting shareholder basis 357.
12	Other deductions		
		17 A	Other information 372.

*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	*Interest income*	*Form 1040, line 8a*
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 3b
7	Net short-term capital gain (loss)	Schedule D, line 5
8a	Net long-term capital gain (loss)	Schedule D, line 12
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	*Other income (loss)*	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal community employment credit	
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	See the Shareholder's Instructions
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other Information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

671111

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2011

For calendar year 2011, or tax year beginning _____, 2011 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
12945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
LARKIN L. RAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) -24,996.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 371.		
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 543.
11	Section 179 deduction	16 C	Items affecting shareholder basis 357.
12	Other deductions		
		17 A	Other information 371.

*See attached statement for additional information.

SHAREHOLDER 2

SPSA0412L 08/02/11

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 3b
7	Net short-term capital gain (loss)	Schedule D, line 5
8a	Net long-term capital gain (loss)	Schedule D, line 12
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal community employment credit	
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	See the Shareholder's Instructions
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

671111

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2011

For calendar year 2011, or tax year beginning _____, 2011 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
12945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIS
GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 10 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) -5,555.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 83.		
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 121.
11	Section 179 deduction	16 C	Items affecting shareholder basis 80.
12	Other deductions		
		17 A	Other information 83.

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2011

SHAREHOLDER 3

SPSA0412L 08/02/11

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (f)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 3b
7	Net short-term capital gain (loss)	Schedule D, line 5
8a	Net long-term capital gain (loss)	Schedule D, line 12
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal community employment credit	
	Code	*Report on*
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	See the Shareholder's Instructions
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	J Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

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 or is attaching Form 2553 to elect to be an S corporation.
► Information about Form 1120S and its separate instructions is at *www.irs.gov/form1120s*.

OMB No. 1545-0130

2012

For calendar year 2012 or tax year beginning , 2012, ending

A S election effective date: 9/01/1998	TYPE OR PRINT	LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE 1020 MEMORIAL HIGHWAY LAKE LURE, NC 28746	D Employer identification number: 2945
B Business activity code number (see instrs): 722511			E Date incorporated: 9/01/1998
C Check if Schedule M-3 attached ☐			F Total assets (see instructions): $ 463,518.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not already filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change
(4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ► 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	1a	1,575,366.	
	b	Returns and allowances	1b		
	c	Balance. Subtract line 1b from line 1a		1c	1,575,366.
	2	Cost of goods sold (attach Form 1125-A)		2	1,023,366.
	3	Gross profit. Subtract line 2 from line 1c		3	552,000.
	4	Net gain (loss) from Form 4797, line 17 (attach Form 4797)		4	
	5	Other income (loss) *(see instrs — attach statement)*	SEE STATEMENT 1	5	4,963.
	6	Total income (loss). Add lines 3 through 5	►	6	556,963.
Deductions (see instrs)	7	Compensation of officers		7	89,274.
	8	Salaries and wages (less employment credits)		8	
	9	Repairs and maintenance		9	27,931.
	10	Bad debts		10	
	11	Rents		11	172,262.
	12	Taxes and licenses		12	3,281.
	13	Interest		13	3,114.
	14	Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)		14	14,353.
	15	Depletion (Do not deduct oil and gas depletion.)		15	
	16	Advertising		16	23,032.
	17	Pension, profit-sharing, etc, plans		17	
	18	Employee benefit programs		18	
	19	Other deductions (attach statement)	SEE STATEMENT 2	19	194,935.
	20	Total deductions. Add lines 7 through 19	►	20	528,182.
	21	Ordinary business income (loss). Subtract line 20 from line 6		21	28,781.
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	2012 estimated tax payments and 2011 overpayment credited to 2012	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	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed		25	0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid		26	
	27	Enter amount from line 26 Credited to 2013 estimated tax ►	Refunded ►	27	

Sign Here

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

► _____ _____ ► PRESIDENT
Signature of officer — Date — Title

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

Paid Preparer Use Only

Print/Type preparer's name: MARK E. LEWINTER	Preparer's signature	Date	Check ☐ if self-employed	PTIN: P00036004
Firm's name ► LEWINTER TAX ASSOCIATES, INC.			Firm's EIN ► 33-0549077	
Firm's address ► 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691			Phone no. 949.365.1040	

BAA For Paperwork Reduction Act Notice, see separate instructions. SPSA0105L 12/20/12 Form 1120S (2012)

DEFENDANT'S EXHIBIT 29 K

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 ► RESTAURANT b Product or service ► FOOD SERVICE		
3	At any time during the tax year, was any shareholder of the corporation a disregarded entity, a trust, an estate, or a nominee or similar person?		X
4a	At the end of the tax year, did the corporation: Own directly 20% or more, or own, directly or indirectly, 50% or more of the total stock issued and outstanding of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If 'Yes,' complete (i) through (v) below		X

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage of Stock Owned	(v) If Percentage in (iv) Is 100%, Enter the Date (if any) a Qualified Subchapter S Subsidiary Election Was Made

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

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

5a	At the end of the tax year, did the corporation have any outstanding shares of restricted stock? If 'Yes,' complete lines (i) and (ii) below.		X
	(i) Total shares of restricted stock ►		
	(ii) Total shares of non-restricted stock ►		
b	At the end of the tax year, did the corporation have any outstanding stock options, warrants, or similar instruments? If 'Yes,' complete lines (i) and (ii) below.		X
	(i) Total shares of stock outstanding at the end of the tax year ►		
	(ii) Total shares of stock oustanding if all instruments were executed ►		
6	Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		X
7	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.		
8	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 the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years (see instructions) ► $		
9	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
10	Does the corporation satisfy both of the following conditions?		
a	The corporation's total receipts (see instructions) for the tax year were less than $250,000		X
b	The corporation's total assets at the end of the tax year were less than $250,000 If 'Yes,' the corporation is not required to complete Schedules L and M-1.		X
11	During the tax year, did the corporation have any non-shareholder debt that was canceled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt? If 'Yes,' enter the amount of principal reduction $		X
12	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If 'Yes', see instructions		X
13a	Did the corporation make any payments in 2012 that would require it to file Form(s) 1099?	X	
b	If 'Yes,' did the corporation file or will it file required Forms 1099?	X	

Schedule K	Shareholders' Pro Rata Share Items		Total amount
Income (Loss)	1 Ordinary business income (loss) (page 1, line 21)	1	28,781.
	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	7.
	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	-6,258.
	10 Other income (loss) (see instructions) Type ▶	10	
Deductions	11 Section 179 deduction (attach Form 4562)	11	24,656.
	12a Charitable 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	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 Alcohol and cellulosic biofuel fuels credit (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 category	14d	
	e General category	14e	
	f Other (attach statement)	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 category	14i	
	j General category	14j	
	k Other (attach statement)	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	1,486.
	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	233.
	d Distributions (attach stmt if required) (see instrs)	16d	
	e Repayment of loans from shareholders	16e	

Schedule K	Shareholders' Pro Rata Share Items (continued)		Total amount
Other Information	17a Investment income	17a	7.
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	-2,126.

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
	Assets	(a)	(b)	(c)	(d)
1	Cash		26,952.		21,957.
2a	Trade notes and accounts receivable	233.			
b	Less allowance for bad debts		233.		
3	Inventories		15,617.		18,345.
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach stmt) SEE ST 3		155,810.		165,635.
7	Loans to shareholders		187,735.		152,433.
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets	659,016.		646,904.	
b	Less accumulated depreciation	529,652.	129,364.	550,951.	95,953.
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)	192,269.		192,269.	
b	Less accumulated amortization	170,807.	21,462.	183,074.	9,195.
14	Other assets (attach stmt)				
15	Total assets		537,173.		463,518.
	Liabilities and Shareholders' Equity				
16	Accounts payable		33,078.		20,326.
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach stmt) SEE ST 4		378,100.		319,556.
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach statement)				
22	Capital stock		12,300.		12,300.
23	Additional paid-in capital		112,507.		112,507.
24	Retained earnings		1,188.		-1,171.
25	Adjustments to shareholders' equity (att stmt)				
26	Less cost of treasury stock				
27	Total liabilities and shareholders' equity		537,173.		463,518.

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	-2,359.	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 $ b Travel and entertainment $ 233.	233.	6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation $	
		7 Add lines 5 and 6	0.
4 Add lines 1 through 3	-2,126.	8 Income (loss) (Schedule K, line 18). Line 4 less line 7	-2,126.

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	1,188.		
2 Ordinary income from page 1, line 21	28,781.		
3 Other additions SEE STATEMENT 5	7.		
4 Loss from page 1, line 21			
5 Other reductions SEE STATEMENT 6	(31,147.)		
6 Combine lines 1 through 5	-1,171.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	-1,171.		

Form **1125-A**
(Rev December 2012)
Department of the Treasury
Internal Revenue Service

Cost of Goods Sold

► Attach to Form 1120, 1120-C, 1120-F, 1120-S, 1065, or 1065-B.
► Information about Form 1125-A and its instructions is at *www.irs.gov/form1125a*.

OMB No. 1545-2225

Name	Employer identification number
LAKE POINT RESTAURANTS, INC. LARKIN'S ON THE LAKE	12945

1	Inventory at beginning of year	1	15,617.
2	Purchases	2	576,996.
3	Cost of labor	3	352,062.
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule) SEE STATEMENT 7	5	97,036.
6	Total. Add lines 1 through 5	6	1,041,711.
7	Inventory at end of year	7	18,345.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return (see instructions)	8	1,023,366.

9 a Check all methods used for valuing closing inventory:
- (i) [X] 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 amount 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 entity (see instructions)? [ ] 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

671112

Schedule K-1 (Form 1120S)
Department of the Treasury
Internal Revenue Service

2012

For calendar year 2012, or tax year beginning _____, 2012
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
: 2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
MARK D. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 12,951.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 3.		
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) -2,816.		
10	Other income (loss)	15 A	Alternative minimum tax (AMT) items 669.
11	Section 179 deduction 11,095.	16 C	Items affecting shareholder basis 105.
12	Other deductions		
		17 A	Other Information 3.

*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5 a	Ordinary dividends	Form 1040, line 9a
5 b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5
8 a	Net long-term capital gain (loss)	Schedule D, line 12
8 b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8 c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Sec. 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal community employment credit	

		Report on
	Code	
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	
	P Other credits	
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

671112

Schedule K-1 (Form 1120S)
Department of the Treasury
Internal Revenue Service

2012

For calendar year 2012, or tax year beginning _____, 2012
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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
LARKIN L. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 12,952.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 3.		
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) -2,816.		
10	Other income (loss)	15 A	Alternative minimum tax (AMT) items 668.
11	Section 179 deduction 11,095.	16 C	Items affecting shareholder basis 105.
12	Other deductions		
		17 A	Other information . 3.

*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5 a	Ordinary dividends	Form 1040, line 9a
5 b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5
8 a	Net long-term capital gain (loss)	Schedule D, line 12
8 b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8 c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Sec. 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal community employment credit	
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	
	P Other credits	
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other Information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

671112

Schedule K-1
(Form 1120S)
Department of the Treasury
Internal Revenue Service

2012

For calendar year 2012, or tax year beginning _____, 2012
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
2945

B Corporation's name, address, city, state, and ZIP code
LAKE POINT RESTAURANTS, INC.
LARKIN'S ON THE LAKE
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIS

GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 10 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 2,878.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 1.		
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) -626.		
10	Other income (loss)	15 A	Alternative minimum tax (AMT) items 149.
11	Section 179 deduction 2,466.	16 C	Items affecting shareholder basis 23.
12	Other deductions		
		17 A	Other information 1.

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. IRS.gov/form1120s Schedule K-1 (Form 1120S) 2012

SHAREHOLDER 3

SPSA04121 12/27/12

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

1 Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:

	Report on
Passive loss	See the Shareholder's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5
8a	Net long-term capital gain (loss)	Schedule D, line 12
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	

Code		
A	Other portfolio income (loss)	See the Shareholder's Instructions
B	Involuntary conversions	See the Shareholder's Instructions
C	Sec. 1256 contracts and straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub 535
E	Other income (loss)	See the Shareholder's Instructions

11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
A	Cash contributions (50%)	See the Shareholder's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions — royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Shareholder's Instructions
K	Deductions — portfolio (2% floor)	Schedule A, line 23
L	Deductions — portfolio (other)	Schedule A, line 28
M	Preproductive period expenses	See the Shareholder's Instructions
N	Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
O	Reforestation expense deduction	See the Shareholder's Instructions
P	Domestic production activities information	See Form 8903 instructions
Q	Qualified production activities income	Form 8903, line 7b
R	Employer's Form W-2 wages	Form 8903, line 17
S	Other deductions	See the Shareholder's Instructions
13	Credits	
A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	
G	Other rental credits	
H	Undistributed capital gains credit	Form 1040, line 71, box a
I	Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
J	Work opportunity credit	
K	Disabled access credit	
L	Empowerment zone and renewal community employment credit	

Code		Report on
M	Credit for increasing research activities	See the Shareholder's Instructions
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	

14	Foreign transactions	
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
	Deductions allocated and apportioned at shareholder level	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
	Other information	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
A	Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal — gross income	
E	Oil, gas, & geothermal — deductions	
F	Other AMT items	
16	Items affecting shareholder basis	
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Shareholder's Instructions
C	Nondeductible expenses	
D	Distributions	
E	Repayment of loans from shareholders	
17	Other information	
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
D	Basis of energy property	See the Shareholder's Instructions
E	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
F	Recapture of low-income housing credit (other)	Form 8611, line 8
G	Recapture of investment credit	See Form 4255
H	Recapture of other credits	See the Shareholder's Instructions
I	Look-back interest — completed long-term contracts	See Form 8697
J	Look-back interest — income forecast method	See Form 8866
K	Dispositions of property with section 179 deductions	See the Shareholder's Instructions
L	Recapture of section 179 deduction	
M	Section 453(l)(3) information	
N	Section 453A(c) information	
O	Section 1260(b) information	
P	Interest allocable to production expenditures	
Q	CCF nonqualified withdrawals	
R	Depletion information — oil and gas	
S	Amortization of reforestation costs	
T	Section 108(i) information	
U	Other information	

Department of the Treasury Internal Revenue Service

Form 1120S U.S. Income Tax Return for an S Corporation 2002

OMB No. 1545-0130 | IRS use only — Do not write or staple in this space.

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

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

A Effective date of election as an S corporation: 8/10/2001	Use IRS label. Otherwise, print or type.	BEACHFRONT FOODS, INC. MARLARKIES GRILL & BAR P.O. BOX 712 LAKE LURE, NC 28746	C Employer identification number: 2712
B Business code no. (see instructions): 722410			D Date incorporated: 8/10/2001
			E Total assets (see instructions): $ 161,064.

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 ➤ 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: 382,326.	b Less returns and allowances:	c Bal ➤ 1c	382,326.
	2	Cost of goods sold (Schedule A, line 8)		2	275,376.
	3	Gross profit. Subtract line 2 from line 1c		3	106,950.
	4	Net gain (loss) from Form 4797, Part II, line 18 *(attach Form 4797)*		4	
	5	Other income (loss) *(attach schedule)*		5	
	6	Total income (loss). Combine lines 3 through 5		➤ 6	106,950.
DEDUCTIONS (see instructions)	7	Compensation of officers		7	
	8	Salaries and wages (less employment credits)		8	
	9	Repairs and maintenance		9	8,744.
	10	Bad debts		10	
	11	Rents		11	30,142.
	12	Taxes and licenses		12	1,998.
	13	Interest		13	10,067.
	14a	Depreciation *(if required, attach Form 4562)*	14a: 50,186.		
	b	Depreciation claimed on Schedule A and elsewhere on return	14b:		
	c	Subtract line 14b from line 14a		14c	50,186.
	15	Depletion (Do not deduct oil and gas depletion.)		15	
	16	Advertising		16	19,518.
	17	Pension, profit-sharing, etc. plans		17	
	18	Employee benefit programs		18	
	19	Other deductions *(attach schedule)*	SEE STATEMENT 1	19	51,561.
	20	Total deductions. Add the amounts shown in the far right column for lines 7 through 19		➤ 20	182,216.
	21	Ordinary income (loss) from trade or business activities. Subtract line 20 from line 6		21	-75,266.
TAX AND PAYMENTS	22a	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	
	23a	Payments: a 2002 estimated tax payments and amount applied from 2001 return	23a:		
	b	Tax deposited with Form 7004	23b:		
	c	Credit for Federal tax paid on fuels *(attach Form 4136)*	23c:		
	d	Add lines 23a through 23c		23d	
	24	Estimated tax penalty. Check if Form 2220 is attached ➤ ☐		24	
	25	Tax due. If the total of lines 22c and 24 is larger than line 23d, enter amount owed. See instructions for depository method of payment ➤		25	0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid ➤		26	
	27	Enter amount of line 26 you want: Credited to 2003 estimated tax ➤	Refunded	27	

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)? [X] Yes [ ] No

Paid Preparer's Use Only

Preparer's signature ➤	Date	Check if self-employed ☐	Preparer's SSN or PTIN: P00036004
Firm's name (or yours if self-employed), address, and ZIP code ➤	MARK E. LEWINTER, C.P.A., INC. 26300 LA ALAMEDA, SUITE 340 MISSION VIEJO, CA 92691	EIN	33-0549077

DEFENDANT'S EXHIBIT 30 A

BAA For Paperwork Reduction Act Notice, see separate instructions. 0 Form 1120S (2002)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	4,798.
2	Purchases	2	138,897.
3	Cost of labor	3	120,928.
4	Additional section 263A costs *(attach schedule)*	4	
5	Other costs *(attach schedule)* SEE STATEMENT 2	5	16,876.
6	Total. Add lines 1 through 5	6	281,499.
7	Inventory at end of year	7	6,123.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	275,376.

9a Check all methods used for valuing closing inventory:
- (i) [X] Cost as described in Regulations section 1.471-3
- (ii) [ ] Lower of cost or market as described in Regulations section 1.471-4
- (iii) [ ] Other (specify method used and attach explanation)

b Check if there was a writedown of 'subnormal' goods as described in Regulations section 1.471-2(c) ▶ [ ]

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

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

e Do the rules of section 263A (for property produced or acquired for resale) apply to the corporation? [ ] Yes [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 B Other Information

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

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

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

	(a) Pro rata share items		(b) Total amount
Income (Loss)	1 Ordinary income (loss) from trade or business activities (page 1, line 21)	1	-75,266.
	2 Net income (loss) from rental real estate activities *(attach Form 8825)*	2	
	3a Gross income from other rental activities 3a		
	b Expenses from other rental activities *(attach schedule)* 3b		
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c	
	4 Portfolio income (loss):		
	a Interest income	4a	
	b Ordinary dividends	4b	
	c Royalty income	4c	
	d Net short-term capital gain (loss) *(attach Schedule D (Form 1120S))*	4d	
	e (1) Net long-term capital gain (loss) *(attach Schedule D (Form 1120S))*:	4e (1)	
	(2) 28% rate gain (loss) ▶ (3) Qualified 5-year gain ▶		
	f Other portfolio income (loss) *(attach schedule)*	4f	
	5 Net section 1231 gain (loss) (other than due to casualty or theft) *(attach Form 4797)*	5	
	6 Other income (loss) *(attach schedule)*	6	

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

		(a) Pro rata share items		(b) Total amount
Deductions	7	Charitable contributions *(attach schedule)*	7	
	8	Section 179 expense deduction *(attach Form 4562)*	8	
	9	Deductions related to portfolio income (loss) (itemize)	9	
	10	Other deductions *(attach schedule)*	10	
Investment Interest	11a	Interest expense on investment debts	11a	
	b (1)	Investment income included on lines 4a, 4b, 4c, and 4f above	11b (1)	
	(2)	Investment expenses included on line 9 above	11b (2)	
Credits	12a	Credit for alcohol used as a fuel *(attach Form 6478)*	12a	
	b	Low-income housing credit:		
	(1)	From partnerships to which section 42(j)(5) applies	12b (1)	
	(2)	Other than on line 12b(1)	12b (2)	
	c	Qualified rehabilitation expenditures related to rental real estate activities *(attach Form 3468)*	12c	
	d	Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d	
	e	Credits related to other rental activities	12e	
	13	Other credits	13	
Adjustments and Tax Preference Items	14a	Depreciation adjustment on property placed in service after 1986	14a	12,600.
	b	Adjusted gain or loss	14b	
	c	Depletion (other than oil and gas)	14c	
	d (1)	Gross income from oil, gas, or geothermal properties	14d (1)	
	(2)	Deductions allocable to oil, gas, or geothermal properties	14d (2)	
	e	Other adjustments and tax preference items *(attach schedule)*	14e	
Foreign Taxes	15a	Name of foreign country or U.S. possession. ▶		
	b	Gross income from all sources	15b	
	c	Gross income sourced at shareholder level	15c	
	d	Foreign gross income sourced at corporate level:		
	(1)	Passive	15d (1)	
	(2)	Listed categories *(attach schedule)*	15d (2)	
	(3)	General limitation	15d (3)	
	e	Deductions allocated and apportioned at shareholder level:		
	(1)	Interest expense	15e (1)	
	(2)	Other	15e (2)	
	f	Deductions allocated and apportioned at corporate level to foreign source income:		
	(1)	Passive	15f (1)	
	(2)	Listed categories *(attach schedule)*	15f (2)	
	(3)	General limitation	15f (3)	
	g	Total foreign taxes (check one): ▶ ☐ Paid ☐ Accrued	15g	
	h	Reduction in taxes available for credit *(attach schedule)*	15h	
Other	16	Section 59(e)(2) expenditures: a Type ▶ b Amount ▶	16b	
	17	Tax-exempt interest income	17	
	18	Other tax-exempt income	18	
	19	Nondeductible expenses	19	517.
	20	Total property distributions (including cash) other than dividends reported on line 22 below	20	
	21	Other items and amounts required to be reported separately to shareholders *(attach schedule)*		
	22	Total dividend distributions paid from accumulated earnings and profits	22	
	23	Income (loss). (Required only if Schedule M-1 must be completed.) Combine lines 1 through 6 in column (b). From the result, subtract the sum of lines 7 through 11a, 15g, and 16b	23	-75,266.

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		16,660.		2,650.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		4,798.		6,123.
4 U.S. Government obligations				
5 Tax-exempt securities				
6 Other current assets (attach schedule) SEE ST 3				30,561.
7 Loans to shareholders		37,000.		
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	194,345.		211,699.	
b Less accumulated depreciation	35,241.	159,104.	95,427.	116,272.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	6,563.		6,563.	
b Less accumulated amortization	325.	6,238.	1,105.	5,458.
14 Other assets (attach schedule)				
15 Total assets		223,800.		161,064.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach sch) SEE ST 4		78,094.		30,879.
19 Loans from shareholders				81,074.
20 Mortgages, notes, bonds payable in 1 year or more		150,216.		129,404.
21 Other liabilities (attach schedule)				
22 Capital stock		1,000.		1,000.
23 Additional paid-in capital		25,200.		25,200.
24 Retained earnings		-30,710.		-106,493.
25 Adjustments to shareholders' equity (att sch)				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		223,800.		161,064.

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

1 Net income (loss) per books	-75,783.	5 Income recorded on books this year not included on Schedule K, lines 1 through 6 (itemize): a Tax-exempt interest $	
2 Income included on Schedule K, lines 1 through 6, not recorded on books this year (itemize):		6 Deductions included on Schedule K, lines 1 through 11a, 15g, and 16b, not charged against book income this year (itemize): a Depreciation $	
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 11a, 15g, and 16b (itemize): a Depreciation $ b Travel and entertainment $ 517.	517.	7 Add lines 5 and 6	0.
4 Add lines 1 through 3	-75,266.	8 Income (loss) (Schedule K, line 23). Ln 4 less ln 7	-75,266.

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	-30,710.		
2 Ordinary income from page 1, line 21			
3 Other additions			
4 Loss from page 1, line 21	(75,266.)		
5 Other reductions SEE STATEMENT 5	(517.)		
6 Combine lines 1 through 5	-106,493.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	-106,493.		

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

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

► See separate instructions.

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

OMB No. 1545-0130

2002

Shareholder's identifying number ►	Corporation's identifying number ► 2712
Shareholder's name, address, and ZIP code TARKIN TAWSON LAKE LURE, NC	Corporation's name, address, and ZIP code BEACHFRONT FOODS, INC. MARLARKIES GRILL & BAR P.O. BOX 712 LAKE LURE, NC 28746

A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ► 49.5 %

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

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

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

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1	-37,257.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):			
	a Interest	4a		Schedule B, Part I, line 1
	b Ordinary dividends	4b		Schedule B, Part II, line 5
	c Royalties	4c		Schedule E, Part I, line 4
	d Net short-term capital gain (loss)	4d		Schedule D, line 5, col (f)
	e (1) Net long-term capital gain (loss)	4e(1)		Schedule D, line 12, col (f)
	(2) 28% rate gain (loss)	4e(2)		Schedule D, line 12, col (g)
	(3) Qualified 5-year gain	4e(3)		Line 5 of worksheet for Schedule D, line 29
	f Other portfolio income (loss) (attach schedule)	4f		(Enter on applicable line of return.)
	5 Net section 1231 gain (loss) (other than due to casualty or theft)	5		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	6 Other income (loss) (attach schedule)	6		(Enter on applicable line of return.)
Deductions	7 Charitable contributions (attach schedule)	7		Schedule A, line 15 or 16
	8 Section 179 expense deduction	8		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	9 Deductions related to portfolio income (loss) (attach schedule)	9		
	10 Other deductions (attach schedule)	10		
Investment Interest	11 a Interest expense on investment debts	11a		Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above	11b(1)		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	(2) Investment expenses included on line 9 above	11b(2)		
Credits	12 a Credit for alcohol used as fuel	12a		Form 6478, line 10
	b Low-income housing credit:			
	(1) From section 42(j)(5) partnerships	12b(1)		Form 8586, line 5
	(2) Other than on line 12b(1)	12b(2)		
	c Qualified rehabilitation expenditures related to rental real estate activities	12c		See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d		
	e Credits related to other rental activities	12e		
	13 Other credits	13		

SPSA0412L 12/03/02

SHAREHOLDER 1

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Adjustments and Tax Preference Items	14a Depreciation adjustment on property placed in service after 1986	14a	6,237.	See Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251
	b Adjusted gain or loss	14b		
	c Depletion (other than oil and gas)	14c		
	d (1) Gross income from oil, gas, or geothermal properties	14d(1)		
	(2) Deductions allocable to oil, gas, or geothermal properties	14d(2)		
	e Other adjustments and tax preference items (attach sch)	14e		
Foreign Taxes	15a Name of foreign country or U.S. possession ▶			Form 1116, Part I
	b Gross income from all sources	15b		
	c Gross income sourced at shareholder level	15c		
	d Foreign gross income sourced at corporate level:			
	(1) Passive	15d(1)		
	(2) Listed categories (attach schedule)	15d(2)		
	(3) General limitation	15d(3)		
	e Deductions allocated and apportioned at shareholder level:			
	(1) Interest expense	15e(1)		
	(2) Other	15e(2)		
	f Deductions allocated and apportioned at corporate level to foreign source income:			
	(1) Passive	15f(1)		
	(2) Listed categories (attach schedule)	15f(2)		
	(3) General limitation	15f(3)		
	g Total foreign taxes (check one): ▶ ☐ Paid ☐ Accrued	15g		Form 1116, Part II
	h Reduction in taxes available for credit (attach schedule)	15h		See Instructions for Form 1116
Other	16 Section 59(e)(2) expenditures: a Type ▶			See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Amount	16b		
	17 Tax-exempt interest income	17		Form 1040, line 8b
	18 Other tax-exempt income	18		
	19 Nondeductible expenses	19	256.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	20 Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	20		
	21 Amount of loan repayments for "Loans from Shareholders"	21		
	22 Recapture of low-income housing credit:			
	a From section 42(j)(5) partnerships	22a		Form 8611, line 8
	b Other than on line 22a	22b		
Supplemental Information	23 Supplemental information required to be reported separately to each shareholder (attach additional schedules if more space is needed):			

SHAREHOLDER 1 : LARKIN LAWSON

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

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

► See separate instructions.

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

OMB No. 1545-0130

2002

Shareholder's identifying number ►	Corporation's identifying number ► 2712
Shareholder's name, address, and ZIP code	Corporation's name, address, and ZIP code
MARK HAMMOND LAKE LURE, NC	BEACHFRONT FOODS, INC. MARLARKIES GRILL & BAR P.O. BOX 712 LAKE LURE, NC 28746

A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ► 49.5 %

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

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

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

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1	-37,256.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S)
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):			
	a Interest	4a		Schedule B, Part I, line 1
	b Ordinary dividends	4b		Schedule B, Part II, line 5
	c Royalties	4c		Schedule E, Part I, line 4
	d Net short-term capital gain (loss)	4d		Schedule D, line 5, col (f)
	e (1) Net long-term capital gain (loss)	4e(1)		Schedule D, line 12, col (f)
	(2) 28% rate gain (loss)	4e(2)		Schedule D, line 12, col (g)
	(3) Qualified 5-year gain	4e(3)		Line 5 of worksheet for Schedule D, line 29
	f Other portfolio income (loss) *(attach schedule)*	4f		(Enter on applicable line of return.)
	5 Net section 1231 gain (loss) (other than due to casualty or theft)	5		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	6 Other income (loss) *(attach schedule)*	6		(Enter on applicable line of return.)
Deductions	7 Charitable contributions *(attach schedule)*	7		Schedule A, line 15 or 16
	8 Section 179 expense deduction	8		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	9 Deductions related to portfolio income (loss) *(attach schedule)*	9		
	10 Other deductions *(attach schedule)*	10		
Investment Interest	11a Interest expense on investment debts	11a		Form 4952, line 1 See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above	11b(1)		
	(2) Investment expenses included on line 9 above	11b(2)		
Credits	12a Credit for alcohol used as fuel	12a		Form 6478, line 10
	b Low-income housing credit:			
	(1) From section 42(j)(5) partnerships	12b(1)		Form 8586, line 5
	(2) Other than on line 12b(1)	12b(2)		
	c Qualified rehabilitation expenditures related to rental real estate activities	12c		See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d		
	e Credits related to other rental activities	12e		
	13 Other credits	13		

BAA For Paperwork Reduction Act Notice, see the Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2002

SPSAD312 12/03/02

SHAREHOLDER 2

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Adjustments and Tax Preference Items	14a Depreciation adjustment on property placed in service after 1986	14a	6,237.	See Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251
	b Adjusted gain or loss	14b		
	c Depletion (other than oil and gas)	14c		
	d (1) Gross income from oil, gas, or geothermal properties	14d(1)		
	(2) Deductions allocable to oil, gas, or geothermal properties	14d(2)		
	e Other adjustments and tax preference items *(attach sch)*	14e		
Foreign Taxes	15a Name of foreign country or U.S. possession ▶			Form 1116, Part I
	b Gross income from all sources	15b		
	c Gross income sourced at shareholder level	15c		
	d Foreign gross income sourced at corporate level:			
	(1) Passive	15d(1)		
	(2) Listed categories *(attach schedule)*	15d(2)		
	(3) General limitation	15d(3)		
	e Deductions allocated and apportioned at shareholder level:			
	(1) Interest expense	15e(1)		
	(2) Other	15e(2)		
	f Deductions allocated and apportioned at corporate level to foreign source income:			
	(1) Passive	15f(1)		
	(2) Listed categories *(attach schedule)*	15f(2)		
	(3) General limitation	15f(3)		
	g Total foreign taxes (check one): ▶ ☐ Paid ☐ Accrued	15g		Form 1116, Part II
	h Reduction in taxes available for credit *(attach schedule)*	15h		See Instructions for Form 1116
Other	16 Section 59(e)(2) expenditures: a Type ▶			See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Amount	16b		
	17 Tax-exempt interest income	17		Form 1040, line 8b
	18 Other tax-exempt income	18		
	19 Nondeductible expenses	19	256.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S)
	20 Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	20		
	21 Amount of loan repayments for 'Loans from Shareholders'	21		
	22 Recapture of low-income housing credit:			
	a From section 42(j)(5) partnerships	22a		Form 8611, line 8
	b Other than on line 22a	22b		
Supplemental Information	23 Supplemental information required to be reported separately to each shareholder *(attach additional schedules if more space is needed)*:			

SHAREHOLDER 2 : MARK HAMMOND

Schedule K-1 (Form 1120S)	Shareholder's Share of Income, Credits, Deductions, etc	OMB No. 1545-0130
Department of the Treasury Internal Revenue Service	► See separate instructions. For calendar year 2002 or tax year beginning , 2002, and ending	2002

Shareholder's identifying number ►	Corporation's identifying number ► 2712
Shareholder's name, address, and ZIP code KYLE PERTUIS LAKE LURE, NC	Corporation's name, address, and ZIP code BEACHFRONT FOODS, INC. MARLARKIES GRILL & BAR P.O. BOX 712 LAKE LURE, NC 28746

A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ► 1 %

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

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

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

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1	-753.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S)
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):			
	a Interest	4a		Schedule B, Part I, line 1
	b Ordinary dividends	4b		Schedule B, Part II, line 5
	c Royalties	4c		Schedule E, Part I, line 4
	d Net short-term capital gain (loss)	4d		Schedule D, line 5, col (f)
	e (1) Net long-term capital gain (loss)	4e(1)		Schedule D, line 12, col (f)
	(2) 28% rate gain (loss)	4e(2)		Schedule D, line 12, col (g)
	(3) Qualified 5-year gain	4e(3)		Line 6 of worksheet for Schedule D, line 25
	f Other portfolio income (loss) *(attach schedule)*	4f		(Enter on applicable line of return.) See Shareholder's Instructions for Schedule K-1 (Form 1120S)
	5 Net section 1231 gain (loss) (other than due to casualty or theft)	5		
	6 Other income (loss) *(attach schedule)*	6		(Enter on applicable line of return.)
Deductions	7 Charitable contributions *(attach schedule)*	7		Schedule A, line 15 or 16
	8 Section 179 expense deduction	8		See Shareholder's Instructions for Schedule K-1 (Form 1120S)
	9 Deductions related to portfolio income (loss) *(attach schedule)*	9		
	10 Other deductions *(attach schedule)*	10		
Investment Interest	11 a Interest expense on investment debts	11a		Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b, 4c, and 4f above	11b(1)		See Shareholder's Instructions for Schedule K-1 (Form 1120S)
	(2) Investment expenses included on line 9 above	11b(2)		
Credits	12 a Credit for alcohol used as fuel	12a		Form 6478, line 10
	b Low-income housing credit:			
	(1) From section 42(j)(5) partnerships	12b(1)		Form 8586, line 5
	(2) Other than on line 12b(1)	12b(2)		
	c Qualified rehabilitation expenditures related to rental real estate activities	12c		See the Shareholder's Instructions for Schedule K-1 (Form 1120S)
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d		
	e Credits related to other rental activities	12e		
	13 Other credits	13		

SPSA0412L 12/03/02

SHAREHOLDER 3

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Adjustments and Tax Preference Items	14a Depreciation adjustment on property placed in service after 1986	14a	126.	See Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251
	b Adjusted gain or loss	14b		
	c Depletion (other than oil and gas)	14c		
	d (1) Gross income from oil, gas, or geothermal properties	14d(1)		
	(2) Deductions allocable to oil, gas, or geothermal properties	14d(2)		
	e Other adjustments and tax preference items *(attach sch)*	14e		
Foreign Taxes	15a Name of foreign country or U.S. possession ▶			Form 1116, Part I
	b Gross income from all sources	15b		
	c Gross income sourced at shareholder level	15c		
	d Foreign gross income sourced at corporate level:			
	(1) Passive	15d(1)		
	(2) Listed categories *(attach schedule)*	15d(2)		
	(3) General limitation	15d(3)		
	e Deductions allocated and apportioned at shareholder level:			
	(1) Interest expense	15e(1)		
	(2) Other	15e(2)		
	f Deductions allocated and apportioned at corporate level to foreign source income:			
	(1) Passive	15f(1)		
	(2) Listed categories *(attach schedule)*	15f(2)		
	(3) General limitation	15f(3)		
	g Total foreign taxes (check one): ▶ ☐ Paid ☐ Accrued	15g		Form 1116, Part II
	h Reduction in taxes available for credit *(attach schedule)*	15h		See Instructions for Form 1116
Other	16 Section 59(e)(2) expenditures: a Type ▶			See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Amount	16b		
	17 Tax-exempt interest income	17		Form 1040, line 8b
	18 Other tax-exempt income	18		
	19 Nondeductible expenses	19	5.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	20 Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	20		
	21 Amount of loan repayments for 'Loans from Shareholders'	21		
	22 Recapture of low-income housing credit:			
	a From section 42(j)(5) partnerships	22a		Form 8611, line 8
	b Other than on line 22a	22b		
Supplemental Information	23 Supplemental information required to be reported separately to each shareholder *(attach additional schedules if more space is needed)*:			

SHAREHOLDER 3 : KYLE PERTUIS

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

2003

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

A Effective date of election as an S corporation: 8/10/2001	Use the IRS label. Otherwise, print or type.	C Employer identification number: 2712
B Business code number (see instructions): 722410	BEACHFRONT FOODS, INC. MARLARKIES GRILL & BAR P.O. BOX 712 LAKE LURE, NC 28746	D Date incorporated: 8/10/2001
		E Total assets (see instructions): $ 110,848.

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 ► 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: 330,031. b Less returns and allowances: c Bal ►		1c	330,031.
	2	Cost of goods sold (Schedule A, line 8)		2	204,125.
	3	Gross profit. Subtract line 2 from line 1c		3	125,906.
	4	Net gain (loss) from Form 4797, Part II, line 18 (attach Form 4797)		4	
	5	Other income (loss) (attach schedule)		5	
	6	Total income (loss). Add lines 3 through 5 ►		6	125,906.
DEDUCTIONS (SEE INSTRUCTIONS)	7	Compensation of officers		7	
	8	Salaries and wages (less employment credits)		8	
	9	Repairs and maintenance		9	5,515.
	10	Bad debts		10	
	11	Rents		11	29,838.
	12	Taxes and licenses		12	2,333.
	13	Interest		13	7,172.
	14a	Depreciation (Attach Form 4562)	14a 43,329.		
	b	Depreciation claimed on Schedule A and elsewhere on return	14b		
	c	Subtract line 14b from line 14a		14c	43,329.
	15	Depletion (Do not deduct oil and gas depletion.)		15	
	16	Advertising		16	1,376.
	17	Pension, profit-sharing, etc, plans		17	
	18	Employee benefit programs		18	
	19	Other deductions (attach schedule) SEE STATEMENT 1		19	50,863.
	20	Total deductions. Add the amounts shown in the far right column for lines 7 through 19 ►		20	140,446.
	21	Ordinary income (loss) from trade or business activities. Subtract line 20 from line 6		21	-14,540.
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 2003 estimated tax payments and amount applied from 2002 return	23a		
	b	Tax deposited with Form 7004	23b		
	c	Credit for Federal tax paid on fuels (attach Form 4136)	23c		
	d	Add lines 23a through 23c		23d	
	24	Estimated tax penalty (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	0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid		26	
	27	Enter amount of line 26 you want: Credited to 2004 estimated tax ► Refunded		27	

Sign Here

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

► Signature of officer — Date — ► Title

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

Paid Preparer's Use Only

Preparer's signature ►	Date	Check if self-employed ☐	Preparer's SSN or PTIN: P00036004
Firm's name (or yours if self-employed), address, and ZIP code ►	LEWINTER | THELANDER CPAS | BUSINESS ADVISORS 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691		EIN 20-1969491

BAA For Paperwork Reduction Act Notice, see separate instructions. Form 1120S (2003)

DEFENDANTS EXHIBIT 30 B

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	6,123.
2	Purchases	2	112,588.
3	Cost of labor	3	75,207.
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule) SEE STATEMENT 2	5	16,330.
6	Total. Add lines 1 through 5	6	210,248.
7	Inventory at end of year	7	6,123.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	204,125.

9a Check all methods used for valuing closing inventory:

(i) [X] 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 [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 B Other Information (see instructions)

		Yes	No
1	Check method of accounting: (a) [X] Cash (b) [ ] Accrual (c) [ ] Other (specify) ►		
2	See the instructions and enter the: (a) Business activity ► BAR & GRILL (b) Product or service ► FOOD & LIQUOR		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a schedule showing: (a) name, address, and employer identification number and (b) percentage owned		X
4	Was the corporation a member of a controlled group subject to the provisions of section 1561?		X
5	Check this box if the corporation has filed or is required to file Form 8264, Application for Registration of a Tax Shelter ► [ ]		
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

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

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

	(a) Pro rata share items		(b) Total amount
Income (Loss)	1 Ordinary income (loss) from trade or business activities (page 1, line 21)	1	-14,540.
	2 Net income (loss) from rental real estate activities (attach Form 8825)	2	
	3a Gross income from other rental activities 3a		
	b Expenses from other rental activities (attach schedule) 3b		
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c	
	4 Portfolio income (loss):		
	a Interest income	4a	
	b Dividends: (1) Qualified dividends ► (2) Total ordinary dividends ►	4b (2)	
	c Royalty income	4c	
	d Net short-term capital gain (loss): (1) Post-May 5, 2003 ► (2) Entire year ►	4d (2)	
	e Net long-term capital gain (loss): (1) Post-May 5, 2003 ► (2) Entire year ►	4e (2)	
	f Other portfolio income (loss) (attach schedule)	4f	
	5 Net section 1231 gain (loss) (attach Form 4797): (a) Post-May 5, 2003 ► (b) Entire year ►	5(b)	
	6 Other income (loss) (attach schedule)	6	

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

	(a) Pro rata share items		(b) Total amount
Deductions	7 Charitable contributions (attach schedule) ..... SEE STATEMENT 3	7	75.
	8 Section 179 expense deduction (attach Form 4562)	8	
	9 Deductions related to portfolio income (loss) (itemize)	9	
	10 Other deductions (attach schedule)	10	
Investment Interest	11a Interest expense on investment debts	11a	
	b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f on page 2	11b (1)	
	(2) Investment expenses included on line 9 above	11b (2)	
Credits	12a Credit for alcohol used as a fuel (attach Form 6478)	12a	
	b Low-income housing credit:		
	(1) From partnerships to which section 42(j)(5) applies	12b (1)	
	(2) Other than on line 12b(1)	12b (2)	
	c Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468)	12c	
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d	
	e Credits related to other rental activities	12e	
	13 Other credits	13	
Adjustments and Tax Preference Items	14a Depreciation adjustment on property placed in service after 1986	14a	4,317.
	b Adjusted gain or loss	14b	
	c Depletion (other than oil and gas)	14c	
	d (1) Gross income from oil, gas, or geothermal properties	14d (1)	
	(2) Deductions allocable to oil, gas, or geothermal properties	14d (2)	
	e Other adjustments and tax preference items (attach schedule)	14e	
Foreign Taxes	15a Name of foreign country or U.S. possession ►		
	b Gross income from all sources	15b	
	c Gross income sourced at shareholder level	15c	
	d Foreign gross income sourced at corporate level:		
	(1) Passive	15d (1)	
	(2) Listed categories (attach schedule)	15d (2)	
	(3) General limitation	15d (3)	
	e Deductions allocated and apportioned at shareholder level:		
	(1) Interest expense	15e (1)	
	(2) Other	15e (2)	
	f Deductions allocated and apportioned at corporate level to foreign source income:		
	(1) Passive	15f (1)	
	(2) Listed categories (attach schedule)	15f (2)	
	(3) General limitation	15f (3)	
	g Total foreign taxes (check one): ► ☐ Paid ☐ Accrued	15g	
	h Reduction in taxes available for credit (attach schedule)	15h	
Other	16 Section 59(e)(2) expenditures: a Type ► b Amount ►	16b	
	17 Tax-exempt interest income	17	
	18 Other tax-exempt income	18	
	19 Nondeductible expenses	19	
	20 Total property distributions (including cash) other than dividends reported on line 22 below	20	
	21 Other items and amounts required to be reported separately to shareholders (attach schedule)		
	22 Total dividend distributions paid from accumulated earnings and profits	22	
	23 Income (loss). (Required only if Schedule M-1 must be completed.) Combine lines 1 through 6 in column (b). From the result, subtract the sum of lines 7 through 11a, 15g, and 16b	23	-14,615.

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

Schedule L Balance Sheets per Books	Beginning of tax year		End of tax year	
Assets	(a)	(b)	(c)	(d)
1 Cash		2,650.		1,359.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		6,123.		6,123.
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach schedule) SEE ST 4		30,561.		21,500.
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	211,699.		215,944.	
b Less accumulated depreciation	95,427.	116,272.	138,756.	77,188.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	6,563.		6,563.	
b Less accumulated amortization	1,705.	5,458.	1,865.	4,678.
14 Other assets (attach schedule)				
15 Total assets		161,064.		110,848.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach sch) SEE ST 5		30,879.		3,776.
19 Loans from shareholders		81,074.		95,588.
20 Mortgages, notes, bonds payable in 1 year or more		129,404.		106,392.
21 Other liabilities (attach schedule)				
22 Capital stock		1,000.		1,000.
23 Additional paid-in capital		25,200.		25,200.
24 Retained earnings		-106,493.		-121,108.
25 Adjustments to shareholders' equity (att sch)				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		161,064.		110,848.

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

1 Net income (loss) per books	-14,615.	5 Income recorded on books this year not included on Schedule K, lines 1 through 6 (itemize):	
2 Income included on Schedule K, lines 1 through 6, not recorded on books this year (itemize):		a Tax-exempt interest $	
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 11a, 15g, and 16b (itemize):		6 Deductions included on Schedule K, lines 1 through 11a, 15g, and 16b, not charged against book income this year (itemize):	
a Depreciation $		a Depreciation $	
b Travel and entertainment $		7 Add lines 5 and 6	0.
4 Add lines 1 through 3	-14,615.	8 Income (loss) (Schedule K, line 23). Ln 4 less ln 7	-14,615.

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	-106,493.		
2 Ordinary income from page 1, line 21			
3 Other additions			
4 Loss from page 1, line 21	(14,540.)		
5 Other reductions SEE STATEMENT 6	(75.)		
6 Combine lines 1 through 5	-121,108.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	-121,108.		

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

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

► See separate instructions.

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

OMB No. 1545-0130

2003

Shareholder's identifying number ►	Corporation's identifying number ► 2712
Shareholder's name, address, and ZIP code LARRY W LAWSON LAKE LURE, NC	Corporation's name, address, and ZIP code BEACHFRONT FOODS, INC. MARLARKIES GRILL & BAR P.O. BOX 712 LAKE LURE, NC 28746

A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ► 48.5 %

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

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

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

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1	-7,052.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):			
	a Interest income	4a		Form 1040, line 8a
	b (1) Qualified dividends	4b(1)		Form 1040, line 9b
	(2) Total ordinary dividends	4b(2)		Form 1040, line 9a
	c Royalty income	4c		Schedule E, Part I, line 4
	d (1) Net short-term capital gain (loss) (post-May 5, 2003)	4d(1)		Schedule D, line 5, col (g)
	(2) Net short-term capital gain (loss) (entire year)	4d(2)		Schedule D, line 5, col (f)
	e (1) Net long-term capital gain (loss) (post-May 5, 2003)	4e(1)		Schedule D, line 12, col (g)
	(2) Net long-term capital gain (loss) (entire year)	4e(2)		Schedule D, line 12, col (f)
	f Other portfolio income (loss) (attach schedule)	4f		(Enter on applicable line of return.)
	5a Net section 1231 gain (loss) (post-May 5, 2003)	5a		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Net section 1231 gain (loss) (entire year)	5b		
	6 Other income (loss) (attach schedule)	6		(Enter on applicable line of return.)
Deductions	7 Charitable contributions (attach schedule) SEE LINE 23	7	36.	Schedule A, line 15 or 16
	8 Section 179 expense deduction	8		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	9 Deductions related to portfolio income (loss) (attach schedule)	9		
	10 Other deductions (attach schedule)	10		
Investment Interest	11a Interest expense on investment debts	11a		Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f above	11b(1)		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	(2) Investment expenses included on line 9 above	11b(2)		
Credits	12a Credit for alcohol used as fuel	12a		Form 6478, line 10
	b Low-income housing credit:			
	(1) From section 42(j)(5) partnerships	12b(1)		Form 8586, line 5
	(2) Other than on line 12b(1)	12b(2)		
	c Qualified rehabilitation expenditures related to rental real estate activities	12c		See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d		
	e Credits related to other rental activities	12e		
	13 Other credits	13		

SPSA0412L 11/20/03

SHAREHOLDER 1

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Adjustments and Tax Preference Items	14a Depreciation adjustment on property placed in service after 1986	14a	2,094.	See Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251
	b Adjusted gain or loss	14b		
	c Depletion (other than oil and gas)	14c		
	d (1) Gross income from oil, gas, or geothermal properties	14d(1)		
	(2) Deductions allocable to oil, gas, or geothermal properties	14d(2)		
	e Other adjustments and tax preference items (attach sch)	14e		
Foreign Taxes	15a Name of foreign country or U.S. possession ►			Form 1116, Part I
	b Gross income from all sources	15b		
	c Gross income sourced at shareholder level	15c		
	d Foreign gross income sourced at corporate level:			
	(1) Passive	15d(1)		
	(2) Listed categories (attach schedule)	15d(2)		
	(3) General limitation	15d(3)		
	e Deductions allocated and apportioned at shareholder level:			
	(1) Interest expense	15e(1)		
	(2) Other	15e(2)		
	f Deductions allocated and apportioned at corporate level to foreign source income:			
	(1) Passive	15f(1)		
	(2) Listed categories (attach schedule)	15f(2)		
	(3) General limitation	15f(3)		
	g Total foreign taxes (check one): ► ☐ Paid ☐ Accrued	15g		Form 1116, Part II
	h Reduction in taxes available for credit (attach schedule)	15h		See Instructions for Form 1116
Other	16 Section 59(e)(2) expenditures: a Type ►			See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Amount	16b		
	17 Tax-exempt interest income	17		Form 1040, line 8b
	18 Other tax-exempt income	18		See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	19 Nondeductible expenses	19		
	20 Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	20		
	21 Amount of loan repayments for 'Loans from Shareholders'	21		
	22 Recapture of low-income housing credit:			
	a From section 42(j)(5) partnerships	22a		Form 8611, line 8
	b Other than on line 22a	22b		

Supplemental Information

23 Supplemental information required to be reported separately to each shareholder (attach additional schedules if more space is needed):

LINE 7
CHARITABLE CONTRIBUTIONS

CASH CONTRIBUTIONS - 50% LIMITATION		$ 36.
	TOTAL	$ 36.

SHAREHOLDER 1 : LARKIN LAWSON

Schedule K-1 (Form 1120S)	Shareholder's Share of Income, Credits, Deductions, etc	OMB No. 1545-0130
Department of the Treasury Internal Revenue Service	► See separate instructions. For calendar year 2003 or tax year beginning , 2003, and ending	2003

Shareholder's identifying number ►	Corporation's identifying number ► 2712
Shareholder's name, address, and ZIP code	Corporation's name, address, and ZIP code
MARK HAMMOND LAKE LURE, NC	BEACHFRONT FOODS, INC. MARLARKIES GRILL & BAR P.O. BOX 712 LAKE LURE, NC 28746

A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ► 48.5 %

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

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

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

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1	-7,052.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):			
	a Interest income	4a		Form 1040, line 8a
	b (1) Qualified dividends	4b(1)		Form 1040, line 9b
	(2) Total ordinary dividends	4b(2)		Form 1040, line 9a
	c Royalty income	4c		Schedule E, Part I, line 4
	d (1) Net short-term capital gain (loss) (post-May 5, 2003)	4d(1)		Schedule D, line 6, col (g)
	(2) Net short-term capital gain (loss) (entire year)	4d(2)		Schedule D, line 5, col (f)
	e (1) Net long-term capital gain (loss) (post-May 5, 2003)	4e(1)		Schedule D, line 12, col (g)
	(2) Net long-term capital gain (loss) (entire year)	4e(2)		Schedule D, line 12, col (f)
	f Other portfolio income (loss) (attach schedule)	4f		(Enter on applicable line of return.)
	5a Net section 1231 gain (loss) (post-May 5, 2003)	5a		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Net section 1231 gain (loss) (entire year)	5b		
	6 Other income (loss) (attach schedule)	6		(Enter on applicable line of return.)
Deductions	7 Charitable contributions (attach schedule) SEE LINE 23	7	37.	Schedule A, line 15 or 16
	8 Section 179 expense deduction	8		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	9 Deductions related to portfolio income (loss) (attach schedule)	9		
	10 Other deductions (attach schedule)	10		
Investment Interest	11a Interest expense on investment debts	11a		Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f above	11b(1)		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	(2) Investment expenses included on line 9 above	11b(2)		
Credits	12a Credit for alcohol used as fuel	12a		Form 6478, line 10
	b Low-income housing credit			
	(1) From section 42(j)(5) partnerships	12b(1)		Form 8586, line 5
	(2) Other than on line 12b(1)	12b(2)		
	c Qualified rehabilitation expenditures related to rental real estate activities	12c		See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d		
	e Credits related to other rental activities	12e		
	13 Other credits	13		

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Adjustments and Tax Preference Items	14a Depreciation adjustment on property placed in service after 1986	14a	2,094.	See Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251
	b Adjusted gain or loss	14b		
	c Depletion (other than oil and gas)	14c		
	d (1) Gross income from oil, gas, or geothermal properties	14d(1)		
	(2) Deductions allocable to oil, gas, or geothermal properties	14d(2)		
	e Other adjustments and tax preference items (attach sch)	14e		
Foreign Taxes	15a Name of foreign country or U.S. possession ►			
	b Gross income from all sources	15b		
	c Gross income sourced at shareholder level	15c		
	d Foreign gross income sourced at corporate level:			
	(1) Passive	15d(1)		
	(2) Listed categories (attach schedule)	15d(2)		
	(3) General limitation	15d(3)		
	e Deductions allocated and apportioned at shareholder level:			Form 1116, Part I
	(1) Interest expense	15e(1)		
	(2) Other	15e(2)		
	f Deductions allocated and apportioned at corporate level to foreign source income:			
	(1) Passive	15f(1)		
	(2) Listed categories *(attach schedule)*	15f(2)		
	(3) General limitation	15f(3)		
	g Total foreign taxes (check one): ► ☐ Paid ☐ Accrued	15g		Form 1116, Part II
	h Reduction in taxes available for credit (attach schedule)	15h		See Instructions for Form 1116
Other	16 Section 59(e)(2) expenditures: a Type ►			See Shareholder's Instructions for Schedule K-1 (Form 1120S)
	b Amount	16b		
	17 Tax-exempt interest income	17		Form 1040, line 8b
	18 Other tax-exempt income	18		
	19 Nondeductible expenses	19		See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	20 Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	20		
	21 Amount of loan repayments for 'Loans from Shareholders'	21		
	22 Recapture of low-income housing credit:			
	a From section 42(j)(5) partnerships	22a		Form 8611, line 8
	b Other than on line 22a	22b		

Supplemental Information

23 Supplemental information required to be reported separately to each shareholder (attach additional schedules if more space is needed):

LINE 7
CHARITABLE CONTRIBUTIONS

CASH CONTRIBUTIONS - 50% LIMITATION	$ 37.
TOTAL	$ 37.

SHAREHOLDER 2 : MARK HAMMOND

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

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

► See separate instructions.

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

OMB No. 1545-0130

2003

Shareholder's identifying number ►	Corporation's identifying number ► 2712
Shareholder's name, address, and ZIP code KYLE PERTUIS LAKE LURE, NC	Corporation's name, address, and ZIP code BEACHFRONT FOODS, INC. MARLARKIES GRILL & BAR P.O. BOX 712 LAKE LURE, NC 28746

A Shareholder's percentage of stock ownership for tax year (see instructions for Schedule K-1) ► 3 %

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

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

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

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1	-436.	See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):			
	a Interest income	4a		Form 1040, line 8a
	b (1) Qualified dividends	4b(1)		Form 1040, line 9b
	(2) Total ordinary dividends	4b(2)		Form 1040, line 9a
	c Royalty income	4c		Schedule E, Part I, line 4
	d (1) Net short-term capital gain (loss) (post-May 5, 2003)	4d(1)		Schedule D, line 5, col (g)
	(2) Net short-term capital gain (loss) (entire year)	4d(2)		Schedule D, line 5, col (f)
	e (1) Net long-term capital gain (loss) (post-May 5, 2003)	4e(1)		Schedule D, line 12, col (g)
	(2) Net long-term capital gain (loss) (entire year)	4e(2)		Schedule D, line 12, col (f)
	f Other portfolio income (loss) (attach schedule)	4f		(Enter on applicable line of return.)
	5a Net section 1231 gain (loss)(post-May 5, 2003)	5a		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Net section 1231 gain (loss)(entire year)	5b		
	6 Other income (loss) (attach schedule)	6		(Enter on applicable line of return.)
Deductions	7 Charitable contributions (attach schedule) SEE LINE 23	7	2.	Schedule A, line 15 or 16
	8 Section 179 expense deduction	8		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	9 Deductions related to portfolio income (loss) (attach schedule)	9		
	10 Other deductions (attach schedule)	10		
Investment Interest	11a Interest expense on investment debts	11a		Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f above	11b(1)		See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	(2) Investment expenses included on line 9 above	11b(2)		
Credits	12a Credit for alcohol used as fuel	12a		Form 6478, line 10
	b Low-income housing credit:			
	(1) From section 42(j)(5) partnerships	12b(1)		Form 8586, line 5
	(2) Other than on line 12b(1)	12b(2)		
	c Qualified rehabilitation expenditures related to rental real estate activities	12c		See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	d Credits (other than credits shown on lines 12b and 12c) related to rental real estate activities	12d		
	e Credits related to other rental activities	12e		
	13 Other credits	13		

SPSA0412L 11/20/03

SHAREHOLDER 3

	(a) Pro rata share items		(b) Amount	(c) Form 1040 filers enter the amount in column (b) on:
Adjustments and Tax Preference Items	14a Depreciation adjustment on property placed in service after 1986	14a	129.	See Shareholder's Instructions for Schedule K-1 (Form 1120S) and Instructions for Form 6251
	b Adjusted gain or loss	14b		
	c Depletion (other than oil and gas)	14c		
	d (1) Gross income from oil, gas, or geothermal properties	14d(1)		
	(2) Deductions allocable to oil, gas, or geothermal properties	14d(2)		
	e Other adjustments and tax preference items (attach sch)	14e		
Foreign Taxes	15a Name of foreign country or U.S. possession ➤			Form 1116, Part I
	b Gross income from all sources	15b		
	c Gross income sourced at shareholder level	15c		
	d Foreign gross income sourced at corporate level:			
	(1) Passive	15d(1)		
	(2) Listed categories (attach schedule)	15d(2)		
	(3) General limitation	15d(3)		
	e Deductions allocated and apportioned at shareholder level:			
	(1) Interest expense	15e(1)		
	(2) Other	15e(2)		
	f Deductions allocated and apportioned at corporate level to foreign source income:			
	(1) Passive	15f(1)		
	(2) Listed categories (attach schedule)	15f(2)		
	(3) General limitation	15f(3)		
	g Total foreign taxes (check one): ➤ ☐ Paid ☐ Accrued	15g		Form 1116, Part II
	h Reduction in taxes available for credit (attach schedule)	15h		See Instructions for Form 1116
Other	16 Section 59(e)(2) expenditures: a Type ➤			See Shareholder's Instructions for Schedule K-1 (Form 1120S).
	b Amount	16b		
	17 Tax-exempt interest income	17		Form 1040, line 8b
	18 Other tax-exempt income	18		See the Shareholder's Instructions for Schedule K-1 (Form 1120S).
	19 Nondeductible expenses	19		
	20 Property distributions (including cash) other than dividend distributions reported to you on Form 1099-DIV	20		
	21 Amount of loan repayments for 'Loans from Shareholders'	21		
	22 Recapture of low-income housing credit:			
	a From section 42(j)(5) partnerships	22a		Form 8611, line 8
	b Other than on line 22a	22b		

Supplemental Information

23 Supplemental information required to be reported separately to each shareholder (attach additional schedules if more space is needed):

LINE 7
CHARITABLE CONTRIBUTIONS

CASH CONTRIBUTIONS - 50% LIMITATION	$ 2.
TOTAL	$ 2.

SHAREHOLDER 3 : KYLE PERTUIS

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: 8/10/2001	Use the IRS label. Otherwise, print or type.	C Employer identification number: 2712
B Business code number (see instructions): 722410	BEACHFRONT FOODS, INC. MARLARKIES GRILL & BAR P.O. BOX 712 LAKE LURE, NC 28746	D Date incorporated: 8/10/2001
		E Total assets (see instructions): $ 92,609.

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 ► 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	365,635.	1c	365,635.
	1b	Less returns and allowances		1c	
	2	Cost of goods sold (Schedule A, line 8)		2	238,007.
	3	Gross profit. Subtract line 2 from line 1c		3	127,628.
	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	127,628.
DEDUCTIONS (SEE INSTRUCTIONS)	7	Compensation of officers		7	
	8	Salaries and wages (less employment credits)		8	
	9	Repairs and maintenance		9	8,063.
	10	Bad debts		10	
	11	Rents		11	34,263.
	12	Taxes and licenses		12	2,465.
	13	Interest		13	5,619.
	14a	Depreciation *(attach Form 4562)*	14a 26,705.		
	b	Depreciation claimed on Schedule A and elsewhere on return	14b		
	c	Subtract line 14b from line 14a		14c	26,705.
	15	Depletion (Do not deduct oil and gas depletion.)		15	
	16	Advertising		16	3,480.
	17	Pension, profit-sharing, etc. plans		17	
	18	~~Employee benefit programs~~		18	
	19	Other deductions *(attach schedule)* SEE STATEMENT 1		19	46,513.
	20	Total deductions. Add the amounts shown in the far right column for lines 7 through 19 ►		20	127,108.
	21	Ordinary business income (loss). Subtract line 20 from line 6		21	520.
TAX AND PAYMENTS	22a	Tax: 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	
	23a	Payments: 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	0.
	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	

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)? [X] Yes ☐ No

Paid Preparer's Use Only

Preparer's signature ►	Date	Check if self-employed ☐	Preparer's SSN or PTIN: P00036004
Firm's name (or yours if self-employed), address, and ZIP code ►	LEWINTER | THELANDER CPAS | BUSINESS ADVISORS 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691		EIN 20-1969491

DEFENDANT'S EXHIBIT 30 C

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. 1120S (2004)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	6,123.
2	Purchases	2	130,452.
3	Cost of labor	3	91,225.
4	Additional section 263A costs *(attach schedule)*	4	
5	Other costs *(attach schedule)* SEE STATEMENT 2	5	17,380.
6	Total. Add lines 1 through 5	6	245,180.
7	Inventory at end of year	7	7,173.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	238,007.

9a Check all methods used for valuing closing inventory:
- (i) [X] 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 [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 B Other Information (see instructions)

		Yes	No
1	Check method of accounting: (a) [X] Cash (b) [ ] Accrual (c) [ ] Other (specify) ▶		
2	See the instructions and enter the: (a) Business activity ▶ BAR & GRILL (b) Product or service ▶ FOOD & LIQUOR		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a schedule showing: (a) name, address, and employer identification number and (b) percentage owned		X
4	Was the corporation a member of a controlled group subject to the provisions of section 1561?		X
5	Check this box if the corporation has filed or is required to file Form 8264, Application for Registration of a Tax Shelter ▶ [ ]		
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

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	520.
	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	
	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 SEE STATEMENT 3	12a	10.
	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	
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	-6,198.
	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	39.
	d Property distributions	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	510.

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		1,359.		2,650.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		6,123.		7,173.
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach schedule) SEE ST 4		21,500.		28,405.
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	215,944.		215,944.	
b Less accumulated depreciation	138,756.	77,188.	165,461.	50,483.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	6,563.		6,563.	
b Less accumulated amortization	1,885.	4,678.	2,665.	3,898.
14 Other assets (attach schedule)				
15 Total assets		110,848.		92,609.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach sch) SEE ST 5		3,776.		6,804.
19 Loans from shareholders		95,588.		95,587.
20 Mortgages, notes, bonds payable in 1 year or more		106,392.		84,655.
21 Other liabilities (attach schedule)				
22 Capital stock		1,000.		1,000.
23 Additional paid-in capital		25,200.		25,200.
24 Retained earnings		-121,108.		-120,637.
25 Adjustments to shareholders' equity (att sch)				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		110,848.		92,609.

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

1 Net income (loss) per books	471.	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 $ b Travel and entertainment $ 39.	39.	6 Deductions included on Schedule K, lines 1 through 12, and 14l or (14m), not charged against book income this year (itemize): a Depreciation $	
		7 Add lines 5 and 6	0.
4 Add lines 1 through 3	510.	8 Income (loss) (Schedule K, line 17e) Ln 4 less ln 7	510.

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	-121,108.		
2 Ordinary income from page 1, line 21	520.		
3 Other additions			
4 Loss from page 1, line 21			
5 Other reductions SEE STATEMENT 6	(49.)		
6 Combine lines 1 through 5	-120,637.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	-120,637.		

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
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
MARLARKIES GRILL & BAR
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
LARKIN L. HAMMOND

LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 47.5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 247.	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 A	Alternative minimum tax (AMT) items -2,944.
11	Section 179 deduction	16 C	Items affecting shareholder basis 19.
12 A	Other deductions 5.		
		17	Other information

*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

SHAREHOLDER 1

SPSA0412L 12/09/04

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Enter on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain (loss)	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535, Chapter 8
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	Schedule A, line 15
	B Cash contributions (30%)	Schedule A, line 15
	C Noncash contributions (50%)	Schedule A, line 16
	D Noncash contributions (30%)	Schedule A, line 16
	E Capital gain property to a 50% organization (30%)	Schedule A, line 16
	F Capital gain property (20%)	Schedule A, line 16
	G Deductions — portfolio (2% floor)	Schedule A, line 22
	H Deductions — portfolio (other)	Schedule A, line 27
	I Investment interest expense	Form 4952, line 1
	J Deductions — royalty income	Schedule E, line 18
	K Section 59(e)(2) expenditures	See the Shareholder's Instructions
	L Reforestation expense deduction	See the Shareholder's Instructions
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Penalty on early withdrawal of savings	Form 1040, line 33
	P Other deductions	See the Shareholder's Instructions
13	Credits and credit recapture	
	A Low-income housing credit (section 42(j)(5))	Form 8586, line 5
	B Low-income housing credit (other)	Form 8586, line 5
	C Qualified rehabilitation expenditures (rental real estate)	Form 3468, line 1
	D Qualified rehabilitation expenditures (other than rental real estate)	Form 3468, line 1
	E Basis of energy property	Form 3468, line 2
	F Qualified timber property	Form 3468, line 3
	G Other rental real estate credits	See the Shareholder's Instructions
	H Other rental credits	See the Shareholder's Instructions
	I Undistributed capital gains credit	Form 1040, line 69, box a
	J Work opportunity credit	Form 5884, line 3
	K Welfare-to-Work credit	Form 8861, line 3
	L Disabled access credit	Form 8826, line 7
	M Empowerment zone and renewal community employment credit	Form 8844, line 3
	N New York Liberty Zone business employee credit	Form 8884, line 3
	O New markets credit	Form 8874, line 2
	P Credit for employer social security and Medicare taxes	Form 8846, line 5
	Q Backup withholding	Form 1040, line 63
	R Credit for alcohol used as fuel	Form 6478, line 10
	S Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	T Recapture of low-income housing credit (other)	Form 8611, line 8
	U Recapture of investment credit	See Form 4255
	V Other credits	See the Shareholder's Instructions
	W Recapture of other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	Form 1116, Part I
	C Gross income sourced at shareholder level	Form 1116, Part I
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	Form 1116, Part I
	F General limitation	Form 1116, Part I
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	Form 1116, Part I
	K General limitation	Form 1116, Part I
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal properties — gross income	
	E Oil, gas, & geothermal properties — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	See the Shareholder's Instructions
	D Property distributions	See the Shareholder's Instructions
	E Repayment of loans from shareholders	See the Shareholder's Instructions
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Look-back interest — completed long-term contracts	See Form 8697
	D Look-back interest — income forecast method	See Form 8866
	E Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	F Recapture of section 179 deductions	See the Shareholder's Instructions
	G Section 453(l)(3) information	See the Shareholder's Instructions
	H Section 453A(c) information	See the Shareholder's Instructions
	I Section 1260(b) information	See the Shareholder's Instructions
	J Interest allocable to production expenditures	See the Shareholder's Instructions
	K CCF nonqualified withdrawal	See the Shareholder's Instructions
	L Information needed to figure depletion — oil and gas	See the Shareholder's Instructions
	M Amortization of reforestation costs	See the Shareholder's Instructions
	N Other information	See the Shareholder's Instructions

SHAREHOLDER 1 : LARKIN L. HAMMOND

SPSA0412L 12/09/04

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
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
MARLARKIES GRILL & BAR
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
MARK HAMMOND

LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 47.5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 247.	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 A	Alternative minimum tax (AMT) items -2,944.
11	Section 179 deduction	16 C	Items affecting shareholder basis 18.
12 A	Other deductions 5.		
		17	Other information

*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

SHAREHOLDER 2

SPSA0412L 12/09/04

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Enter on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain (loss)	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535, Chapter 8
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	Schedule A, line 15
	B Cash contributions (30%)	Schedule A, line 15
	C Noncash contributions (50%)	Schedule A, line 16
	D Noncash contributions (30%)	Schedule A, line 16
	E Capital gain property to a 50% organization (30%)	Schedule A, line 16
	F Capital gain property (20%)	Schedule A, line 16
	G Deductions — portfolio (2% floor)	Schedule A, line 22
	H Deductions — portfolio (other)	Schedule A, line 27
	I Investment interest expense	Form 4952, line 1
	J Deductions — royalty income	Schedule E, line 18
	K Section 59(e)(2) expenditures	See the Shareholder's Instructions
	L Reforestation expense deduction	See the Shareholder's Instructions
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Penalty on early withdrawal of savings	Form 1040, line 33
	P Other deductions	See the Shareholder's Instructions
13	Credits and credit recapture	
	A Low-income housing credit (section 42(j)(5))	Form 8586, line 5
	B Low-income housing credit (other)	Form 8586, line 5
	C Qualified rehabilitation expenditures (rental real estate)	Form 3468, line 1
	D Qualified rehabilitation expenditures (other than rental real estate)	Form 3468, line 1
	E Basis of energy property	Form 3468, line 2
	F Qualified timber property	Form 3468, line 3
	G Other rental real estate credits	See the Shareholder's Instructions
	H Other rental credits	See the Shareholder's Instructions
	I Undistributed capital gains credit	Form 1040, line 69, box a
	J Work opportunity credit	Form 5884, line 3
	K Welfare-to-Work credit	Form 8861, line 3
	L Disabled access credit	Form 8826, line 7
	M Empowerment zone and renewal community employment credit	Form 8844, line 3
	N New York Liberty Zone business employee credit	Form 8884, line 3
	O New markets credit	Form 8874, line 2
	P Credit for employer social security and Medicare taxes	Form 8846, line 5
	Q Backup withholding	Form 1040, line 63
	R Credit for alcohol used as fuel	Form 6478, line 10
	S Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	T Recapture of low-income housing credit (other)	Form 8611, line 8
	U Recapture of investment credit	See Form 4255
	V Other credits	See the Shareholder's Instructions
	W Recapture of other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	Form 1116, Part I
	C Gross income sourced at shareholder level	Form 1116, Part I
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	Form 1116, Part I
	F General limitation	Form 1116, Part I
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	Form 1116, Part I
	K General limitation	Form 1116, Part I
	Other information	
	L Total foreign taxes paid	Form 1118, Part II
	M Total foreign taxes accrued	Form 1118, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal properties — gross income	
	E Oil, gas, & geothermal properties — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	See the Shareholder's Instructions
	D Property distributions	See the Shareholder's Instructions
	E Repayment of loans from shareholders	See the Shareholder's Instructions
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Look-back interest — completed long-term contracts	See Form 8697
	D Look-back interest — income forecast method	See Form 8866
	E Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	F Recapture of section 179 deductions	See the Shareholder's Instructions
	G Section 453(l)(3) information	See the Shareholder's Instructions
	H Section 453A(c) information	See the Shareholder's Instructions
	I Section 1260(b) information	See the Shareholder's Instructions
	J Interest allocable to production expenditures	See the Shareholder's Instructions
	K CCF nonqualified withdrawal	See the Shareholder's Instructions
	L Information needed to figure depletion — oil and gas	See the Shareholder's Instructions
	M Amortization of reforestation costs	See the Shareholder's Instructions
	N Other information	See the Shareholder's Instructions

SPSA0412L 12/09/04

SHAREHOLDER 2 : MARK HAMMOND

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
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
MARLARKIES GRILL & BAR
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIS

LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year ..... 5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 26.	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 A	Alternative minimum tax (AMT) items -310.
11	Section 179 deduction	16 C	Items affecting shareholder basis 2.
12	Other deductions		
		17	Other information

*See attached schedule for additional information.

SHAREHOLDER 3

SPSA0412L 12/09/04

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Enter on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain (loss)	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535, Chapter 8
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	Schedule A, line 15
	B Cash contributions (30%)	Schedule A, line 15
	C Noncash contributions (50%)	Schedule A, line 15
	D Noncash contributions (30%)	Schedule A, line 15
	E Capital gain property to a 50% organization (30%)	Schedule A, line 16
	F Capital gain property (20%)	Schedule A, line 16
	G Deductions — portfolio (2% floor)	Schedule A, line 22
	H Deductions — portfolio (other)	Schedule A, line 27
	I Investment interest expense	Form 4952, line 1
	J Deductions — royalty income	Schedule E, line 18
	K Section 59(e)(2) expenditures	See the Shareholder's Instructions
	L Reforestation expense deduction	See the Shareholder's Instructions
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Penalty on early withdrawal of savings	Form 1040, line 33
	P Other deductions	See the Shareholder's Instructions
13	Credits and credit recapture	
	A Low-income housing credit (section 42(j)(5))	Form 8586, line 5
	B Low-income housing credit (other)	Form 8586, line 5
	C Qualified rehabilitation expenditures (rental real estate)	Form 3468, line 1
	D Qualified rehabilitation expenditures (other than rental real estate)	Form 3468, line 1
	E Basis of energy property	Form 3468, line 2
	F Qualified timber property	Form 3468, line 3
	G Other rental real estate credits	See the Shareholder's Instructions
	H Other rental credits	See the Shareholder's Instructions
	I Undistributed capital gains credit	Form 1040, line 69, box a
	J Work opportunity credit	Form 5884, line 3
	K Welfare-to-Work credit	Form 8861, line 3
	L Disabled access credit	Form 8826, line 7
	M Empowerment zone and renewal community employment credit	Form 8844, line 3
	N New York Liberty Zone business employee credit	Form 8884, line 3
	O New markets credit	Form 8874, line 2
	P Credit for employer social security and Medicare taxes	Form 8846, line 5
	Q Backup withholding	Form 1040, line 63
	R Credit for alcohol used as fuel	Form 6478, line 10
	S Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	T Recapture of low-income housing credit (other)	Form 8611, line 8
	U Recapture of investment credit	See Form 4255
	V Other credits	See the Shareholder's Instructions
	W Recapture of other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	Form 1116, Part I
	C Gross income sourced at shareholder level	Form 1116, Part I
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	Form 1116, Part I
	F General limitation	Form 1116, Part I
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	Form 1116, Part I
	K General limitation	Form 1116, Part I
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal properties — gross income	
	E Oil, gas, & geothermal properties — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	See the Shareholder's Instructions
	D Property distributions	See the Shareholder's Instructions
	E Repayment of loans from shareholders	See the Shareholder's Instructions
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Look-back interest — completed long-term contracts	See Form 8697
	D Look-back interest — income forecast method	See Form 8866
	E Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	F Recapture of section 179 deductions	See the Shareholder's Instructions
	G Section 453(l)(3) information	See the Shareholder's Instructions
	H Section 453A(c) information	See the Shareholder's Instructions
	I Section 1260(b) information	See the Shareholder's Instructions
	J Interest allocable to production expenditures	See the Shareholder's Instructions
	K CCF nonqualified withdrawal	See the Shareholder's Instructions
	L Information needed to figure depletion — oil and gas	See the Shareholder's Instructions
	M Amortization of reforestation costs	See the Shareholder's Instructions
	N Other information	See the Shareholder's Instructions

SHAREHOLDER 3 : KYLE PERTUIS

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: 8/10/2001	Use the IRS label. Otherwise, print or type.	C Employer identification number: 2712
B Business code number (see instructions): 722410	BEACHFRONT FOODS, INC. MARLARKIES GRILL & BAR P.O. BOX 712 LAKE LURE, NC 28746	D Date incorporated: 8/10/2001
		E Total assets (see instructions): $ 90,095.

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 ► 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: 366,748.	b Less returns and allowances:	c Bal ► 1c	366,748.
	2	Cost of goods sold (Schedule A, line 8)		2	240,858.
	3	Gross profit. Subtract line 2 from line 1c		3	125,890.
	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	125,890.
DEDUCTIONS (SEE INSTRUCTIONS)	7	Compensation of officers		7	
	8	Salaries and wages (less employment credits)		8	
	9	Repairs and maintenance		9	5,486.
	10	Bad debts		10	
	11	Rents		11	37,004.
	12	Taxes and licenses		12	2,101.
	13	Interest		13	6,050.
	14a	Depreciation *(attach Form 4562)*	14a 23,245.		
	b	Depreciation claimed on Schedule A and elsewhere on return	14b		
	c	Subtract line 14b from line 14a		14c	23,245.
	15	Depletion (Do not deduct oil and gas depletion.)		15	
	16	Advertising		16	1,644.
	17	Pension, profit-sharing, etc, plans		17	
	18	Employee benefit programs		18	
	19	Other deductions *(attach statement)* SEE STATEMENT 1		19	50,960.
	20	Total deductions. Add the amounts shown in the far right column for lines 7 through 19		► 20	126,490.
	21	Ordinary business income (loss). Subtract line 20 from line 6		21	-600.
TAX AND PAYMENTS	22	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	
	23	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	0.
	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	

DO NOT FILE

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)? [X] Yes ☐ No

Paid Preparer's Use Only

Preparer's signature ►	Date	Check if self-employed ☐	Preparer's SSN or PTIN P00036004
Firm's name (or yours if self-employed), address, and ZIP code ►	LEWINTER | THELANDER CPAS | BUSINESS ADVISORS 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691	EIN 20-19	Phone no. 94

DEFENDANT'S EXHIBIT 30 D

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. SPSA0105L 12/08

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	7,173.
2	Purchases	2	117,506.
3	Cost of labor	3	104,141.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 2	5	19,211.
6	Total. Add lines 1 through 5	6	248,031.
7	Inventory at end of year	7	7,173.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	240,858.

9a Check all methods used for valuing closing inventory:
- (i) [X] 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 [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 B Other Information (see instructions)

		Yes	No
1	Check method of accounting: (a) [X] Cash (b) [ ] Accrual (c) [ ] Other (specify) ►		
2	See the instructions and enter the: (a) Business activity ► BAR & GRILL (b) Product or service ► FOOD & LIQUOR		
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		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 ► [ ]		
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

DO NOT FILE

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	-600.
	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	
	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	

	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	
	12a Contributions SEE STATEMENT 3	12a	141.
	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	-9,064.
	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	
	d Property distributions	16d	
	e Repayment of loans from shareholders	16e	178.
Other Information	17a Investment income	17a	
	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	-741.

DO NOT FILE

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		2,650.		12,650.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		7,173.		7,173.
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach stmt) SEE ST 4		28,405.		39,916.
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach statement)				
10a Buildings and other depreciable assets	215,944.		215,944.	
b Less accumulated depreciation	165,461.	50,483.	188,706.	27,238.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	6,563.		6,563.	
b Less accumulated amortization	2,665.	3,898.	3,445.	3,118.
14 Other assets (attach stmt)				
15 Total assets		92,609.		90,095.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach stmt) SEE ST 5		6,804.		12,709.
19 Loans from shareholders		95,587.		95,595.
20 Mortgages, notes, bonds payable in 1 year or more		84,695.		60,969.
21 Other liabilities (attach statement) SEE ST 6				16,000.
22 Capital stock		1,000.		1,000.
23 Additional paid-in capital		25,200.		25,200.
24 Retained earnings		-120,637.		-121,378.
25 Adjustments to shareholders' equity (att stmt)				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		92,609.		90,095.

DO NOT FILE

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

1 Net income (loss) per books	-741.	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):		6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation $	
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 12, and 14l (itemize): a Depreciation $ b Travel and entertainment $		7 Add lines 5 and 6	0.
4 Add lines 1 through 3	-741.	8 Income (loss) (Schedule K, line 17e). Ln 4 less ln 7	-741.

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	-120,637.		
2 Ordinary income from page 1, line 21			
3 Other additions			
4 Loss from page 1, line 21	(600.)		
5 Other reductions SEE STATEMENT 7	(141.)		
6 Combine lines 1 through 5	-121,378.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	-121,378.		

L71105

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
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
MARLARKIES GRILL & BAR
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
LARKIN T. HAMMOND

LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 47.5 %

DO NOT FILE

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

1	Ordinary business income (loss) -285.	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 A	Alternative minimum tax (AMT) items -4,305.
11	Section 179 deduction	16 E	Items affecting shareholder basis 89.
12 A	Other deductions 67.		
		17	Other information

*See attached statement for additional information.

FOR IRS USE ONLY

BAA For Privacy Act and Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2005

SHAREHOLDER 1

SPSA0412L 12/08/05

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Enter on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	Schedule A, line 15a
	B Cash contributions (30%)	Schedule A, line 15b
	C Noncash contributions (50%)	Schedule A, line 16
	D Noncash contributions (30%)	Schedule A, line 16
	E Capital gain property to a 50% organization (30%)	Schedule A, line 16
	F Capital gain property (20%)	Schedule A, line 16
	G Cash contributions (100%)	See the Shareholder's Instructions
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 22
	L Deductions — portfolio (other)	Schedule A, line 27
	M Reforestation expense deduction	See the Shareholder's Instructions
	N Preproductive period expenses	See the Shareholder's Instructions
	O Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's W-2 wages	Form 8903, line 13
	S Other deductions	See the Shareholder's Instructions
13	Credits and credit recapture	
	A Low-income housing credit (section 42(j)(5))	Form 8586, line 4
	B Low-income housing credit (other)	Form 8586, line 4
	C Qualified rehabilitation expenditures (rental real estate)	Form 3468, line 1
	D Qualified rehabilitation expenditures (other than rental real estate)	Form 3468, line 1
	E Basis of energy property	See the Shareholder's Instructions
	F Other rental real estate credits	See the Shareholder's Instructions
	G Other rental credits	See the Shareholder's Instructions
	H Undistributed capital gains credit	Form 1040, line 70, box a
	I Credit for alcohol used as fuel	Form 6478, line 4
	J Work opportunity credit	Form 5884, line 3
	K Welfare-to-work credit	Form 8861, line 3
	L Disabled access credit	Form 8826, line 7
	Code	Enter on
	M Empowerment zone and renewal community employment credit	Form 8844, line 3
	N Credit for increasing research activities	Form 6765, line 42
	O New markets credit	Form 8874, line 2
	P Credit for employer social security and Medicare taxes	Form 8846, line 5
	Q Backup withholding	Form 1040, line 64
	R Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	S Recapture of low-income housing credit (other)	Form 8611, line 8
	T Recapture of investment credit	See Form 4255
	U Other credits	See the Shareholder's Instructions
	V Recapture of other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	Form 1116, Part I
	C Gross income sourced at shareholder level	Form 1116, Part I
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	Form 1116, Part I
	F General limitation	Form 1116, Part I
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	Form 1116, Part I
	K General limitation	Form 1116, Part I
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	See the Shareholder's Instructions
	D Property distributions	See the Shareholder's Instructions
	E Repayment of loans from shareholders	See the Shareholder's Instructions
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Look-back interest — completed long-term contracts	See Form 8697
	D Look-back interest — income forecast method	See Form 8866
	E Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	F Recapture of section 179 deduction	
	G Section 453(c)(3) information	
	H Section 453A(c) information	
	I Section 1260(b) information	
	J Interest allocable to production expenditures	
	K CCF nonqualified withdrawal	
	L Information needed to figure depletion — oil and gas	
	M Amortization of reforestation costs	
	N Other information	

DO NOT FILE

SPSA0412I 10/08/05

SHAREHOLDER 1 : LARKIN L. HAMMOND

671105

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2005

For calendar year 2005, or tax year beginning _____, 2005 ending _____

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

▸ See page 2 of form and separate instructions.

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

Part I Information About the Corporation

A Corporation's employer identification number
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
MARLARKIES GRILL & BAR
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
MARK HAMMOND
LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 47.5 %

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

1	Ordinary business income (loss) -285.	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 A	Alternative minimum tax (AMT) items -4,306.
11	Section 179 deduction	16 E	Items affecting shareholder basis 89.
12 A	Other deductions 67.		
		17	Other information

*See attached statement for additional information.

DO NOT FILE

FOR IRS USE ONLY

BAA For Privacy Act and Paperwork Reduction Act Notice, see instructions for Form 1120S. Schedule K-1 (Form 1120S) 2005

SHAREHOLDER 2

SPSA0412L 12/06/05

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Enter on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	Schedule A, line 15a
	B Cash contributions (30%)	Schedule A, line 15a
	C Noncash contributions (50%)	Schedule A, line 16
	D Noncash contributions (30%)	Schedule A, line 16
	E Capital gain property to a 50% organization (30%)	Schedule A, line 16
	F Capital gain property (20%)	Schedule A, line 16
	G Cash contributions (100%)	See the Shareholder's Instructions
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 22
	L Deductions — portfolio (other)	Schedule A, line 27
	M Reforestation expense deduction	See the Shareholder's Instructions
	N Preproductive period expenses	See the Shareholder's Instructions
	O Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's W-2 wages	Form 8903, line 13
	S Other deductions	See the Shareholder's Instructions
13	Credits and credit recapture	
	A Low-income housing credit (section 42(j)(5))	Form 8586, line 4
	B Low-income housing credit (other)	Form 8586, line 4
	C Qualified rehabilitation expenditures (rental real estate)	Form 3468, line 1
	D Qualified rehabilitation expenditures (other than rental real estate)	Form 3468, line 1
	E Basis of energy property	See the Shareholder's Instructions
	F Other rental real estate credits	See the Shareholder's Instructions
	G Other rental credits	See the Shareholder's Instructions
	H Undistributed capital gains credit	Form 1040, line 70, box a
	I Credit for alcohol used as fuel	Form 6478, line 4
	J Work opportunity credit	Form 5884, line 3
	K Welfare-to-work credit	Form 8861, line 3
	L Disabled access credit	Form 8826, line 7

		Enter on
	Code	
	M Empowerment zone and renewal community employment credit	Form 8844, line 3
	N Credit for increasing research activities	Form 6765, line 42
	O New markets credit	Form 8874, line 2
	P Credit for employer social security and Medicare taxes	Form 8846, line 5
	Q Backup withholding	Form 1040, line 64
	R Recapture of low-income housing credit (sec 42(j)(5))	Form 8611, line 8
	S Recapture of low-income housing credit (other)	Form 8611, line 8
	T Recapture of investment credit	See Form 4255
	U Other credits	See the Shareholder's Instructions
	V Recapture of other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	Form 1116, Part I
	C Gross income sourced at shareholder level	Form 1116, Part I
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	Form 1116, Part I
	F General limitation	Form 1116, Part I
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	Form 1116, Part I
	K General limitation	Form 1116, Part I
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	See the Shareholder's Instructions
	D Property distributions	See the Shareholder's Instructions
	E Repayment of loans from shareholders	See the Shareholder's Instructions
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Look-back interest — completed long-term contracts	See Form 8697
	D Look-back interest — income forecast method	See Form 8866
	E Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	F Recapture of section 179 deduction	
	G Section 453(l)(3) information	
	H Section 453A(c) information	
	I Section 1260(b) information	
	J Interest allocable to production expenditures	
	K CCF nonqualified withdrawal	
	L Information needed to figure depletion — oil and gas	
	M Amortization of reforestation costs	
	N Other information	

DO NOT FILE

SPSAD412L 12/08/05

SHAREHOLDER 2 : MARK HAMMOND

671105

Schedule K-1 (Form 1120S) — 2005

For calendar year 2005, or tax year beginning _____, 2005 ending _____

Department of the Treasury Internal Revenue Service

☐ 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
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
MARLARKIES GRILL & BAR
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIS
LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) -30.	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
		A	-453.
11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions		
A	7.		
		17	Other information

*See attached statement for additional information.

DO NOT FILE

BAA For Privacy Act and Paperwork Reduction Act Notice, see instructions for Form 1120S. Schedule K-1 (Form 1120S) 2005

SHAREHOLDER 3

SFSA0412L 12/08/05

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Enter on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	Schedule A, line 15a
	B Cash contributions (30%)	Schedule A, line 15a
	C Noncash contributions (50%)	Schedule A, line 16
	D Noncash contributions (30%)	Schedule A, line 16
	E Capital gain property to a 50% organization (30%)	Schedule A, line 16
	F Capital gain property (20%)	Schedule A, line 16
	G Cash contributions (100%)	See the Shareholder's Instructions
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 22
	L Deductions — portfolio (other)	Schedule A, line 27
	M Reforestation expense deduction	See the Shareholder's Instructions
	N Preproductive period expenses	See the Shareholder's Instructions
	O Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's W-2 wages	Form 8903, line 13
	S Other deductions	See the Shareholder's Instructions
13	Credits and credit recapture	
	A Low-income housing credit (section 42(j)(5))	Form 8586, line 4
	B Low-income housing credit (other)	Form 8586, line 4
	C Qualified rehabilitation expenditures (rental real estate)	Form 3468, line 1
	D Qualified rehabilitation expenditures (other than rental real estate)	Form 3468, line 1
	E Basis of energy property	See the Shareholder's Instructions
	F Other rental real estate credits	See the Shareholder's Instructions
	G Other rental credits	See the Shareholder's Instructions
	H Undistributed capital gains credit	Form 1040, line 70, box a
	I Credit for alcohol used as fuel	Form 6478, line 4
	J Work opportunity credit	Form 8884, line 3
	K Welfare-to-work credit	Form 8861, line 3
	L Disabled access credit	Form 8826, line 7
	M Empowerment zone and renewal community employment credit	Form 8844, line 3
	N Credit for increasing research activities	Form 6765, line 42
	O New markets credit	Form 8874, line 2
	P Credit for employer social security and Medicare taxes	Form 8846, line 5
	Q Backup withholding	Form 1040, line 64
	R Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	S Recapture of low-income housing credit (other)	Form 8611, line 8
	T Recapture of investment credit	See Form 4255
	U Other credits	See the Shareholder's Instructions
	V Recapture of other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	Form 1116, Part I
	C Gross income sourced at shareholder level	Form 1116, Part I
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	Form 1116, Part I
	F General limitation	Form 1116, Part I
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	Form 1116, Part I
	K General limitation	Form 1116, Part I
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	See the Shareholder's Instructions
	D Property distributions	See the Shareholder's Instructions
	E Repayment of loans from shareholders	See the Shareholder's Instructions
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Look-back interest — completed long-term contracts	See Form 8697
	D Look-back interest — income forecast method	See Form 8866
	E Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	F Recapture of section 179 deduction	
	G Section 453(l)(3) information	
	H Section 453A(c) information	
	I Section 1260(b) information	
	J Interest allocable to production expenditures	
	K CCF nonqualified withdrawal	
	L Information needed to figure depletion — oil and gas	
	M Amortization of reforestation costs	
	N Other information	

DO NOT FILE

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: 8/10/2001	Use the IRS label. Otherwise, print or type. BEACHFRONT FOODS, INC. MARLARKIES GRILL & BAR 10 ARCADE BLDG LAKE LURE, NC 28746	C Employer identification number: 2712
B Business activity code number (see instructions): 722410		D Date incorporated: 8/10/2001
		E Total assets (see instructions): $ 55,938.

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 ► 3

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: 349,343.	b Less returns and allowances:	c Bal ►	1c 349,343.
	2	Cost of goods sold (Schedule A, line 8)			2 247,854.
	3	Gross profit. Subtract line 2 from line 1c			3 101,489.
	4	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			4
	5	Other income (loss) (attach statement) SEE STATEMENT 1			5 30,000.
	6	Total income (loss). Add lines 3 through 5			► 6 131,489.
DEDUCTIONS (See instrs.)	7	Compensation of officers			7
	8	Salaries and wages (less employment credits)			8
	9	Repairs and maintenance			9 9,666.
	10	Bad debts			10
	11	Rents			11 41,620.
	12	Taxes and licenses			12 2,023.
	13	Interest			13 5,644.
	14	Depreciation not claimed on Schedule A or elsewhere on return (attach Form 4562)			14 15,525.
	15	Depletion (Do not deduct oil and gas depletion.)			15
	16	Advertising			16 1,300.
	17	Pension, profit-sharing, etc, plans			17
	18	Employee benefit programs			18
	19	Other deductions (attach statement) SEE STATEMENT 2			19 54,381.
	20	Total deductions. Add lines 7 through 19			► 20 130,159.
	21	Ordinary business income (loss). Subtract line 20 from line 6			21 1,330.
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 0.
	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

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)? [X] Yes ☐ No

Paid Preparer's Use Only

Preparer's signature ►	Date	Check if self-employed ☐	Preparer's SSN or PTIN P00036004
Firm's name (or yours if self-employed), address, and ZIP code ►	LEWINTER | THELANDER CPAS | BUSINESS ADVISO 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691		

DEFENDANT'S EXHIBIT 30 E

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. 0S (2006)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	7,173.
2	Purchases	2	131,907.
3	Cost of labor	3	99,327.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 3	5	19,359.
6	Total. Add lines 1 through 5	6	257,766.
7	Inventory at end of year	7	9,912.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	247,854.

9a Check all methods used for valuing closing inventory:
- (i) [X] 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 [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 B Other Information (see instructions)

		Yes	No
1	Check accounting method: a [X] Cash b [ ] Accrual c [ ] Other (specify) ▶		
2	See the instructions and enter the: a Business activity ▶ BAR & GRILL b Product or service ▶ FOOD & LIQUOR		
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?		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.*

Schedule K Shareholders' Pro Rata Share Items

			Total amount
INCOME (LOSS)	1 Ordinary business income (loss) (page 1, line 21)	1	1,330.
	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	
	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	

	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	
	12a Contributions SEE STATEMENT 4	12a	250.
	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	-6,050.
	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	
	d Property distributions	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	1,080.

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		12,650.		1,444.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		7,173.		9,912.
4 U.S. government obligations				
5 Tax-exempt securities *(see instructions)*				
6 Other current assets *(attach stmt)* ....SEE. ST. 5.		39,916.		27,615.
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments *(attach statement)*				
10a Buildings and other depreciable assets	215,944.		218,644.	
b Less accumulated depreciation	188,706.	27,238.	204,231.	14,413.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	6,563.		6,563.	
b Less accumulated amortization	3,445.	3,118.	4,009.	2,554.
14 Other assets *(attach stmt)*				
15 Total assets		90,095.		55,938.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities *(attach stmt)* ..SEE. ST. 6.		12,709.		5,000.
19 Loans from shareholders		95,595.		95,945.
20 Mortgages, notes, bonds payable in 1 year or more		60,969.		47,902.
21 Other liabilities *(attach statement)* ....SEE. ST. 7.		16,000.		1,189.
22 Capital stock		1,000.		1,000.
23 Additional paid-in capital		25,200.		25,200.
24 Retained earnings		-121,378.		-120,298.
25 Adjustments to shareholders' equity *(att stmt)*				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		90,095.		55,938.

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	1,080.	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 ..... $ b Travel and entertainment. $		6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation ... $	
		7 Add lines 5 and 6	0.
4 Add lines 1 through 3	1,080.	8 Income (loss) (Schedule K, line 18). Ln 4 less ln 7	1,080.

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	-121,378.		
2 Ordinary income from page 1, line 21	1,330.		
3 Other additions			
4 Loss from page 1, line 21			
5 Other reductions ..... SEE STATEMENT 8.	(250.)		
6 Combine lines 1 through 5	-120,298.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	-120,298.		

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
712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
MARLARKIES GRILL & BAR
10 ARCADE BLDG
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
LARKIN L. HAMMOND

LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 47.5 %

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

1	Ordinary business income (loss) 632.	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
		A	-2,874.
11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions		
A	119.		
		17	Other information

*See attached statement for additional information.

FOR IRS USE ONLY

BAA For Privacy Act and Paperwork Reduction Act Notice, see instructions for Form 1120S. Schedule K-1 (Form 1120S) 2006

SHAREHOLDER 1

SPSA0412L 06/28/06

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Investment interest expense	Form 4952, line 1
	H Deductions — royalty income	Schedule E, line 18
	I Section 59(e)(2) expenditures	See the Shareholder's Instructions
	J Deductions — portfolio (2% floor)	Schedule A, line 22
	K Deductions — portfolio (other)	Schedule A, line 27
	L Preproductive period expenses	See the Shareholder's Instructions
	M Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	N Reforestation expense deduction	See the Shareholder's Instructions
	O Domestic production activities information	See Form 8903 Instructions
	P Qualified production activities income	Form 8903, line 7
	Q Employer's W-2 wages	Form 8903, line 13
	R Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5))	See the Shareholder's Instructions
	B Low-income housing credit (other)	
	C Qualified rehabilitation expenditures (rental real estate)	
	D Other rental real estate credits	
	E Other rental credits	
	F Undistributed capital gains credit	Form 1040, line 70, check box a
	G Credit for alcohol used as fuel	See the Shareholder's Instructions
	H Work opportunity credit	
	I Welfare-to-work credit	
	J Disabled access credit	
	K Empowerment zone and renewal community employment credit	Form 8844, line 3

		Report on
	Code	
	L Credit for increasing research activities	See the Shareholder's Instructions
	M New markets credit	
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	Form 1040, line 64
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	
	F General limitation	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	
	K General limitation	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q ODI nonqualified withdrawals	
	R Information needed to figure depletion — oil and gas	
	S Amortization of reforestation costs	
	T Other 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
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
MARLARKIES GRILL & BAR
10 ARCADE BLDG
LAKE LURE, NC

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
MARK HAMMOND

LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 47.5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 632.	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 A	Alternative minimum tax (AMT) items -2,874.
11	Section 179 deduction	16	Items affecting shareholder basis
12 A	Other deductions 119.		
		17	Other information

*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

SHAREHOLDER 2

SPSA0412L 06/28/06

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Investment interest expense	Form 4952, line 1
	H Deductions — royalty income	Schedule E, line 18
	I Section 59(e)(2) expenditures	See the Shareholder's Instructions
	J Deductions — portfolio (2% floor)	Schedule A, line 22
	K Deductions — portfolio (other)	Schedule A, line 27
	L Preproductive period expenses	See the Shareholder's Instructions
	M Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	N Reforestation expense deduction	See the Shareholder's Instructions
	O Domestic production activities information	See Form 8903 Instructions
	P Qualified production activities income	Form 8903, line 7
	Q Employer's W-2 wages	Form 8903, line 13
	R Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5))	See the Shareholder's Instructions
	B Low-income housing credit (other)	
	C Qualified rehabilitation expenditures (rental real estate)	
	D Other rental real estate credits	
	E Other rental credits	
	F Undistributed capital gains credit	Form 1040, line 70, check box a
	G Credit for alcohol used as fuel	See the Shareholder's Instructions
	H Work opportunity credit	
	I Welfare-to-work credit	
	J Disabled access credit	
	K Empowerment zone and renewal community employment credit	Form 8844, line 3
	L Credit for increasing research activities	See the Shareholder's Instructions
	M New markets credit	
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	Form 1040, line 64
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	
	F General limitation	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	
	K General limitation	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Information needed to figure depletion — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

671106

Schedule K-1 (Form 1120S) — 2006

Department of the Treasury Internal Revenue Service

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
:2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
MARLARKIES GRILL & BAR
10 ARCADE BLDG
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIS

LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 66.	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 A	Alternative minimum tax (AMT) items -302.
11	Section 179 deduction	16	Items affecting shareholder basis
12 A	Other deductions 12.		
		17	Other information

*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

SHAREHOLDER 3

SPSA0412L 06/28/06

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Investment interest expense	Form 4952, line 1
	H Deductions — royalty income	Schedule E, line 18
	I Section 59(e)(2) expenditures	See the Shareholder's Instructions
	J Deductions — portfolio (2% floor)	Schedule A, line 22
	K Deductions — portfolio (other)	Schedule A, line 27
	L Preproductive period expenses	See the Shareholder's Instructions
	M Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	N Reforestation expense deduction	See the Shareholder's Instructions
	O Domestic production activities information	See Form 8903 Instructions
	P Qualified production activities income	Form 8903, line 7
	Q Employer's W-2 wages	Form 8903, line 13
	R Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5))	See the Shareholder's Instructions
	B Low-income housing credit (other)	
	C Qualified rehabilitation expenditures (rental real estate)	
	D Other rental real estate credits	
	E Other rental credits	
	F Undistributed capital gains credit	Form 1040, line 70, check box a
	G Credit for alcohol used as fuel	See the Shareholder's Instructions
	H Work opportunity credit	
	I Welfare-to-work credit	
	J Disabled access credit	
	K Empowerment zone and renewal community employment credit	Form 8844, line 3
	L Credit for increasing research activities	See the Shareholder's Instructions
	M New markets credit	
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	Form 1040, line 64
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	
	F General limitation	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	
	K General limitation	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q QCF nonqualified withdrawals	
	R Information needed to figure depletion — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

SPSA0412L 06/23/06

SHAREHOLDER 3 : KYLE PERTUIS

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 or is attaching Form 2553 to elect to be an S corporation.
▶ See separate instructions.

OMB No. 1545-0130

2007

For calendar year 2007 or tax year beginning , 2007, ending

A S election effective date: 8/10/2001	Use the IRS label. Otherwise, print or type.	D Employer identification number: 2712
B Business activity code number (see instr.): 722410	BEACHFRONT FOODS, INC. MARLARKIES GRILL & BAR P.O. BOX 712 LAKE LURE, NC 28746	E Date incorporated: 8/10/2001
C Check if Sch M-3 attached ☐		F Total assets (see instructions): $ 77,545.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not previously filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders in the corporation at the end of the tax year ▶ 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 358,756. b Less returns and allowances c Bal ▶		1c	358,756.
	2	Cost of goods sold (Schedule A, line 8)		2	278,434.
	3	Gross profit. Subtract line 2 from line 1c		3	80,322.
	4	Net gain (loss) from Form 4797, Part II, line 17 *(attach Form 4797)*		4	64,096.
	5	Other income (loss) *(attach statement)*		5	
	6	Total income (loss). Add lines 3 through 5 ▶		6	144,418.
Deductions (see instructions for limitations)	7	Compensation of officers		7	
	8	Salaries and wages (less employment credits)		8	
	9	Repairs and maintenance		9	5,218.
	10	Bad debts		10	
	11	Rents		11	41,896.
	12	Taxes and licenses		12	1,770.
	13	Interest		13	7,117.
	14	Depreciation not claimed on Schedule A or elsewhere on return *(attach Form 4562)*		14	3,959.
	15	Depletion (Do not deduct oil and gas depletion.)		15	
	16	Advertising		16	854.
	17	Pension, profit-sharing, etc, plans		17	
	18	Employee benefit programs		18	
	19	Other deductions *(attach statement)* SEE STATEMENT 1		19	61,581.
	20	Total deductions. Add lines 7 through 19 ▶		20	122,405.
	21	Ordinary business income (loss). Subtract line 20 from line 6		21	22,013.
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	2007 estimated tax payments and 2006 overpayment credited to 2007	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	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed		25	0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid		26	
	27	Enter amount from line 26 Credited to 2008 estimated tax Refunded		27	

Sign Here

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

▶ Signature of officer Date ▶ Title

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

Paid Preparer's Use Only

Preparer's signature ▶ CLIENT'S COPY Date Check if self-employed ☐ Preparer's SSN or PTIN: P00036004

Firm's name (or yours if self-employed), address, and ZIP code ▶ LEWINTER | THELANDER CPAS | BUSINESS ADVISORS
27405 PUERTA REAL, SUITE 340
MISSION VIEJO, CA 92691

EIN 20-1969491

Phone no. 949.365.1040

LHA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. 1120S (2007)

DEFENDANT'S EXHIBIT 30 F

Schedule B Other Information (see instructions)

		Yes	No
1	Check accounting method: a [X] Cash b [ ] Accrual c [ ] Other (specify) ▶		
2	See the instructions and enter the: a Business activity ▶ BAR & GRILL b Product or service ▶ FOOD & LIQUOR		
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?		X
4	Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
5	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.		
6	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 ▶ $		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
8	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

Schedule K Shareholders' Pro Rata Share Items

			Total amount
1	Ordinary business income (loss) (page 1, line 21)	1	22,013.
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	
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	-144.
10	Other income (loss) (see instructions)	10	

Form 1120S (2007)

3P9A0112L 12/26/07

Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	9,912.
2	Purchases	2	124,320.
3	Cost of labor	3	123,252.
4	Additional section 263A costs (attach statement)	4	
5	Other costs (attach statement) SEE STATEMENT 2	5	20,950.
6	Total. Add lines 1 through 5	6	278,434.
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	278,434.

9a Check all methods used for valuing closing inventory:
- (i) [X] 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 [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

671107

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2007

For calendar year 2007, or tax year beginning _____, 2007 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
--.2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
MARLARKIES GRILL & BAR
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

Part II Information About the Shareholder

D Shareholder's identifying number
--

E Shareholder's name, address, city, state, and ZIP code
MARK HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 9,906.	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) -65.		
10	Other income (loss)	15 A	Alternative minimum tax (AMT) items -564.
		B	-1,426.
11	Section 179 deduction	16	Items affecting shareholder basis
12 A	Other deductions 56.		
		17	Other information

*See attached statement for additional information.

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

Schedule K-1 (Form 1120S) 2007

SHAREHOLDER 2

SPSA0412L 09/19/07

Schedule K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

2007

For calendar year 2007, or tax year beginning _____, 2007
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
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
MARLARKIES GRILL & BAR
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
CINCINNATI, OH

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIS

GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 10 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 2,201.	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) -14.		
10	Other income (loss)	15 A	Alternative minimum tax (AMT) items -125.
		B	-317.
11	Section 179 deduction	16 E	Items affecting shareholder basis 1,240.
12	Other deductions A 13.		
		17	Other information

*See attached statement for additional information.

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

Schedule K-1 (Form 1120S) 2007

SHAREHOLDER 3

SPSA0412L 09/19/07

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 or is attaching Form 2553 to elect to be an S corporation.
► See separate instructions.

OMB No. 1545-0130

2008

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

A S election effective date: 8/10/2001	Use the IRS label. Otherwise, print or type.	D Employer identification number: 2712
B Business activity code number (see instructions): 722410	BEACHFRONT FOODS, INC. LARKIN'S CAROLINA GRILL P.O. BOX 712 LAKE LURE, NC 28746	E Date incorporated: 8/10/2001
C Check if Sch M-3 attached ☐		F Total assets (see instructions): $ 625,125.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not previously filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ► 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 607,155. b Less returns and allowances c Bal ►	1c	607,155.
	2 Cost of goods sold (Schedule A, line 8)	2	447,488.
	3 Gross profit. Subtract line 2 from line 1c	3	159,667.
	4 Net gain (loss) from Form 4797, Part II, line 17 *(attach Form 4797)*	4	-40,610.
	5 Other income (loss) *(attach statement)*	5	
	6 Total income (loss). Add lines 3 through 5 ►	6	119,057.
DEDUCTIONS (SEE INSTRS)	7 Compensation of officers	7	
	8 Salaries and wages (less employment credits)	8	
	9 Repairs and maintenance	9	3,925.
	10 Bad debts	10	
	11 Rents	11	58,779.
	12 Taxes and licenses	12	5,614.
	13 Interest	13	20,062.
	14 Depreciation not claimed on Schedule A or elsewhere on return *(attach Form 4562)*	14	140,458.
	15 Depletion (Do not deduct oil and gas depletion.)	15	
	16 Advertising	16	34,398.
	17 Pension, profit-sharing, etc, plans	17	
	18 Employee benefit programs	18	
	19 Other deductions *(attach statement)* SEE STATEMENT 1	19	101,688.
	20 Total deductions. Add lines 7 through 19 ►	20	364,924.
	21 Ordinary business income (loss). Subtract line 20 from line 6	21	-245,867.
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 2008 estimated tax payments and 2007 overpayment credited to 2008 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 Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed	25	0.
	26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid	26	
	27 Enter amount from line 26 Credited to 2009 estimated tax Refunded	27	

Sign Here

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

► Signature of officer Date ► PRESIDENT 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 Check if self-employed ☐ Preparer's SSN or PTIN: P00036004

Firm's name (or yours if self-employed), address, and ZIP code ► LEWINTER | THELANDER CPAS | BUSINESS ADVISO
27405 PUERTA REAL, SUITE 340
MISSION VIEJO, CA 92691

DEFENDANT'S EXHIBIT 30 G

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. 0S (2008)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	224,022.
3	Cost of labor	3	188,522.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 2	5	42,303.
6	Total. Add lines 1 through 5	6	454,847.
7	Inventory at end of year	7	7,359.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	447,488.

9a Check all methods used for valuing closing inventory:
- (i) [X] 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 [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 B Other Information (see instructions)

		Yes	No
1	Check accounting method: a [X] Cash b [ ] Accrual c [ ] Other (specify) ▶		
2	See the instructions and enter the: a Business activity ▶ BAR & GRILL b Product or service ▶ FOOD & LIQUOR		
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?		X
4	Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
5	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.		
6	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 ▶ $		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
8	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

Schedule K Shareholders' Pro Rata Share Items

			Total amount
INCOME (LOSS)	1 Ordinary business income (loss) (page 1, line 21)	1	-245,867.
	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	2,939.
	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	

	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	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 Alcohol and cellulosic biofuel fuels credit *(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 category	14d	
	e General category	14e	
	f Other *(attach statement)*	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 category	14i	
	j General category	14j	
	k Other *(attach statement)*	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	25.
	d Property distributions	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	2,939.
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	-242,928.

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		581.		31,524.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories				7,359.
4 U.S. government obligations				
5 Tax-exempt securities *(see instructions)*				
6 Other current assets *(attach stmt)*				
7 Loans to shareholders		60.		60.
8 Mortgage and real estate loans				
9 Other investments *(attach statement)* SEE ST 3.		55,000.		
10a Buildings and other depreciable assets			719,901.	
b Less accumulated depreciation			140,458.	579,443.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	4,563.		4,563.	
b Less accumulated amortization	3,419.	1,144.	3,552.	1,011.
14 Other assets *(attach stmt)* SEE ST 4.		20,760.		5,728.
15 Total assets		77,545.		625,125.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities *(attach stmt)* SEE ST 5.				3,965.
19 Loans from shareholders		115,909.		378,552.
20 Mortgages, notes, bonds payable in 1 year or more				510,110.
21 Other liabilities *(attach statement)* SEE ST 6.		32,690.		46,505.
22 Capital stock		2,300.		2,300.
23 Additional paid-in capital		25,200.		25,200.
24 Retained earnings		-98,554.		-341,507.
25 Adjustments to shareholders' equity *(att stmt)*				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		77,545.		625,125.

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	-242,953.	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 $ b Travel and entertainment $ 25.	25.	6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation $	
		7 Add lines 5 and 6	0.
4 Add lines 1 through 3	-242,928.	8 Income (loss) (Schedule K, line 18). Ln 4 less ln 7	-242,928.

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	-98,554.		
2 Ordinary income from page 1, line 21			
3 Other additions SEE STATEMENT 7	2,939.		
4 Loss from page 1, line 21	(245,867.)		
5 Other reductions SEE STATEMENT 8	(25.)		
6 Combine lines 1 through 5	-341,507.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	-341,507.		

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
:2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number
:

E Shareholder's name, address, city, state, and ZIP code
LARKIN L. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) -110,640.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 1,323.		
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	11.
12	Other deductions		
		17	Other information
		A	1,323.

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2008

SHAREHOLDER 1

SPSA0412L 12/10/08

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 29, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 16
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 68, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 9
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	Code	*Report on*
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other Information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

SHAREHOLDER 1 : LARKIN L. HAMMOND

671108

Schedule K-1 (Form 1120S) — 2008

Department of the Treasury Internal Revenue Service

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 II Information About the Corporation

A Corporation's employer identification number
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL
P.O. BOX 712
LAKE LURE, NC

C IRS Center where corporation filed return
E-FILE

Part III Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
MARK HAMMOND
LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) -110,640.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 1,322.		
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	11.
12	Other deductions		
		17	Other information
		A	1,322.

*See attached statement for additional information.

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

Schedule K-1 (Form 1120S) 2008

SHAREHOLDER 2

SPSA0412L 12/10/08

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 15
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 68, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 9
	J Work opportunity credit	Form 5884, line 8
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other Information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 6
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q ICDF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

SHAREHOLDER 2 : MARK HAMMOND

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
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIT
GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 10 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) -24,587.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 294.		
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 3.
12	Other deductions		
		17	Other information A 294.

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2008

SHAREHOLDER 3

SPSA0412L 12/10/08

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 15
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 68, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 9
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

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 or is attaching Form 2553 to elect to be an S corporation.
► See separate instructions.

OMB No. 1545-0130

2009

For calendar year 2009 or tax year beginning , 2009, ending

A S election effective date: 8/10/2001	Use IRS label. Otherwise, print or type.	D Employer identification number: 12712
B Business activity code number (see instrs): 722410	BEACHFRONT FOODS, INC. LARKIN'S CAROLINA GRILL P.O. BOX 712 LAKE LURE, NC 28746	E Date incorporated: 8/10/2001
C Check if Sch M-3 attached ☐		F Total assets (see instructions): $ 588,746.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not previously filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ► 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 780,878.	b Less returns and allowances	c Bal ► 1c	780,878.
	2	Cost of goods sold (Schedule A, line 8)		2	561,266.
	3	Gross profit. Subtract line 2 from line 1c		3	219,612.
	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	219,612.
DEDUCTIONS (SEE INSTRS)	7	Compensation of officers		7	
	8	Salaries and wages (less employment credits)		8	4,385.
	9	Repairs and maintenance		9	8,684.
	10	Bad debts		10	
	11	Rents		11	70,529.
	12	Taxes and licenses		12	2,605.
	13	Interest		13	27,054.
	14	Depreciation not claimed on Schedule A or elsewhere on return *(attach Form 4562)*		14	48,694.
	15	Depletion (Do not deduct oil and gas depletion.)		15	
	16	Advertising		16	38,921.
	17	Pension, profit-sharing, etc, plans		17	
	18	Employee benefit programs		18	
	19	Other deductions *(attach statement)* SEE STATEMENT 1		19	116,351.
	20	Total deductions. Add lines 7 through 19		► 20	317,223.
	21	Ordinary business income (loss). Subtract line 20 from line 6		21	-97,611.
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	2009 estimated tax payments and 2008 overpayment credited to 2009	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	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed		25	0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid		26	
	27	Enter amount from line 26 Credited to 2010 estimated tax	Refunded	27	

Sign Here

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

► Signature of officer — Date — ► PRESIDENT 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	Check if self-employed ☐	Preparer's SSN or PTIN: P00036004
Firm's name (or yours if self-employed), address, and ZIP code ►	LEWINTER | THELANDER CPAS | BUSINESS ADVISORS 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691		EIN 33-0549077 [illegible]840

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. 20S (2009)

DEFENDANT'S EXHIBIT 30 11

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	7,359.
2	Purchases	2	312,681.
3	Cost of labor	3	196,887.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 2	5	54,980.
6	Total. Add lines 1 through 5	6	571,907.
7	Inventory at end of year	7	10,641.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	561,266.

9a Check all methods used for valuing closing inventory:

(i) [X] 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 [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 B Other Information (see instructions)

		Yes	No
1	Check accounting method: a [X] Cash b [ ] Accrual c [ ] Other (specify) ▶		
2	See the instructions and enter the: a Business activity ▶ BAR & GRILL b Product or service ▶ FOOD & LIQUOR		
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?		X
4	Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
5	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.		
6	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 ▶ $		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
8	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

Schedule K Shareholders' Pro Rata Share Items

			Total amount
Income (Loss)	1 Ordinary business income (loss) (page 1, line 21)	1	-97,611.
	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	
	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)* Type ▶	10	

	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	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 Alcohol and cellulosic biofuel fuels credit *(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 category	14d	
	e General category	14e	
	f Other *(attach statement)*	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 category	14i	
	j General category	14j	
	k Other *(attach statement)*	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	99.
	d Property distributions	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	-97,611.

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		31,524.		20,228.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		7,359.		10,641.
4 U.S. government obligations				
5 Tax-exempt securities *(see instructions)*				
6 Other current assets *(attach stmt)* ... SEE ST 3				19,867.
7 Loans to shareholders		60.		60.
8 Mortgage and real estate loans				
9 Other investments *(attach statement)*				
10a Buildings and other depreciable assets	719,901.		720,496.	
b Less accumulated depreciation	140,458.	579,443.	189,152.	531,344.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	4,563.		4,563.	
b Less accumulated amortization	3,552.	1,011.	3,685.	878.
14 Other assets *(attach stmt)* ... SEE ST 4		5,728.		5,728.
15 Total assets		625,125.		588,746.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities *(attach stmt)* .. SEE ST 5		3,965.		29,701.
19 Loans from shareholders		378,552.		411,052.
20 Mortgages, notes, bonds payable in 1 year or more		510,110.		475,090.
21 Other liabilities *(attach statement)* ... SEE ST 6		46,505.		84,620.
22 Capital stock		2,300.		2,300.
23 Additional paid-in capital		25,200.		25,200.
24 Retained earnings		-341,507.		-439,217.
25 Adjustments to shareholders' equity *(attach stmt)*				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		625,125.		588,746.

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	-97,710.	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 $ 14.			
SEE STATEMENT 7 85.	99.	7 Add lines 5 and 6	0.
4 Add lines 1 through 3	-97,611.	8 Income (loss) (Schedule K, line 18). Line 4 less line 7	-97,611.

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	-341,507.		
2 Ordinary income from page 1, line 21			
3 Other additions			
4 Loss from page 1, line 21	(97,611.)		
5 Other reductions ... SEE STATEMENT 8	(99.)		
6 Combine lines 1 through 5	-439,217.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	-439,217.		

671109

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2009

For calendar year 2009, or tax year beginning _____, 2009 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
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
LARKIN T. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) -43,925.	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 C 44.
12	Other deductions		
		17	Other information

*See attached statement for additional information.

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

Schedule K-1 (Form 1120S) 2009

SHAREHOLDER 1

SPSA0412L 12/15/09

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (60%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 16
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 70, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 7
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 61
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other Information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

671109

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2009

For calendar year 2009, or tax year beginning _____, 2009 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
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
MARK HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

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

1	Ordinary business income (loss) -43,925.	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
		C	45.
12	Other deductions		
		17	Other information

FOR IRS USE ONLY

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2009

SHAREHOLDER 2

SPSA0412L 12/15/09

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 15
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 70, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 7
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 61
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other Information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

671109

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2009

For calendar year 2009, or tax year beginning _____, 2009 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
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIS
GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 10 %

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

1	Ordinary business income (loss) -9,761.	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
		C	10.
12	Other deductions		
		17	Other information

*See attached statement for additional information.

FOR IRS USE ONLY

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2009

SHAREHOLDER 3

SPSA0412L 12/15/09

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 15
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 70, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 7
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3

		Report on
	Code	
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 61
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other Information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

SHAREHOLDER 3 : KYLE PERTUIS

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 or is attaching Form 2553 to elect to be an S corporation.
► See separate instructions.

OMB No. 1545-0130

2010

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

A S election effective date: 8/10/2001	TYPE OR PRINT: BEACHFRONT FOODS, INC. LARKIN'S CAROLINA GRILL P.O. BOX 712 LAKE LURE, NC 28746	D Employer identification number: 12712
B Business activity code number (see instrs): 722410		E Date incorporated: 8/10/2001
C Check if Sch M-3 attached ☐		F Total assets (see instructions): $ 568,378.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not previously filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ► 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 673,942. b Less returns and allowances c Bal ►		1c	673,942.
	2 Cost of goods sold (Schedule A, line 8)		2	465,647.
	3 Gross profit. Subtract line 2 from line 1c		3	208,295.
	4 Net gain (loss) from Form 4797, Part II, line 17 *(attach Form 4797)*		4	
	5 Other income (loss) *(see instrs – attach statement)* SEE STATEMENT 1		5	556.
	6 Total income (loss). Add lines 3 through 5 ►		6	208,851.
DEDUCTIONS (SEE INSTRS)	7 Compensation of officers		7	
	8 Salaries and wages (less employment credits)		8	9,000.
	9 Repairs and maintenance		9	14,130.
	10 Bad debts		10	
	11 Rents		11	68,061.
	12 Taxes and licenses		12	2,416.
	13 Interest		13	26,045.
	14 Depreciation not claimed on Schedule A or elsewhere on return *(attach Form 4562)*		14	35,614.
	15 Depletion (Do not deduct oil and gas depletion.)		15	
	16 Advertising		16	33,565.
	17 Pension, profit-sharing, etc, plans		17	
	18 Employee benefit programs		18	
	19 Other deductions *(attach statement)* SEE STATEMENT 2		19	102,287.
	20 Total deductions. Add lines 7 through 19 ►		20	291,118.
	21 Ordinary business income (loss). Subtract line 20 from line 6		21	-82,267.
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 2010 estimated tax payments and 2009 overpayment credited to 2010	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 Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed		25	0.
	26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid		26	
	27 Enter amount from line 26 Credited to 2011 estimated tax · · Refunded		27	

Sign Here

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

► Signature of officer Date ► PRESIDENT Title

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

Paid Preparer Use Only

Print/Type preparer's name: MARK E. LEWINTER	Preparer's signature	Date	Check ☐ if self-employed; PTIN: P00036004
Firm's name ► LEWINTER | THELANDER CPAS | BUSINESS ADVISORS			Firm's EIN ► 33-0549077
Firm's address ► 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691			Phone no. 949.365.1040

BAA For Paperwork Reduction Act Notice, see separate instructions. SPSA0105L Form 1120S (2010)

DEFENDANT'S EXHIBIT 30 I

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	10,641.
2	Purchases	2	238,228.
3	Cost of labor	3	177,660.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 3	5	48,302.
6	Total. Add lines 1 through 5	6	474,831.
7	Inventory at end of year	7	9,184.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	465,647.

9a Check all methods used for valuing closing inventory:

(i) [X] 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 [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 B Other Information (see instructions)

		Yes	No
1	Check accounting method: a [X] Cash b [ ] Accrual c [ ] Other (specify) ►		
2	See the instructions and enter the: a Business activity ► BAR & GRILL b Product or service ► FOOD & LIQUOR		
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 qualified subchapter S subsidiary election made?		X
4	Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		X
5	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.		
6	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 the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years *(see instructions)* ► $		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
8	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
9	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If 'Yes', see instructions		X

Schedule K Shareholders' Pro Rata Share Items

			Total amount
INCOME (LOSS) 1	Ordinary business income (loss) (page 1, line 21)	1	-82,267.
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	
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)* Type ►	10	

	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	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 Alcohol and cellulosic biofuel fuels credit *(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 category	14d	
	e General category	14e	
	f Other *(attach statement)*	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 category	14i	
	j General category	14j	
	k Other *(attach statement)*	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	
	d Distributions *(attach stmt if required)* *(see instrs)*	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	-82,267.

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		20,228.		26,871.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		10,641.		9,184.
4 U.S. government obligations				
5 Tax-exempt securities *(see instructions)*				
6 Other current assets *(attach stmt)* ....SEE. ST. 4.		19,867.		27,866.
7 Loans to shareholders		60.		60.
8 Mortgage and real estate loans				
9 Other investments *(attach statement)*				
10a Buildings and other depreciable assets	720,496.		722,690.	
b Less accumulated depreciation	189,152.	531,344.	224,766.	497,924.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	4,563.		4,563.	
b Less accumulated amortization	3,685.	878.	3,818.	745.
14 Other assets *(attach stmt)* .... SEE. ST. 5.		5,728.		5,728.
15 Total assets		588,746.		568,378.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities *(attach stmt)* ..SEE. ST. 6.		29,701.		49,082.
19 Loans from shareholders		411,052.		456,052.
20 Mortgages, notes, bonds payable in 1 year or more		475,090.		443,219.
21 Other liabilities *(attach statement)* ....SEE. ST. 7.		84,620.		114,009.
22 Capital stock		2,300.		2,300.
23 Additional paid-in capital		25,200.		25,200.
24 Retained earnings		-439,217.		-521,484.
25 Adjustments to shareholders' equity *(att stmt)*				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		588,746.		568,378.

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	-82,267.	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 ..... $ b Travel and entertainment. $		6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation ... $	
		7 Add lines 5 and 6	0.
4 Add lines 1 through 3	-82,267.	8 Income (loss) (Schedule K, ln 18). Ln 4 less ln 7	-82,267.

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	-439,217.		
2 Ordinary income from page 1, line 21			
3 Other additions			
4 Loss from page 1, line 21	(82,267.)		
5 Other reductions			
6 Combine lines 1 through 5	-521,484.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	-521,484.		

671110

Schedule K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

2010

For calendar year 2010, or tax year beginning _____, 2010
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
712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
LARKIN L. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) -37,020.	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

*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 8
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 61
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

671110

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2010

For calendar year 2010, or tax year beginning _____, 2010 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
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number
_____

E Shareholder's name, address, city, state, and ZIP code
MARK HAMMOND
LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) -37,020.	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

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2010

SHAREHOLDER 2

SPSA0412L 07/19/10

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 8
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 61
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 8251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

671110

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2010

For calendar year 2010, or tax year beginning _____, 2010 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
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number
_____

E Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIS

GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 10 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) -8,227.	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

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2010

SHAREHOLDER 3

SPSA0412L 07/19/10

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

1 Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:

	Report on
Passive loss	See the Shareholder's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	

Code		
A	Other portfolio income (loss)	See the Shareholder's Instructions
B	Involuntary conversions	See the Shareholder's Instructions
C	Section 1256 contracts and straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub 535
E	Other income (loss)	See the Shareholder's Instructions

11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
A	Cash contributions (50%)	See the Shareholder's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions — royalty income	Schedule E, line 18
J	Section 59(e)(2) expenditures	See the Shareholder's Instructions
K	Deductions — portfolio (2% floor)	Schedule A, line 23
L	Deductions — portfolio (other)	Schedule A, line 28
M	Preproductive period expenses	See the Shareholder's Instructions
N	Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
O	Reforestation expense deduction	See the Shareholder's Instructions
P	Domestic production activities information	See Form 8903 Instructions
Q	Qualified production activities income	Form 8903, line 7b
R	Employer's Form W-2 wages	Form 8903, line 17
S	Other deductions	See the Shareholder's Instructions
13	Credits	
A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
D	Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
E	Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
F	Other rental real estate credits	
G	Other rental credits	
H	Undistributed capital gains credit	Form 1040, line 71, box a
I	Alcohol and cellulosic biofuel fuels credit	Form 6478, line 8
J	Work opportunity credit	Form 5884, line 3
K	Disabled access credit	See the Shareholder's Instructions
L	Empowerment zone and renewal community employment credit	Form 8844, line 3

Code		
M	Credit for increasing research activities	See the Shareholder's Instructions
N	Credit for employer social security and Medicare taxes	Form 8846, line 5
O	Backup withholding	Form 1040, line 61
P	Other credits	See the Shareholder's Instructions

14	Foreign transactions	
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
	Deductions allocated and apportioned at shareholder level	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
	Other information	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
A	Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal — gross income	
E	Oil, gas, & geothermal — deductions	
F	Other AMT items	
16	Items affecting shareholder basis	
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Shareholder's Instructions
C	Nondeductible expenses	
D	Distributions	
E	Repayment of loans from shareholders	
17	Other information	
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
D	Basis of energy property	See the Shareholder's Instructions
E	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
F	Recapture of low-income housing credit (other)	Form 8611, line 8
G	Recapture of investment credit	See Form 4255
H	Recapture of other credits	See the Shareholder's Instructions
I	Look-back interest — completed long-term contracts	See Form 8697
J	Look-back interest — income forecast method	See Form 8866
K	Dispositions of property with section 179 deductions	See the Shareholder's Instructions
L	Recapture of section 179 deduction	
M	Section 453(l)(3) information	
N	Section 453A(c) information	
O	Section 1260(b) information	
P	Interest allocable to production expenditures	
Q	CCF nonqualified withdrawals	
R	Depletion information — oil and gas	
S	Amortization of reforestation costs	
T	Section 108(i) information	
U	Other information	

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 or is attaching Form 2553 to elect to be an S corporation.
► See separate instructions.

OMB No. 1545-0130

2011

For calendar year 2011 or tax year beginning , 2011, ending ,

A S election effective date: 8/10/2001	TYPE OR PRINT	BEACHFRONT FOODS, INC. LARKIN'S CAROLINA GRILL P.O. BOX 712 LAKE LURE, NC 28746	D Employer identification number: 1712
B Business activity code number (see instrs): 722410			E Date incorporated: 8/10/2001
C Check if Sch M-3 attached ☐			F Total assets (see instructions): $ 643,048.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not previously filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ► 3

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

INCOME	1a	Merchant card and third-party payments. For 2011, enter -0-	1a	0.	
	b	Gross receipts or sales not reported on line 1a (see instructions)	1b	664,286.	
	c	Total. Add lines 1a and 1b	1c	664,286.	
	d	Returns and allowances plus any other adjustments (see instructions)	1d		
	e	Subtract line 1d from line 1c			1e 664,286.
	2	Cost of goods sold (attach Form 1125-A)			2 566,855.
	3	Gross profit. Subtract line 2 from line 1e			3 97,431.
	4	Net gain (loss) from Form 4797, Part II, line 17 *(attach Form 4797)*			4
	5	Other income (loss) *(see instrs – attach statement)*			5
	6	Total income (loss). Add lines 3 through 5			► 6 97,431.
DEDUCTIONS (SEE INSTRS)	7	Compensation of officers			7
	8	Salaries and wages (less employment credits)			8 7,301.
	9	Repairs and maintenance			9 11,046.
	10	Bad debts			10
	11	Rents			11 54,663.
	12	Taxes and licenses			12 7,944.
	13	Interest			13 23,843.
	14	Depreciation not claimed on Form 1125-A or elsewhere on return *(attach Form 4562)*			14 27,703.
	15	Depletion (Do not deduct oil and gas depletion.)			15
	16	Advertising			16 39,036.
	17	Pension, profit-sharing, etc, plans			17
	18	Employee benefit programs			18
	19	Other deductions *(attach statement)* SEE STATEMENT 1			19 111,160.
	20	Total deductions. Add lines 7 through 19			► 20 282,696.
	21	Ordinary business income (loss). Subtract line 20 from line 6			21 -185,265.
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	2011 estimated tax payments and 2010 overpayment credited to 2011	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	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed			25 0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid			26
	27	Enter amount from line 26 Credited to 2012 estimated tax Refunded			27

Sign Here

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

► Signature of officer — Date — ► PRESIDENT Title

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

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
MARK E. LEWINTER				P00036004

Firm's name ► LEWINTER | THELANDER CPAS | BUSINESS ADVISORS — Firm's EIN ► 33-0549077

Firm's address ► 27405 PUERTA REAL, SUITE 340, MISSION VIEJO, CA 92691 — Phone no. 949.365.1040

BAA For Paperwork Reduction Act Notice, see separate instructions. SPSA0105L 11/01/11

DEFENDANT'S EXHIBIT 30 T

Schedule B Other Information (see instructions)

		Yes	No
1	Check accounting method: a [X] Cash b [ ] Accrual c [ ] Other (specify) ►		
2	See the instructions and enter the: a Business activity ► BAR & GRILL b Product or service ► FOOD & LIQUOR		
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 qualified subchapter S subsidiary election made?		X
4	Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		X
5	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.		
6	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 the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years *(see instructions)* ► $		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year ► $		
8	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
9	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If 'Yes', see instructions		X
10a	Did the corporation make any payments in 2011 that would require it to file Form(s) 1099 (see instructions)?	X	
b	If 'Yes,' did the corporation file or will it file all required Forms 1099?	X	

Schedule K Shareholders' Pro Rata Share Items

			Total amount
INCOME (LOSS)	1 Ordinary business income (loss) (page 1, line 21)	1	-185,265.
	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	
	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)* Type ►	10	

	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	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 Alcohol and cellulosic biofuel fuels credit *(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 category	14d	
	e General category	14e	
	f Other *(attach statement)*	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 category	14i	
	j General category	14j	
	k Other *(attach statement)*	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	402.
	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	
	d Distributions *(attach stmt if required)* *(see instrs)*	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	-105,265.

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		26,871.		146,411.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		9,184.		11,963.
4 U.S. government obligations				
5 Tax-exempt securities *(see instructions)*				
6 Other current assets *(attach stmt)* SEE ST 2		27,866.		
7 Loans to shareholders		60.		60.
8 Mortgage and real estate loans				
9 Other investments *(attach statement)*				
10a Buildings and other depreciable assets	722,690.		730,743.	
b Less accumulated depreciation	224,766.	497,924.	252,469.	478,274.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	4,563.		4,563.	
b Less accumulated amortization	3,818.	745.	3,951.	612.
14 Other assets *(attach stmt)* SEE ST 3		5,728.		5,728.
15 Total assets		568,378.		643,048.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities *(attach stmt)* SEE ST 4		49,082.		43,949.
19 Loans from shareholders		456,052.		556,052.
20 Mortgages, notes, bonds payable in 1 year or more		443,219.		404,514.
21 Other liabilities *(attach statement)* SEE ST 5		114,009.		317,782.
22 Capital stock		2,300.		2,300.
23 Additional paid-in capital		25,200.		25,200.
24 Retained earnings		-521,484.		-706,749.
25 Adjustments to shareholders' equity *(attach stmt)*				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		568,378.		643,048.

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	-185,265.	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 $ b Travel and entertainment $		6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation $	
		7 Add lines 5 and 6	0.
4 Add lines 1 through 3	-185,265.	8 Income (loss) (Schedule K, line 18). Line 4 less line 7	-185,265.

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	-521,484.		
2 Ordinary income from page 1, line 21			
3 Other additions			
4 Loss from page 1, line 21	(185,265.)		
5 Other reductions			
6 Combine lines 1 through 5	-706,749.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	-706,749.		

Form 1125-A
(December 2011)
Department of the Treasury
Internal Revenue Service

Cost of Goods Sold

► Attach to Form 1120, 1120-C, 1120-F, 1120-S, 1065, and 1065-B.

OMB No. 1545-2225

Name: BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL

Employer identification number: 2712

1	Inventory at beginning of year	1	9,184.
2	Purchases	2	285,129.
3	Cost of labor	3	221,388.
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule) SEE STATEMENT 6	5	63,117.
6	Total. Add lines 1 through 5	6	578,818.
7	Inventory at end of year	7	11,963.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return (see instructions)	8	566,855.

9a Check all methods used for valuing closing inventory:

(i) [X] Cost
(ii) [ ] Lower of cost or market
(iii) [ ] Other (Specify method used and att. expl.) ►

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 amount 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

BAA For Paperwork Reduction Act Notice, see separate instructions. Form 1125-A (12-2011)

CPC20401L 01/25/12

671111

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2011

For calendar year 2011, or tax year beginning _____, 2011 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
5 i2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
LARKIN L. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

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

1	Ordinary business income (loss) -83,369.	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 A	Alternative minimum tax (AMT) items 181.
11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions		
		17	Other information

*See attached statement for additional information.

FOR IRS USE ONLY

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2011

SHAREHOLDER 1

SPSA0412L 08/02/11

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 3b
7	Net short-term capital gain (loss)	Schedule D, line 5
8a	Net long-term capital gain (loss)	Schedule D, line 12
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal community employment credit	
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	See the Shareholder's Instructions
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

SHAREHOLDER 1 : LARKIN L. HAMMOND

671111

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2011

For calendar year 2011, or tax year beginning _____, 2011 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
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
MARK HAMMOND
LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

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

1	Ordinary business income (loss) -83,369.	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 A	Alternative minimum tax (AMT) items 181.
11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions		
		17	Other information

*See attached statement for additional information.

FOR IRS USE ONLY

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2011

SHAREHOLDER 2

SPSA0412L 08/02/11

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5 a	Ordinary dividends	Form 1040, line 9a
5 b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 3b
7	Net short-term capital gain (loss)	Schedule D, line 5
8 a	Net long-term capital gain (loss)	Schedule D, line 12
8 b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8 c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal community employment credit	
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	See the Shareholder's Instructions
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

671111

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2011

For calendar year 2011, or tax year beginning _____, 2011 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
2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL
P.O. BOX 712
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE PERTHTS

GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 10 %

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

1	Ordinary business income (loss) -18,527.	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
		A	40.
11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions		
		17	Other information

*See attached statement for additional information.

FOR IRS USE ONLY

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2011

SHAREHOLDER 3

SPSA0412L 08/02/11

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

1 Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:

	Report on
Passive loss	See the Shareholder's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 3b
7	Net short-term capital gain (loss)	Schedule D, line 5
8a	Net long-term capital gain (loss)	Schedule D, line 12
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	

Code		
A	Other portfolio income (loss)	See the Shareholder's Instructions
B	Involuntary conversions	See the Shareholder's Instructions
C	Section 1256 contracts and straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub 535
E	Other income (loss)	See the Shareholder's Instructions

11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
A	Cash contributions (50%)	See the Shareholder's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions — royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Shareholder's Instructions
K	Deductions — portfolio (2% floor)	Schedule A, line 23
L	Deductions — portfolio (other)	Schedule A, line 28
M	Preproductive period expenses	See the Shareholder's Instructions
N	Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
O	Reforestation expense deduction	See the Shareholder's Instructions
P	Domestic production activities information	See Form 8903 Instructions
Q	Qualified production activities income	Form 8903, line 7b
R	Employer's Form W-2 wages	Form 8903, line 17
S	Other deductions	See the Shareholder's Instructions
13	Credits	
A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	
G	Other rental credits	
H	Undistributed capital gains credit	Form 1040, line 71, box a
I	Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
J	Work opportunity credit	
K	Disabled access credit	
L	Empowerment zone and renewal community employment credit	
M	Credit for increasing research activities	See the Shareholder's Instructions
N	Credit for employer social security and Medicare taxes	See the Shareholder's Instructions
O	Backup withholding	Form 1040, line 62
P	Other credits	See the Shareholder's Instructions

14	Foreign transactions	
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
	Deductions allocated and apportioned at shareholder level	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
	Other Information	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
A	Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal — gross income	
E	Oil, gas, & geothermal — deductions	
F	Other AMT items	
16	Items affecting shareholder basis	
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Shareholder's Instructions
C	Nondeductible expenses	
D	Distributions	
E	Repayment of loans from shareholders	
17	Other information	
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
D	Basis of energy property	See the Shareholder's Instructions
E	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
F	Recapture of low-income housing credit (other)	Form 8611, line 8
G	Recapture of investment credit	See Form 4255
H	Recapture of other credits	See the Shareholder's Instructions
I	Look-back interest — completed long-term contracts	See Form 8697
J	Look-back interest — income forecast method	See Form 8866
K	Dispositions of property with section 179 deductions	See the Shareholder's Instructions
L	Recapture of section 179 deduction	
M	Section 453(l)(3) information	
N	Section 453A(c) information	
O	Section 1260(b) information	
P	Interest allocable to production expenditures	
Q	CCF nonqualified withdrawals	
R	Depletion information — oil and gas	
S	Amortization of reforestation costs	
T	Section 108(i) information	
U	Other information	

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 or is attaching Form 2553 to elect to be an S corporation.
► Information about Form 1120S and its separate instructions is at www.irs.gov/form1120s.

OMB No. 1545-0130

2012

For calendar year 2012 or tax year beginning , 2012, ending

A S election effective date: 8/10/2001	TYPE OR PRINT: BEACHFRONT FOODS, INC. LARKIN'S CAROLINA GRILL 1020 MEMORIAL HIGHWAY LAKE LURE, NC 28746	D Employer identification number: 2712
B Business activity code number (see instrs): 722410		E Date incorporated: 8/10/2001
C Check if Schedule M-3 attached ☐		F Total assets (see instructions): $ 497,456.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not already filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☒ Address change
(4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ► 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	1a	712,108.	
	b	Returns and allowances	1b		
	c	Balance. Subtract line 1b from line 1a			1c 712,108.
	2	Cost of goods sold (attach Form 1125-A)			2 567,476.
	3	Gross profit. Subtract line 2 from line 1c			3 144,632.
	4	Net gain (loss) from Form 4797, line 17 (attach Form 4797)			4
	5	Other income (loss) *(see instrs – attach statement)* SEE STATEMENT 1			5 433.
	6	Total income (loss). Add lines 3 through 5 ►			6 145,065.
DEDUCTIONS (SEE INSTRS)	7	Compensation of officers			7
	8	Salaries and wages (less employment credits)			8
	9	Repairs and maintenance			9 11,587.
	10	Bad debts			10
	11	Rents			11 52,704.
	12	Taxes and licenses			12 6,430.
	13	Interest			13 22,122.
	14	Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)			14 28,512.
	15	Depletion (Do not deduct oil and gas depletion.)			15
	16	Advertising			16 37,432.
	17	Pension, profit-sharing, etc, plans			17
	18	Employee benefit programs			18
	19	Other deductions (attach statement) SEE STATEMENT 2			19 104,894.
	20	Total deductions. Add lines 7 through 19 ►			20 263,681.
	21	Ordinary business income (loss). Subtract line 20 from line 6			21 -118,616.
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	2012 estimated tax payments and 2011 overpayment credited to 2012	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	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed			25 0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid			26
	27	Enter amount from line 26 Credited to 2013 estimated tax ►	Refunded ►		27

Sign Here

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

► _____ Signature of officer — Date — ► PRESIDENT Title

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

Paid Preparer Use Only

Print/Type preparer's name: MARK E. LEWINTER	Preparer's signature	Date	Check ☐ if self-employed: PTIN P00036004
Firm's name ► LEWINTER TAX ASSOCIATES, INC.			Firm's EIN ► 33-0549077
Firm's address ► 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691			Phone no. 949.365.1040

BAA For Paperwork Reduction Act Notice, see separate instructions. SPSA0105L 12/30/12 Form 1120S (2012)

DEFENDANT'S EXHIBIT 30 K

Schedule B **Other Information (see instructions)**

		Yes	No
1	Check accounting method: a [X] Cash b [ ] Accrual c [ ] Other (specify) ▶		
2	See the instructions and enter the: a Business activity ▶ BAR & GRILL b Product or service ▶ FOOD & LIQUOR		
3	At any time during the tax year, was any shareholder of the corporation a disregarded entity, a trust, an estate, or a nominee or similar person?		X
4a	At the end of the tax year, did the corporation: Own directly 20% or more, or own, directly or indirectly, 50% or more of the total stock issued and outstanding of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If 'Yes,' complete (i) through (v) below		X

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage of Stock Owned	(v) If Percentage in (iv) Is 100%, Enter the Date (if any) a Qualified Subchapter S Subsidiary Election Was Made

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

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

		Yes	No
5a	At the end of the tax year, did the corporation have any outstanding shares of restricted stock? If 'Yes,' complete lines (i) and (ii) below. (i) Total shares of restricted stock ▶ (ii) Total shares of non-restricted stock ▶		X
b	At the end of the tax year, did the corporation have any outstanding stock options, warrants, or similar instruments? If 'Yes,' complete lines (i) and (ii) below. (i) Total shares of stock outstanding at the end of the tax year ▶ (ii) Total shares of stock outstanding if all instruments were executed ▶		X
6	Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		X
7	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.		
8	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 the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years (see instructions) ▶ $		
9	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
10	Does the corporation satisfy both of the following conditions? a The corporation's total receipts (see instructions) for the tax year were less than $250,000		
	b The corporation's total assets at the end of the tax year were less than $250,000 If 'Yes,' the corporation is not required to complete Schedules L and M-1.		X
11	During the tax year, did the corporation have any non-shareholder debt that was canceled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt? If 'Yes,' enter the amount of principal reduction $		X
12	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If 'Yes', see instructions		X
13a	Did the corporation make any payments in 2012 that would require it to file Form(s) 1099?	X	
b	If 'Yes,' did the corporation file or will it file required Forms 1099?	X	

Schedule K	Shareholders' Pro Rata Share Items		Total amount
Income (Loss)	1 Ordinary business income (loss) (page 1, line 21)	1	-118,616.
	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	
	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) Type ►	10	
Deductions	11 Section 179 deduction (attach Form 4562)	11	
	12a Charitable 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	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 Alcohol and cellulosic biofuel fuels credit (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 category	14d	
	e General category	14e	
	f Other (attach statement)	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 category	14i	
	j General category	14j	
	k Other (attach statement)	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	563.
	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	86.
	d Distributions (attach stmt if required) (see instrs)	16d	
	e Repayment of loans from shareholders	16e	100,000.

Schedule K	Shareholders' Pro Rata Share Items (continued)		Total amount
Other Information	17a Investment income	17a	
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	-118,616.

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
	Assets	(a)	(b)	(c)	(d)
1	Cash		146,411.		29,209.
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories		11,963.		11,417.
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach stmt)				
7	Loans to shareholders		60.		60.
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets	730,743.		731,544.	
b	Less accumulated depreciation	252,469.	478,274.	280,981.	450,563.
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)	4,563.		4,563.	
b	Less accumulated amortization	3,951.	612.	4,084.	479.
14	Other assets (attach stmt) SEE ST 3		5,728.		5,726.
15	Total assets		643,046.		497,456.
	Liabilities and Shareholders' Equity				
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach stmt) SEE ST 4		43,949.		48,411.
19	Loans from shareholders		556,052.		456,052.
20	Mortgages, notes, bonds payable in 1 year or more		404,514.		366,593.
21	Other liabilities (attach statement) SEE ST 5		317,782.		424,351.
22	Capital stock		2,300.		2,300.
23	Additional paid-in capital		25,200.		25,200.
24	Retained earnings		-706,749.		-825,451.
25	Adjustments to shareholders' equity (att stmt)				
26	Less cost of treasury stock				
27	Total liabilities and shareholders' equity		643,048.		497,456.

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	-118,702.	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 $ b Travel and entertainment $ 86.	86.	6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation $	
		7 Add lines 5 and 6	0.
4 Add lines 1 through 3	-118,616.	8 Income (loss) (Schedule K, line 18). Ln 4 less ln 7	-118,616.

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	-706,749.		
2 Ordinary income from page 1, line 21			
3 Other additions			
4 Loss from page 1, line 21	(118,616.)		
5 Other reductions SEE STATEMENT 6	(86.)		
6 Combine lines 1 through 5	-825,451.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	-825,451.		

Form **1125-A**
(Rev December 2012)
Department of the Treasury
Internal Revenue Service

Cost of Goods Sold

► Attach to Form 1120, 1120-C, 1120-F, 1120-S, 1065, or 1065-B.
► Information about Form 1125-A and its instructions is at *www.irs.gov/form1125a*.

OMB No. 1545-2225

Name: BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL

Employer identification number: 2712

1	Inventory at beginning of year	1	11,963.
2	Purchases	2	277,815.
3	Cost of labor	3	237,532.
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule) SEE STATEMENT 7	5	51,583.
6	Total. Add lines 1 through 5	6	578,893.
7	Inventory at end of year	7	11,417.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return (see Instructions)	8	567,476.

9a Check all methods used for valuing closing inventory:
- (i) [X] 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 amount 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 entity (see Instructions)? [ ] 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

671112

Schedule K-1
(Form 1120S)
Department of the Treasury
Internal Revenue Service

2012

For calendar year 2012, or tax year beginning _____, 2012
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
i2712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
LARKIN L. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

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

1	Ordinary business income (loss) -53,377.	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 A	Alternative minimum tax (AMT) items 253.
11	Section 179 deduction	16 C	Items affecting shareholder basis 39.
12	Other deductions	E	50,000.
		17	Other information

*See attached statement for additional information.

FOR IRS USE ONLY

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

1 Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:

	Report on
Passive loss	See the Shareholder's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2 Net rental real estate income (loss) — See the Shareholder's Instructions

3 Other net rental income (loss)

Net income	Schedule E, line 28, column (g)
Net loss	See the Shareholder's Instructions

4 Interest income	Form 1040, line 8a
5a Ordinary dividends	Form 1040, line 9a
5b Qualified dividends	Form 1040, line 9b
6 Royalties	Schedule E, line 4
7 Net short-term capital gain (loss)	Schedule D, line 5
8a Net long-term capital gain (loss)	Schedule D, line 12
8b Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c Unrecaptured section 1250 gain	See the Shareholder's Instructions
9 Net section 1231 gain (loss)	See the Shareholder's Instructions

10 Other income (loss)

Code		
A	Other portfolio income (loss)	See the Shareholder's Instructions
B	Involuntary conversions	See the Shareholder's Instructions
C	Sec. 1256 contracts and straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub 535
E	Other income (loss)	See the Shareholder's Instructions

11 Section 179 deduction	See the Shareholder's Instructions

12 Other deductions

A	Cash contributions (50%)	See the Shareholder's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions — royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Shareholder's Instructions
K	Deductions — portfolio (2% floor)	Schedule A, line 23
L	Deductions — portfolio (other)	Schedule A, line 28
M	Preproductive period expenses	See the Shareholder's Instructions
N	Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
O	Reforestation expense deduction	See the Shareholder's Instructions
P	Domestic production activities information	See Form 8903 Instructions
Q	Qualified production activities income	Form 8903, line 7b
R	Employer's Form W-2 wages	Form 8903, line 17
S	Other deductions	See the Shareholder's Instructions

13 Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	
G	Other rental credits	
H	Undistributed capital gains credit	Form 1040, line 71, box a
I	Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
J	Work opportunity credit	
K	Disabled access credit	
L	Empowerment zone and renewal community employment credit	

Code		Report on
M	Credit for increasing research activities	See the Shareholder's Instructions
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	

14 Foreign transactions

A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
D	Passive category	Form 1118, Part I
E	General category	
F	Other	
	Deductions allocated and apportioned at shareholder level	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
I	Passive category	Form 1118, Part I
J	General category	
K	Other	
	Other information	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Shareholder's Instructions

15 Alternative minimum tax (AMT) items

A	Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal — gross income	
E	Oil, gas, & geothermal — deductions	
F	Other AMT items	

16 Items affecting shareholder basis

A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Shareholder's Instructions
C	Nondeductible expenses	
D	Distributions	
E	Repayment of loans from shareholders	

17 Other information

A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
D	Basis of energy property	See the Shareholder's Instructions
E	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
F	Recapture of low-income housing credit (other)	Form 8611, line 8
G	Recapture of investment credit	See Form 4255
H	Recapture of other credits	See the Shareholder's Instructions
I	Look-back interest — completed long-term contracts	See Form 8697
J	Look-back interest — income forecast method	See Form 8866
K	Dispositions of property with section 179 deductions	See the Shareholder's Instructions
L	Recapture of section 179 deduction	
M	Section 453(l)(3) information	
N	Section 453A(c) information	
O	Section 1260(b) information	
P	Interest allocable to production expenditures	
Q	CCF nonqualified withdrawals	
R	Depletion information — oil and gas	
S	Amortization of reforestation costs	
T	Section 199(d) information	
U	Other information	

SHAREHOLDER 1 : LARKIN L. HAMMOND

671112

Schedule K-1
(Form 1120S)
Department of the Treasury
Internal Revenue Service

2012

For calendar year 2012, or tax year beginning _____, 2012
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
?712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
MARK HAMMOND
LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 45 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) -53,377.	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 A	Alternative minimum tax (AMT) items 254.
11	Section 179 deduction	16 C	Items affecting shareholder basis 38.
12	Other deductions	E	50,000.
		17	Other information

*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5 a	Ordinary dividends	Form 1040, line 9a
5 b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5
8 a	Net long-term capital gain (loss)	Schedule D, line 12
8 b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8 c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Sec. 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal community employment credit	
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	
	P Other credits	
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

SHAREHOLDER 2 : MARK HAMMOND

671112

Schedule K-1 (Form 1120S)
Department of the Treasury Internal Revenue Service

2012

For calendar year 2012, or tax year beginning _____, 2012 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
:712

B Corporation's name, address, city, state, and ZIP code
BEACHFRONT FOODS, INC.
LARKIN'S CAROLINA GRILL
1020 MEMORIAL HIGHWAY
LAKE LURE, NC 28746

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE PERTUIS

GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 10 %

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

1	Ordinary business income (loss) -11,862.	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 A	Alternative minimum tax (AMT) items 56.
11	Section 179 deduction	16 C	Items affecting shareholder basis 9.
12	Other deductions		
		17	Other information

*See attached statement for additional information.

FOR IRS USE ONLY

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5
8a	Net long-term capital gain (loss)	Schedule D, line 12
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Sec. 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal community employment credit	
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	
	P Other credits	
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q COF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

SHAREHOLDER 3 : KYLE PERTUIS

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: 3/17/2005	Use the IRS label. Other-wise, print or type.	C Employer identification number: 3593
B Business code number (see instructions): 722110	FRONT ROE RESTAURANTS, INC. LARKIN'S ON THE RIVER 318 SOUTH MAIN STREET GREENVILLE, SC 29601	D Date incorporated: 3/17/2005 E Total assets (see instructions): $ 1,198,833.

F Check applicable boxes: (1) [X] 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 ► 2

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: 1,120,724. b Less returns and allowances: c Bal ►		1c	1,120,724.
	2	Cost of goods sold (Schedule A, line 8)		2	666,111.
	3	Gross profit. Subtract line 2 from line 1c		3	454,613.
	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	454,613.
Deductions (See instructions)	7	Compensation of officers		7	
	8	Salaries and wages (less employment credits)		8	
	9	Repairs and maintenance		9	15,975.
	10	Bad debts		10	
	11	Rents		11	72,428.
	12	Taxes and licenses		12	9,441.
	13	Interest		13	46,960.
	14a	Depreciation *(attach Form 4562)*	14a 79,366.		
	b	Depreciation claimed on Schedule A and elsewhere on return	14b		
	c	Subtract line 14b from line 14a		14c	79,366.
	15	Depletion (Do not deduct oil and gas depletion.)		15	
	16	Advertising		16	55,654.
	17	Pension, profit-sharing, etc, plans		17	
	18	Employee benefit programs		18	
	19	Other deductions *(attach statement)* SEE STATEMENT 1		19	257,500.
	20	Total deductions. Add the amounts shown in the far right column for lines 7 through 19 ►		20	537,324.
	21	Ordinary business income (loss). Subtract line 20 from line 6		21	-82,711.
Tax and Payments	22	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	
	23	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	0.
	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	

DO NOT FILE

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.	May the IRS discuss this return with the preparer shown below (see instructions)? [X] Yes [ ] No
	► Signature of officer — Date — ► Title	

Paid Preparer's Use Only	Preparer's signature ►	Date	Check if self-employed [ ]	Preparer's SSN or PTIN: P00036004
	Firm's name (or yours if self-employed), address, and ZIP code ► LEWINTER | THELANDER CPAS | BUSINESS ADVISORS 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691		EIN	20-1969491

DEFENDANT'S EXHIBIT 31 A

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. 0S (2005)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	368,005.
3	Cost of labor	3	266,852.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 2	5	49,654.
6	Total. Add lines 1 through 5	6	684,511.
7	Inventory at end of year	7	18,400.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	666,111.

9a Check all methods used for valuing closing inventory:
- (i) [X] 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 [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 B Other Information (see instructions)

		Yes	No
1	Check method of accounting: (a) [X] Cash (b) [ ] Accrual (c) [ ] Other (specify) ▶		
2	See the instructions and enter the: (a) Business activity ▶ RESTAURANT (b) Product or service ▶ FOOD SERVICE		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name, address, and employer identification number and (b) percentage owned		X
4	Was the corporation a member of a controlled group subject to the provisions of section 1561?		X
5	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 ▶ [ ]		
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

DO NOT FILE

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	-82,711.
	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	
	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	

	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	19,053.
	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	273.
	d Property distributions	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	
	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	-82,711.

DO NOT FILE

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				1,500.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories				18,400.
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach stmt) SEE ST 3				16,000.
7 Loans to shareholders				54,421.
8 Mortgage and real estate loans				
9 Other investments (attach statement)				
10a Buildings and other depreciable assets			614,577.	
b Less accumulated depreciation			79,366.	535,211.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)			599,966.	
b Less accumulated amortization			26,665.	573,301.
14 Other assets (attach stmt)				
15 Total assets		0.		1,198,833.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach stmt) SEE ST 4				1,031,817.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more				
21 Other liabilities (attach statement)				
22 Capital stock				250,000.
23 Additional paid-in capital				
24 Retained earnings				-82,984.
25 Adjustments to shareholders' equity (att stmt)				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		0.		1,198,833.

DO NOT FILE

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

1 Net income (loss) per books	-82,984.	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 $ b Travel and entertainment $ 273.	273.	6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation $	
4 Add lines 1 through 3	-82,711.	7 Add lines 5 and 6	0.
		8 Income (loss) (Schedule K, line 17e), Ln 4 less ln 7	-82,711.

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	0.		
2 Ordinary income from page 1, line 21			
3 Other additions			
4 Loss from page 1, line 21	(82,711.)		
5 Other reductions SEE STATEMENT 5	(273.)		
6 Combine lines 1 through 5	-82,984.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	-82,984.		

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
3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
MARK D HAMMONM
LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 50 %

DO NOT FILE

FOR IRS USE ONLY

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

1	Ordinary business income (loss) -41,356.	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 A	Alternative minimum tax (AMT) items 9,527.
11	Section 179 deduction	16 C	Items affecting shareholder basis 137.
12	Other deductions		
		17	Other Information

*See attached statement for additional information.

SHAREHOLDER 1

SPSA0412L 12/08/05

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Enter on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	Schedule A, line 15a
	B Cash contributions (30%)	Schedule A, line 15a
	C Noncash contributions (50%)	Schedule A, line 16
	D Noncash contributions (30%)	Schedule A, line 16
	E Capital gain property to a 50% organization (30%)	Schedule A, line 16
	F Capital gain property (20%)	Schedule A, line 16
	G Cash contributions (100%)	See the Shareholder's Instructions
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 22
	L Deductions — portfolio (other)	Schedule A, line 27
	M Reforestation expense deduction	See the Shareholder's Instructions
	N Preproductive period expenses	See the Shareholder's Instructions
	O Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's W-2 wages	Form 8903, line 13
	S Other deductions	See the Shareholder's Instructions
13	Credits and credit recapture	
	A Low-income housing credit (section 42(j)(5))	Form 8586, line 4
	B Low-income housing credit (other)	Form 8586, line 4
	C Qualified rehabilitation expenditures (rental real estate)	Form 3468, line 1
	D Qualified rehabilitation expenditures (other than rental real estate)	Form 3468, line 1
	E Basis of energy property	See the Shareholder's Instructions
	F Other rental real estate credits	See the Shareholder's Instructions
	G Other rental credits	See the Shareholder's Instructions
	H Undistributed capital gains credit	Form 1040, line 70, box a
	I Credit for alcohol used as fuel	Form 6478, line 4
	J Work opportunity credit	Form 5884, line 3
	K Welfare-to-work credit	Form 8861, line 3
	L Disabled access credit	Form 8826, line 7

		Enter on
	Code	
	M Empowerment zone and renewal community employment credit	Form 8844, line 3
	N Credit for increasing research activities	Form 6765, line 42
	O New markets credit	Form 8874, line 2
	P Credit for employer social security and Medicare taxes	Form 8846, line 5
	Q Backup withholding	Form 1040, line 64
	R Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	S Recapture of low-income housing credit (other)	Form 8611, line 8
	T Recapture of investment credit	See Form 4255
	U Other credits	See the Shareholder's Instructions
	V Recapture of other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	Form 1116, Part I
	C Gross income sourced at shareholder level	Form 1116, Part I
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	Form 1116, Part I
	F General limitation	Form 1116, Part I
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	Form 1116, Part I
	K General limitation	Form 1116, Part I
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	See the Shareholder's Instructions
	D Property distributions	See the Shareholder's Instructions
	E Repayment of loans from shareholders	See the Shareholder's Instructions
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Look-back interest — completed long-term contracts	See Form 8697
	D Look-back interest — income forecast method	See Form 8866
	E Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	F Recapture of section 179 deduction	
	G Section 453(l)(3) information	
	H Section 453A(c) information	
	I Section 1260(b) information	
	J Interest allocable to production expenditures	
	K CCF nonqualified withdrawal	
	L Information needed to figure depletion — oil and gas	
	M Amortization of reforestation costs	
	N Other information	

DO NOT FILE

SPSA0431 12/8/05

SHAREHOLDER 1 : MARK D. HAMMOND

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
3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
LARKIN T. HAMMOND

LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 50 %

DO NOT FILE

FOR IRS USE ONLY

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

1	Ordinary business income (loss) -41,355.	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 A	Alternative minimum tax (AMT) items 9,526.
11	Section 179 deduction	16 C	Items affecting shareholder basis 136.
12	Other deductions		
		17	Other information

*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Enter on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	Schedule A, line 15a
	B Cash contributions (30%)	Schedule A, line 15a
	C Noncash contributions (50%)	Schedule A, line 16
	D Noncash contributions (30%)	Schedule A, line 16
	E Capital gain property to a 50% organization (30%)	Schedule A, line 16
	F Capital gain property (20%)	Schedule A, line 16
	G Cash contributions (100%)	See the Shareholder's Instructions
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 22
	L Deductions — portfolio (other)	Schedule A, line 27
	M Reforestation expense deduction	See the Shareholder's Instructions
	N Preproductive period expenses	See the Shareholder's Instructions
	O Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's W-2 wages	Form 8903, line 13
	S Other deductions	See the Shareholder's Instructions
13	Credits and credit recapture	
	A Low-income housing credit (section 42(j)(5))	Form 8586, line 4
	B Low-income housing credit (other)	Form 8586, line 4
	C Qualified rehabilitation expenditures (rental real estate)	Form 3468, line 1
	D Qualified rehabilitation expenditures (other than rental real estate)	Form 3468, line 1
	E Basis of energy property	See the Shareholder's Instructions
	F Other rental real estate credits	See the Shareholder's Instructions
	G Other rental credits	See the Shareholder's Instructions
	H Undistributed capital gains credit	Form 1040, line 70, box a
	I Credit for alcohol used as fuel	Form 6478, line 4
	J Work opportunity credit	Form 5884, line 3
	K Welfare-to-work credit	Form 8861, line 3
	L Disabled access credit	Form 8826, line 7

	Code	Enter on
	M Empowerment zone and renewal community employment credit	Form 8844, line 3
	N Credit for increasing research activities	Form 6765, line 42
	O New markets credit	Form 8874, line 2
	P Credit for employer social security and Medicare taxes	Form 8846, line 5
	Q Backup withholding	Form 1040, line 64
	R Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	S Recapture of low-income housing credit (other)	Form 8611, line 8
	T Recapture of investment credit	See Form 4255
	U Other credits	See the Shareholder's Instructions
	V Recapture of other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	Form 1116, Part I
	C Gross income sourced at shareholder level	Form 1116, Part I
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	Form 1116, Part I
	F General limitation	Form 1116, Part I
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	Form 1116, Part I
	K General limitation	Form 1116, Part I
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	See the Shareholder's Instructions
	D Property distributions	See the Shareholder's Instructions
	E Repayment of loans from shareholders	See the Shareholder's Instructions
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Look-back interest — completed long-term contracts	See Form 8697
	D Look-back interest — income forecast method	See Form 8866
	E Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	F Recapture of section 179 deduction	
	G Section 453(l)(3) information	
	H Section 453A(c) information	
	I Section 1260(b) information	
	J Interest allocable to production expenditures	
	K CCF nonqualified withdrawal	
	L Information needed to figure depletion — oil and gas	
	M Amortization of reforestation costs	
	N Other information	

DO NOT FILE

SHAREHOLDER 2 : LARKIN L. HAMMOND.

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: 3/17/2005	Use the IRS label. Otherwise, print or type.	FRONT ROE RESTAURANTS, INC. LARKIN'S ON THE RIVER 318 SOUTH MAIN STREET GREENVILLE, SC 29601	C Employer identification number: 3593
B Business activity code number (see instructions): 722110			D Date incorporated: 3/17/2005
			E Total assets (see instructions): $ 1,130,098.

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 ► 2

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	2,159,702.	b Less returns and allowances	c Bal ► 1c	2,159,702.
	2	Cost of goods sold (Schedule A, line 8)			2	1,233,038.
	3	Gross profit. Subtract line 2 from line 1c			3	926,664.
	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	926,664.
Deductions (see instructions)	7	Compensation of officers			7	
	8	Salaries and wages (less employment credits)			8	
	9	Repairs and maintenance			9	20,062.
	10	Bad debts			10	
	11	Rents			11	102,080.
	12	Taxes and licenses			12	25,102.
	13	Interest			13	70,147.
	14	Depreciation not claimed on Schedule A or elsewhere on return (attach Form 4562)			14	129,626.
	15	Depletion (Do not deduct oil and gas depletion.)			15	
	16	Advertising			16	53,993.
	17	Pension, profit-sharing, etc, plans			17	
	18	Employee benefit programs			18	15,461.
	19	Other deductions (attach statement)	SEE STATEMENT 1		19	487,926.
	20	Total deductions. Add lines 7 through 19			► 20	904,397.
	21	Ordinary business income (loss). Subtract line 20 from line 6			21	22,267.
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	0.
	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	

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)? [X] Yes ☐ No

Paid Preparer's Use Only

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

Firm's name (or yours if self-employed), address, and ZIP code ► LEWINTER | THELANDER CPAS | BUSINESS ADVIS
27405 PUERTA REAL, SUITE 340
MISSION VIEJO, CA 92691

DEFENDANT'S EXHIBIT 3 B

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. 1120S (2006)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	18,400.
2	Purchases	2	698,727.
3	Cost of labor	3	478,581.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 2	5	97,989.
6	Total. Add lines 1 through 5	6	1,293,697.
7	Inventory at end of year	7	60,659.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	1,233,038.

9a Check all methods used for valuing closing inventory:
- (i) [X] 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 [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 B Other Information (see instructions)

		Yes	No
1	Check accounting method: a [X] Cash b [ ] Accrual c [ ] Other (specify) ▶		
2	See the instructions and enter the: a Business activity ▶ RESTAURANT b Product or service ▶ FOOD SERVICE		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a QSub election made?		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.*

Schedule K Shareholders' Pro Rata Share Items

			Total amount
INCOME (LOSS)	1 Ordinary business income (loss) (page 1, line 21)	1	22,267.
	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	
	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	

	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	22,267.
	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	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	26,181.
	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	488.
	d Property distributions	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	

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		1,500.		5,262.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		18,400.		60,659.
4 U.S. government obligations				
5 Tax-exempt securities *(see instructions)*				
6 Other current assets *(attach stmt)* ....SEE .ST. 3		16,000.		1,188.
7 Loans to shareholders		54,421.		121,830.
8 Mortgage and real estate loans				
9 Other investments *(attach statement)*				
10a Buildings and other depreciable assets	614,577.		639,114.	
b Less accumulated depreciation	79,366.	535,211.	231,259.	407,855.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	599,966.		599,966.	
b Less accumulated amortization	26,665.	573,301.	66,662.	533,304.
14 Other assets *(attach stmt)*				
15 Total assets		1,198,833.		1,130,098.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities *(attach stmt)* ..SEE .ST. 4		145,107.		112,084.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		886,710.		851,486.
21 Other liabilities *(attach statement)*				
22 Capital stock		250,000.		250,000.
23 Additional paid-in capital				
24 Retained earnings		-82,984.		-83,472.
25 Adjustments to shareholders' equity *(att stmt)*				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		1,198,833.		1,130,098.

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	-488.	5 Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
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):		a Tax-exempt interest $	
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 12, and 14l (itemize):		6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize):	
a Depreciation $		a Depreciation $	
b Travel and entertainment $ 488.	488.	7 Add lines 5 and 6	0.
4 Add lines 1 through 3	0.	8 Income (loss) (Schedule K, line 18). Ln 4 less ln 7	0.

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	-82,984.		
2 Ordinary income from page 1, line 21	22,267.		
3 Other additions			
4 Loss from page 1, line 21			
5 Other reductions ....SEE .STATEMENT .5	(22,755.)		
6 Combine lines 1 through 5	-83,472.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	-83,472.		

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
3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
MARK D HAMMOND

LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 50 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 11,134.	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 A	Alternative minimum tax (AMT) items 13,091.
11	Section 179 deduction 11,134.	16 C	Items affecting shareholder basis 244.
12	Other deductions		
		17	Other information

*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

SHAREHOLDER 1

SPSA0412L 06/28/06

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Investment interest expense	Form 4952, line 1
	H Deductions — royalty income	Schedule E, line 18
	I Section 59(e)(2) expenditures	See the Shareholder's Instructions
	J Deductions — portfolio (2% floor)	Schedule A, line 22
	K Deductions — portfolio (other)	Schedule A, line 27
	L Preproductive period expenses	See the Shareholder's Instructions
	M Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	N Reforestation expense deduction	See the Shareholder's Instructions
	O Domestic production activities information	See Form 8903 Instructions
	P Qualified production activities income	Form 8903, line 7
	Q Employer's W-2 wages	Form 8903, line 13
	R Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5))	See the Shareholder's Instructions
	B Low-income housing credit (other)	
	C Qualified rehabilitation expenditures (rental real estate)	
	D Other rental real estate credits	
	E Other rental credits	
	F Undistributed capital gains credit	Form 1040, line 70, check box a
	G Credit for alcohol used as fuel	See the Shareholder's Instructions
	H Work opportunity credit	
	I Welfare-to-work credit	
	J Disabled access credit	
	K Empowerment zone and renewal community employment credit	Form 8844, line 3

		Report on
	Code	
	L Credit for increasing research activities	See the Shareholder's Instructions
	M New markets credit	
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	Form 1040, line 64
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	
	F General limitation	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	
	K General limitation	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Information needed to figure depletion — oil and gas	
	S Amortization of reforestation costs	
	T Other 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
13593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
CINCINNATI, OH

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

G Shareholder's name, address, city, state, and ZIP code
[illegible] HAMMOND
LAKE LURE, NC

H Shareholder's percentage of stock ownership for tax year..... 50 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 11,133.	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 A	Alternative minimum tax (AMT) items 13,090.
11	Section 179 deduction 11,133.	16 C	Items affecting shareholder basis 244.
12	Other deductions		
		17	Other information

*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Investment interest expense	Form 4952, line 1
	H Deductions — royalty income	Schedule E, line 18
	I Section 59(e)(2) expenditures	See the Shareholder's Instructions
	J Deductions — portfolio (2% floor)	Schedule A, line 22
	K Deductions — portfolio (other)	Schedule A, line 27
	L Preproductive period expenses	See the Shareholder's Instructions
	M Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	N Reforestation expense deduction	See the Shareholder's Instructions
	O Domestic production activities information	See Form 8903 Instructions
	P Qualified production activities income	Form 8903, line 7
	Q Employer's W-2 wages	Form 8903, line 13
	R Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5))	See the Shareholder's Instructions
	B Low-income housing credit (other)	
	C Qualified rehabilitation expenditures (rental real estate)	
	D Other rental real estate credits	
	E Other rental credits	
	F Undistributed capital gains credit	Form 1040, line 70, check box a
	G Credit for alcohol used as fuel	See the Shareholder's Instructions
	H Work opportunity credit	
	I Welfare-to-work credit	
	J Disabled access credit	
	K Empowerment zone and renewal community employment credit	Form 8844, line 3

		Report on
	Code	
	L Credit for increasing research activities	See the Shareholder's Instructions
	M New markets credit	
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	Form 1040, line 64
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive	Form 1116, Part I
	E Listed categories	
	F General limitation	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive	Form 1116, Part I
	J Listed categories	
	K General limitation	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Information needed to figure depletion — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

SPSA0412L 05/28/06

SHAREHOLDER 2 : LARKIN L. HAMMOND

Form 1120S — U.S. Income Tax Return for an S Corporation

Department of the Treasury — Internal Revenue Service

▶ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.
▶ See separate instructions.

OMB No. 1545-0130

2007

For calendar year 2007 or tax year beginning , 2007, ending

S election effective date: 3/17/2005	Use the IRS label. Other-wise, print or type.	D Employer identification number: 73593
Business activity code number (see instrs): 722110	FRONT ROE RESTAURANTS, INC. LARKIN'S ON THE RIVER 318 SOUTH MAIN STREET GREENVILLE, SC 29601	E Date incorporated: 3/17/2005
Check if Sch M-3 attached ☐		F Total assets (see instructions): $ 1,201,225.

Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not previously filed

Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change
(4) ☐ Amended return (5) ☐ S election termination or revocation

Enter the number of shareholders in the corporation at the end of the tax year ▶ 3

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

1a	Gross receipts or sales 2,931,020.	b Less returns and allowances	c Bal ▶	1c	2,931,020.
2	Cost of goods sold (Schedule A, line 8)			2	1,866,039.
3	Gross profit. Subtract line 2 from line 1c			3	1,064,981.
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	1,064,981.
7	Compensation of officers			7	
8	Salaries and wages (less employment credits)			8	33,723.
9	Repairs and maintenance			9	24,624.
10	Bad debts			10	
11	Rents			11	106,628.
12	Taxes and licenses			12	33,643.
13	Interest			13	61,216.
14	Depreciation not claimed on Schedule A or elsewhere on return *(attach Form 4562)*			14	92,396.
15	Depletion (Do not deduct oil and gas depletion.)			15	
16	Advertising			16	29,095.
17	Pension, profit-sharing, etc, plans			17	
18	Employee benefit programs			18	
19	Other deductions *(attach statement)* SEE STATEMENT 1			19	645,892.
20	Total deductions. Add lines 7 through 19			20	1,027,217.
21	Ordinary business income (loss). Subtract line 20 from line 6			21	37,764.
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	2007 estimated tax payments and 2006 overpayment credited to 2007	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	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed			25	0.
26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid			26	
27	Enter amount from line 26 Credited to 2008 estimated tax	Refunded		27	

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

▶ Signature of officer — Date — ▶ Title

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

Preparer's signature ▶ CLIENT'S COPY	Date	Check if self-employed ☐	Preparer's SSN or PTIN P00036004
Firm's name (or yours if self-employed), address, and ZIP code ▶ LEWINTER | THELANDER CPAS | BUSINESS ADVISORS 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691			EIN 20-1969491 Phone no. 949.365.1040

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. SPSA0105L 12/25/07

Firm's name (or yours if self-employed), address, and ZIP code ▶ 27405 PUERTA REAL, SUITE 340
MISSION VIEJO, CA 92691-8828

DEFENDANT'S EXHIBIT 31 C

Schedule A Cost of Goods Sold (see instructions)

Inventory at beginning of year	1	60,659.
Purchases	2	975,555.
Cost of labor	3	726,663.
Additional section 263A costs *(attach statement)*	4	
Other costs *(attach statement)* SEE STATEMENT 2	5	147,029.
Total. Add lines 1 through 5	6	1,909,906.
Inventory at end of year	7	43,867.
Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	1,866,039.

Check all methods used for valuing closing inventory:

(i) [X] 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.)

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

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

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

If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? [ ] Yes [X] No

Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If 'Yes,' attach explanation [ ] Yes [X] No

Schedule B Other Information (see instructions)

	Yes	No
Check accounting method: a [X] Cash b [ ] Accrual c [ ] Other (specify) ▶		
See the instructions and enter the: a Business activity ▶ RESTAURANT b Product or service ▶ FOOD SERVICE		
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?		X
Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
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.		
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 ▶ $		
Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
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

Schedule K Shareholders' Pro Rata Share Items

		Total amount
1 Ordinary business income (loss) (page 1, line 21)	1	37,764.
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	
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	

Schedule K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

2007

For calendar year 2007, or tax year beginning _____, 2007
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
3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
CINCINNATI, OH

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE R PERTITS

GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 1 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 378.	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
		A	99.
11	Section 179 deduction 80.	16	Items affecting shareholder basis
		C	1.
12	Other deductions		
		17	Other information

*See attached statement for additional information.

Schedule K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

2007

For calendar year 2007, or tax year beginning _____, 2007
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
.3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
CINCINNATI, OH

Part II Information About the Shareholder

D Shareholder's identifying number
___ ___

E Shareholder's name, address, city, state, and ZIP code
MARK D HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 49.5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 18,693.	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 A	Alternative minimum tax (AMT) items 4,919.
11	Section 179 deduction 3,953.	16 C	Items affecting shareholder basis 47.
12	Other deductions		
		17	Other information

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2007

SHAREHOLDER 1

SP9A0412L 09/19/07

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 or is attaching Form 2553 to elect to be an S corporation.
► See separate instructions.

OMB No. 1545-0130

2008

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

A S election effective date: 3/17/2005	Use the IRS label. Otherwise, print or type.	FRONT ROE RESTAURANTS, INC. LARKIN'S ON THE RIVER 318 SOUTH MAIN STREET GREENVILLE, SC 29601	D Employer identification number: 13593
B Business activity code number (see instrs): 722110			E Date incorporated: 3/17/2005
C Check if Sch M-3 attached ☐			F Total assets (see instructions): $ 1,245,790.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not previously filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change
(4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ► 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: 3,192,299.	b Less returns and allowances:	c Bal ► 1c	3,192,299.
	2	Cost of goods sold (Schedule A, line 8)		2	1,841,135.
	3	Gross profit. Subtract line 2 from line 1c		3	1,351,164.
	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	1,351,164.
DEDUCTIONS (SEE INSTRS)	7	Compensation of officers		7	
	8	Salaries and wages (less employment credits)		8	36,066.
	9	Repairs and maintenance		9	14,521.
	10	Bad debts		10	
	11	Rents		11	110,272.
	12	Taxes and licenses		12	8,483.
	13	Interest		13	73,095.
	14	Depreciation not claimed on Schedule A or elsewhere on return *(attach Form 4562)*		14	68,780.
	15	Depletion (Do not deduct oil and gas depletion.)		15	
	16	Advertising		16	42,353.
	17	Pension, profit-sharing, etc, plans		17	
	18	Employee benefit programs		18	
	19	Other deductions *(attach statement)* SEE STATEMENT 1		19	636,096.
	20	Total deductions. Add lines 7 through 19		► 20	989,666.
	21	Ordinary business income (loss). Subtract line 20 from line 6		21	361,498.
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	2008 estimated tax payments and 2007 overpayment credited to 2008	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	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed		25	0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid		26	
	27	Enter amount from line 26 Credited to 2009 estimated tax	Refunded	27	

Sign Here

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

► Signature of officer — Date — ► PRESIDENT 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	Check if self-employed ☐	Preparer's SSN or PTIN: P00036004
Firm's name (or yours if self-employed), address, and ZIP code ►	LEWINTER | THELANDER CPAS | BUSINESS ADVISO 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691		

DEFENDANT'S EXHIBIT 31 D

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Form 1120S (2008)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	43,867.
2	Purchases	2	912,940.
3	Cost of labor	3	815,209.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 2	5	143,974.
6	Total. Add lines 1 through 5	6	1,915,990.
7	Inventory at end of year	7	74,855.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	1,841,135.

9a Check all methods used for valuing closing inventory:
- (i) [X] 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 [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 B Other Information (see instructions)

		Yes	No
1	Check accounting method: a [X] Cash b [ ] Accrual c [ ] Other (specify) ►		
2	See the instructions and enter the: a Business activity ► RESTAURANT b Product or service ► FOOD SERVICE		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a QSub election made?		X
4	Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
5	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.		
6	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 ► $		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
8	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

Schedule K Shareholders' Pro Rata Share Items

				Total amount
INCOME (LOSS)	1	Ordinary business income (loss) (page 1, line 21)	1	361,498.
	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	
	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	

	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	13,640.
	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	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 Alcohol and cellulosic biofuel fuels credit *(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 category	14d	
	e General category	14e	
	f Other *(attach statement)*	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 category	14i	
	j General category	14j	
	k Other *(attach statement)*	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	-9,261.
	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	474.
	d Property distributions	16d	290,000.
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	347,858.

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		10,961.		99,793.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		43,867.		74,855.
4 U.S. government obligations				
5 Tax-exempt securities *(see instructions)*				
6 Other current assets *(attach stmt)* SEE ST 3		27,221.		69,092.
7 Loans to shareholders		270,934.		262,585.
8 Mortgage and real estate loans				
9 Other investments *(attach statement)*				
10a Buildings and other depreciable assets	686,575.		700,215.	
b Less accumulated depreciation	331,640.	354,935.	414,060.	286,155.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	599,966.		599,966.	
b Less accumulated amortization	105,659.	493,307.	146,656.	453,310.
14 Other assets *(attach stmt)*				
15 Total assets		1,201,225.		1,245,790.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities *(attach stmt)* SEE ST 4		37,389.		23,258.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		965,098.		966,410.
21 Other liabilities *(attach statement)*				
22 Capital stock		252,525.		252,525.
23 Additional paid-in capital				
24 Retained earnings		-53,787.		3,597.
25 Adjustments to shareholders' equity *(att stmt)*				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		1,201,225.		1,245,790.

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	347,384.	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 $ b Travel and entertainment $ 474.	474.	6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation $	
		7 Add lines 5 and 6	0.
4 Add lines 1 through 3	347,858.	8 Income (loss) (Schedule K, line 18). Ln 4 less ln 7	347,858.

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	-53,787.		
2 Ordinary income from page 1, line 21	361,498.		
3 Other additions			
4 Loss from page 1, line 21			
5 Other reductions SEE STATEMENT 5	(14,114.)		
6 Combine lines 1 through 5	293,597.		
7 Distributions other than dividend distributions	290,000.		
8 Balance at end of tax year. Subtract line 7 from line 6	3,597.		

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
3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
MARK D. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 49.5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 178,942.	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 A	Alternative minimum tax (AMT) items -4,584.
11	Section 179 deduction 6,752.	16 C	Items affecting shareholder basis 235.
12	Other deductions	D	143,550.
		17	Other information

*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 15
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 68, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 9
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

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
3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
LARKIN L. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 49.5 %

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

1	Ordinary business income (loss) 178,941.	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 A	Alternative minimum tax (AMT) items -4,584.
11	Section 179 deduction 6,752.	16 C	Items affecting shareholder basis 234.
12	Other deductions	D	143,550.
		17	Other information

*See attached statement for additional information.

FOR IRS USE ONLY

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

Schedule K-1 (Form 1120S) 2008

SHAREHOLDER 2

SP8A0412L 12/10/08

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 16
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 68, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 9
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

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
: 3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE E PERTUIS

GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 1 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 3,615.	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 A	Alternative minimum tax (AMT) items -93.
11	Section 179 deduction 136.	16 C	Items affecting shareholder basis 5.
12	Other deductions	D	2,900.
		17	Other information

*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 15
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 68, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 9
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 7
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other Information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Other information	

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 or is attaching Form 2553 to elect to be an S corporation.
► See separate instructions.

OMB No. 1545-0130

2009

For calendar year 2009 or tax year beginning , 2009, ending

A S election effective date: 3/17/2005	Use IRS label. Otherwise, print or type.	FRONT ROE RESTAURANTS, INC. LARKIN'S ON THE RIVER 318 SOUTH MAIN STREET GREENVILLE, SC 29601	D Employer identification number:)3593
B Business activity code number (see instrs): 722110			E Date incorporated: 3/17/2005
C Check if Sch M-3 attached ☐			F Total assets (see instructions): $ 1,278,358.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not previously filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change
(4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ► 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: 3,051,020. b Less returns and allowances: c Bal ►		1c	3,051,020.
	2 Cost of goods sold (Schedule A, line 8)		2	1,847,533.
	3 Gross profit. Subtract line 2 from line 1c		3	1,203,487.
	4 Net gain (loss) from Form 4797, Part II, line 17 *(attach Form 4797)*		4	
	5 Other income (loss) *(attach statement)* SEE STATEMENT 1		5	12,279.
	6 Total income (loss). Add lines 3 through 5 ►		6	1,215,766.
DEDUCTIONS (SEE INSTRS)	7 Compensation of officers		7	30,000.
	8 Salaries and wages (less employment credits)		8	
	9 Repairs and maintenance		9	27,814.
	10 Bad debts		10	
	11 Rents		11	117,734.
	12 Taxes and licenses		12	15,045.
	13 Interest		13	57,000.
	14 Depreciation not claimed on Schedule A or elsewhere on return *(attach Form 4562)*		14	65,610.
	15 Depletion (Do not deduct oil and gas depletion.)		15	
	16 Advertising		16	53,807.
	17 Pension, profit-sharing, etc, plans		17	
	18 Employee benefit programs		18	
	19 Other deductions *(attach statement)* SEE STATEMENT 2		19	655,822.
	20 Total deductions. Add lines 7 through 19 ►		20	1,022,832.
	21 Ordinary business income (loss). Subtract line 20 from line 6		21	192,934.
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 2009 estimated tax payments and 2008 overpayment credited to 2009 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 Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed		25	0.
	26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid		26	
	27 Enter amount from line 26 Credited to 2010 estimated tax Refunded		27	

Sign Here

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

Signature of officer — Date — ► PRESIDENT 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	Check if self-employed ☐	Preparer's SSN or PTIN: P00036004
Firm's name (or yours if self-employed), address, and ZIP code ► LEWINTER | THELANDER CPAS | BUSINESS ADVISORS 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691		EIN	33-0549077
		Phone no.	949.365.1040

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. 1120S (2009)

DEFENDANT'S EXHIBIT 31 E

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	74,855.
2	Purchases	2	892,337.
3	Cost of labor	3	809,786.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 3	5	148,347.
6	Total. Add lines 1 through 5	6	1,925,325.
7	Inventory at end of year	7	77,792.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	1,847,533.

9a Check all methods used for valuing closing inventory:

(i) [X] 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 [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 B Other Information (see instructions)

		Yes	No
1	Check accounting method: a [X] Cash b [ ] Accrual c [ ] Other (specify) ►		
2	See the instructions and enter the: a Business activity ► RESTAURANT b Product or service ► FOOD SERVICE		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a QSub election made?		X
4	Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
5	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.		
6	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 ► $		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
8	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

Schedule K Shareholders' Pro Rata Share Items

				Total amount
INCOME (LOSS)	1	Ordinary business income (loss) (page 1, line 21)	1	192,934.
	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	
	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)* Type ►	10	

Form 1120S (2009)

SPSA0112L 12/16/09

	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	38,160.
	12a Contributions SEE STATEMENT 4	12a	2,481.
	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 Alcohol and cellulosic biofuel fuels credit *(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 category	14d	
	e General category	14e	
	f Other *(attach statement)*	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 category	14i	
	j General category	14j	
	k Other *(attach statement)*	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	-18,084.
	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	1,450.
	d Property distributions	16d	150,000.
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	152,293.

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		99,793.		30,664.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		74,855.		77,792.
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach stmt) SEE ST 5.		69,092.		140,925.
7 Loans to shareholders		262,585.		368,542.
8 Mortgage and real estate loans				
9 Other investments (attach statement)				
10a Buildings and other depreciable assets	700,215.		764,952.	
b Less accumulated depreciation	414,060.	286,155.	517,830.	247,122.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	599,966.		599,966.	
b Less accumulated amortization	146,656.	453,310.	186,653.	413,313.
14 Other assets (attach stmt)				
15 Total assets		1,245,790.		1,278,358.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach stmt) SEE ST 6.		23,258.		24,065.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		966,410.		937,328.
21 Other liabilities (attach statement)				
22 Capital stock		252,525.		252,525.
23 Additional paid-in capital				
24 Retained earnings		3,597.		4,440.
25 Adjustments to shareholders' equity (att stmt)				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		1,245,790.		1,278,358.

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	150,843.	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 $ 187.			
SEE STATEMENT 7 1,263.	1,450.	7 Add lines 5 and 6	0.
4 Add lines 1 through 3	152,293.	8 Income (loss) (Schedule K, line 18). Ln 4 less ln 7	152,293.

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	3,597.		
2 Ordinary income from page 1, line 21	192,934.		
3 Other additions			
4 Loss from page 1, line 21			
5 Other reductions SEE STATEMENT 8	(42,091.)		
6 Combine lines 1 through 5	154,440.		
7 Distributions other than dividend distributions	150,000.		
8 Balance at end of tax year. Subtract line 7 from line 6	4,440.		

671109

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2009

For calendar year 2009, or tax year beginning _____, 2009 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
13593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
MARK D. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 49.5 %

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

1	Ordinary business income (loss) 95,502.	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
		A	-8,952.
11	Section 179 deduction 18,889.	16	Items affecting shareholder basis
		C	718.
12	Other deductions
A	1,228.	D	74,250.
		17	Other information

*See attached statement for additional information.

FOR IRS USE ONLY

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2009

SHAREHOLDER 1

SPSA0412L 12/15/09

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

1 Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:

	Report on
Passive loss	See the Shareholder's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (i)

2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	

Code		
A	Other portfolio income (loss)	See the Shareholder's Instructions
B	Involuntary conversions	See the Shareholder's Instructions
C	Section 1256 contracts and straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub 535
E	Other income (loss)	See the Shareholder's Instructions

11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
A	Cash contributions (50%)	See the Shareholder's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions — royalty income	Schedule E, line 18
J	Section 59(e)(2) expenditures	See the Shareholder's Instructions
K	Deductions — portfolio (2% floor)	Schedule A, line 23
L	Deductions — portfolio (other)	Schedule A, line 28
M	Preproductive period expenses	See the Shareholder's Instructions
N	Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
O	Reforestation expense deduction	See the Shareholder's Instructions
P	Domestic production activities information	See Form 8903 Instructions
Q	Qualified production activities income	Form 8903, line 7
R	Employer's Form W-2 wages	Form 8903, line 15
S	Other deductions	See the Shareholder's Instructions
13	Credits	
A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
D	Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
E	Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
F	Other rental real estate credits	
G	Other rental credits	
H	Undistributed capital gains credit	Form 1040, line 70, box a
I	Alcohol and cellulosic biofuel fuels credit	Form 6478, line 7
J	Work opportunity credit	Form 5884, line 3
K	Disabled access credit	See the Shareholder's Instructions
L	Empowerment zone and renewal community employment credit	Form 8844, line 3
M	Credit for increasing research activities	See the Shareholder's Instructions
N	Credit for employer social security and Medicare taxes	Form 8846, line 5
O	Backup withholding	Form 1040, line 61
P	Other credits	See the Shareholder's Instructions

14	Foreign transactions	
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
	Deductions allocated and apportioned at shareholder level	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
	Other information	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
A	Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal — gross income	
E	Oil, gas, & geothermal — deductions	
F	Other AMT items	
16	Items affecting shareholder basis	
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Shareholder's Instructions
C	Nondeductible expenses	
D	Property distributions	
E	Repayment of loans from shareholders	
17	Other information	
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
D	Basis of energy property	See the Shareholder's Instructions
E	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
F	Recapture of low-income housing credit (other)	Form 8611, line 8
G	Recapture of investment credit	See Form 4255
H	Recapture of other credits	See the Shareholder's Instructions
I	Look-back interest — completed long-term contracts	See Form 8697
J	Look-back interest — income forecast method	See Form 8866
K	Dispositions of property with section 179 deductions	See the Shareholder's Instructions
L	Recapture of section 179 deduction	
M	Section 453(l)(3) information	
N	Section 453A(c) information	
O	Section 1260(b) information	
P	Interest allocable to production expenditures	
Q	CCF nonqualified withdrawals	
R	Depletion information — oil and gas	
S	Amortization of reforestation costs	
T	Section 108(i) information	
U	Other information	

671109

Schedule K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

2009

For calendar year 2009, or tax year beginning _____, 2009
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
-3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
LARKIN T. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 49.5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 95,503.	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 A	Alternative minimum tax (AMT) items -8,951.
11	Section 179 deduction 18,889.	16 C	Items affecting shareholder basis 717.
12 A	Other deductions 1,228.	D	74,250.
		17	Other information

*See attached statement for additional information.

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

Schedule K-1 (Form 1120S) 2009

SHAREHOLDER 2

SPSA0412L 12/15/09

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

1 Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:

	Report on
Passive loss	See the Shareholder's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	

Code		
A	Other portfolio income (loss)	See the Shareholder's Instructions
B	Involuntary conversions	See the Shareholder's Instructions
C	Section 1256 contracts and straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub 535
E	Other income (loss)	See the Shareholder's Instructions

11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	

A	Cash contributions (50%)	See the Shareholder's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions — royalty income	Schedule E, line 18
J	Section 59(e)(2) expenditures	See the Shareholder's Instructions
K	Deductions — portfolio (2% floor)	Schedule A, line 23
L	Deductions — portfolio (other)	Schedule A, line 28
M	Preproductive period expenses	See the Shareholder's Instructions
N	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
O	Reforestation expense deduction	See the Shareholder's Instructions
P	Domestic production activities information	See Form 8903 instructions
Q	Qualified production activities income	Form 8903, line 7
R	Employer's Form W-2 wages	Form 8903, line 15
S	Other deductions	See the Shareholder's Instructions

13	Credits	
A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
D	Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
E	Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
F	Other rental real estate credits	
G	Other rental credits	
H	Undistributed capital gains credit	Form 1040, line 70, box a
I	Alcohol and cellulosic biofuel fuels credit	Form 6478, line 7
J	Work opportunity credit	Form 5884, line 3
K	Disabled access credit	See the Shareholder's Instructions
L	Empowerment zone and renewal community employment credit	Form 8844, line 3

SHAREHOLDER 2 : LARKIN L. HAMMOND

Code		Report on
M	Credit for increasing research activities	See the Shareholder's Instructions
N	Credit for employer social security and Medicare taxes	Form 8846, line 5
O	Backup withholding	Form 1040, line 61
P	Other credits	See the Shareholder's Instructions

14	Foreign transactions	
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
	Deductions allocated and apportioned at shareholder level	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
	Other Information	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Shareholder's Instructions

15	Alternative minimum tax (AMT) items	
A	Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal — gross income	
E	Oil, gas, & geothermal — deductions	
F	Other AMT items	
16	Items affecting shareholder basis	
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Shareholder's Instructions
C	Nondeductible expenses	
D	Property distributions	
E	Repayment of loans from shareholders	
17	Other information	
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
D	Basis of energy property	See the Shareholder's Instructions
E	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
F	Recapture of low-income housing credit (other)	Form 8611, line 8
G	Recapture of investment credit	See Form 4255
H	Recapture of other credits	See the Shareholder's Instructions
I	Look-back interest — completed long-term contracts	See Form 8697
J	Look-back interest — income forecast method	See Form 8866
K	Dispositions of property with section 179 deductions	See the Shareholder's Instructions
L	Recapture of section 179 deduction	
M	Section 453(l)(3) information	
N	Section 453A(c) information	
O	Section 1260(b) information	
P	Interest allocable to production expenditures	
Q	CCF nonqualified withdrawals	
R	Depletion information — oil and gas	
S	Amortization of reforestation costs	
T	Section 108(i) information	
U	Other information	

b71109

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2009

For calendar year 2009, or tax year beginning _____, 2009 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
3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE E. PERTUIS

GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 1 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 1,929.	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 A	Alternative minimum tax (AMT) items -181.
11	Section 179 deduction 382.	16 C	Items affecting shareholder basis 15.
12 A	Other deductions 25.	D	1,500.
		17	Other information

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2009

SHAREHOLDER 3

SPSA0412L 12/15/09

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (i)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7
	R Employer's Form W-2 wages	Form 8903, line 15
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 70, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 7
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 61
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Property distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

SHAREHOLDER 3 : KYLE E. PERTUIS

5/09 Schedule K-1 (Form 1120S) 2009

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 or is attaching Form 2553 to elect to be an S corporation.
► See separate instructions.

OMB No. 1545-0130

2010

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

A S election effective date: 3/17/2005	TYPE OR PRINT	FRONT ROE RESTAURANTS, INC. LARKIN'S ON THE RIVER 318 SOUTH MAIN STREET GREENVILLE, SC 29601	D Employer identification number: 3593
B Business activity code number (see instrs): 722110			E Date incorporated: 3/17/2005
C Check if Sch M-3 attached ☐			F Total assets (see instructions): $ 1,616,137.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not previously filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ► 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: 3,594,309. b Less returns and allowances: c Bal ►		1c	3,594,309.
	2 Cost of goods sold (Schedule A, line 8)		2	2,134,467.
	3 Gross profit. Subtract line 2 from line 1c		3	1,459,842.
	4 Net gain (loss) from Form 4797, Part II, line 17 *(attach Form 4797)*		4	
	5 Other income (loss) *(see instrs – att statement)* SEE STATEMENT 1		5	9,708.
	6 Total income (loss). Add lines 3 through 5 ►		6	1,469,550.
DEDUCTIONS (SEE INSTRS)	7 Compensation of officers		7	60,000.
	8 Salaries and wages (less employment credits)		8	
	9 Repairs and maintenance		9	18,857.
	10 Bad debts		10	
	11 Rents		11	123,594.
	12 Taxes and licenses		12	15,944.
	13 Interest		13	53,627.
	14 Depreciation not claimed on Schedule A or elsewhere on return *(attach Form 4562)*		14	56,603.
	15 Depletion (Do not deduct oil and gas depletion.)		15	
	16 Advertising		16	65,447.
	17 Pension, profit-sharing, etc, plans		17	
	18 Employee benefit programs		18	
	19 Other deductions *(attach statement)* SEE STATEMENT 2		19	737,371.
	20 Total deductions. Add lines 7 through 19 ►		20	1,131,443.
	21 Ordinary business income (loss). Subtract line 20 from line 6		21	338,107.
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 2010 estimated tax payments and 2009 overpayment credited to 2010	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 Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed		25	0.
	26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid		26	
	27 Enter amount from line 26 Credited to 2011 estimated tax Refunded		27	

Sign Here

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

► Signature of officer Date ► PRESIDENT Title

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

Paid Preparer Use Only

Print/Type preparer's name: MARK E. LEWINTER	Preparer's signature	Date	Check ☐ if self-employed	PTIN: P00036004
Firm's name ► LEWINTER	THELANDER CPAS	BUSINESS ADVISORS	Firm's EIN ► 33-0549077	
Firm's address ► 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691			Phone no. 949.365.1040	

BAA For Paperwork Reduction Act Notice, see separate instructions. SPSA0105L Form 1120S (2010)

DEFENDANT'S EXHIBIT 31 F

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	77,792.
2	Purchases	2	1,089,803.
3	Cost of labor	3	897,238.
4	Additional section 263A costs *(attach statement)*	4	
5	Other costs *(attach statement)* SEE STATEMENT 3	5	167,413.
6	Total. Add lines 1 through 5	6	2,232,246.
7	Inventory at end of year	7	97,779.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	2,134,467.

9a Check all methods used for valuing closing inventory:

(i) [X] 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 [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 B Other Information (see instructions)

		Yes	No
1	Check accounting method: a [X] Cash b [ ] Accrual c [ ] Other (specify) ►		
2	See the instructions and enter the: a Business activity ► RESTAURANT b Product or service ► FOOD SERVICE		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a qualified subchapter S subsidiary election made?		X
4	Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		X
5	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.		
6	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 the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years *(see instructions)* ► $		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
8	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
9	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If 'Yes', see instructions		X

Schedule K Shareholders' Pro Rata Share Items

				Total amount
INCOME (LOSS)	1	Ordinary business income (loss) (page 1, line 21)	1	338,107.
	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	55.
	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)* Type ►	10	

	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	22,173.
	12a Contributions SEE STATEMENT 4	12a	150.
	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 Alcohol and cellulosic biofuel fuels credit *(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 category	14d	
	e General category	14e	
	f Other *(attach statement)*	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 category	14i	
	j General category	14j	
	k Other *(attach statement)*	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	-13,851.
	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	593.
	d Distributions *(attach stmt if required)* *(see instrs)*	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	55.
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	315,839.

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		30,664.		49,147.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		77,792.		97,779.
4 U.S. government obligations				
5 Tax-exempt securities *(see instructions)*				
6 Other current assets *(attach stmt)* ....SEE.ST.5.		140,925.		444,191.
7 Loans to shareholders		368,542.		454,685.
8 Mortgage and real estate loans				
9 Other investments *(attach statement)*				
10a Buildings and other depreciable assets	764,952.		793,625.	
b Less accumulated depreciation	517,830.	247,122.	596,606.	197,019.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	599,966.		599,966.	
b Less accumulated amortization	186,653.	413,313.	226,650.	373,316.
14 Other assets *(attach stmt)*				
15 Total assets		1,278,358.		1,616,137.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities *(attach stmt)* ..SEE.ST.6.		24,065.		128,688.
19 Loans from shareholders		275,388.		275,388.
20 Mortgages, notes, bonds payable in 1 year or more		721,940.		639,850.
21 Other liabilities *(attach statement)*				
22 Capital stock		252,525.		252,525.
23 Additional paid-in capital				
24 Retained earnings		4,440.		319,686.
25 Adjustments to shareholders' equity *(att. stmt)*				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		1,278,358.		1,616,137.

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	315,246.	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 $ b Travel and entertainment $ 593.	593.	6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation $	
		7 Add lines 5 and 6	0.
4 Add lines 1 through 3	315,839.	8 Income (loss) (Schedule K, line 18). Line 4 less line 7	315,839.

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	4,440.		
2 Ordinary income from page 1, line 21	338,107.		
3 Other additions SEE.STATEMENT.7	55.		
4 Loss from page 1, line 21			
5 Other reductions SEE.STATEMENT.8	(22,916.)		
6 Combine lines 1 through 5	319,686.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	319,686.		

671110

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2010

For calendar year 2010, or tax year beginning _____, 2010 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
13593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
MARK D. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 49.5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 167,363.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 27.		
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 -6,856.
11	Section 179 deduction 10,976.	16 C	Items affecting shareholder basis 294.
12 A	Other deductions 74.		
		17 A	Other information 27.

*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 8
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 61
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

SUPPLEMENTAL INFORMATION

INTEREST INCOME TO REPORT ON FORM 1040 SCHEDULE B - $8,857

671110

Schedule K-1 (Form 1120S) — 2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 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
3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
LARKIN T.. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 49.5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 167,363.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 27.		
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 -6,856.
11	Section 179 deduction 10,975.	16 C	Items affecting shareholder basis 293.
12 A	Other deductions 74.		
		17 A	Other information 27.

*See attached statement for additional information.

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

Schedule K-1 (Form 1120S) 2010

SHAREHOLDER 2

SPSA0412L 07/19/10

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 8
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 61
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

SHAREHOLDER 2 : LARKIN L. HAMMOND

671110

Schedule K-1 (Form 1120S) — 2010

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning _____, 2010 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
3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number
[redacted]

E Shareholder's name, address, city, state, and ZIP code
KYLE E. PERTUIS
GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 1 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss): 3,381.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income: 1.		
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: -139.
11	Section 179 deduction: 222.	16 C	Items affecting shareholder basis: 6.
12 A	Other deductions: 2.		
		17 A	Other information: 1.

*See attached statement for additional information.

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2010

SHAREHOLDER 3

SPSA0412L 07/19/10

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5, column (f)
8a	Net long-term capital gain (loss)	Schedule D, line 12, column (f)
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 18
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	See the Shareholder's Instructions
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	Form 8586, line 11
	D Low-income housing credit (other) from post-2007 buildings	Form 8586, line 11
	E Qualified rehabilitation expenditures (rental real estate)	See the Shareholder's Instructions
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	Form 6478, line 8
	J Work opportunity credit	Form 5884, line 3
	K Disabled access credit	See the Shareholder's Instructions
	L Empowerment zone and renewal community employment credit	Form 8844, line 3
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 61
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

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 or is attaching Form 2553 to elect to be an S corporation.
► See separate instructions.

OMB No. 1545-0130

2011

For calendar year 2011 or tax year beginning , 2011, ending

A S election effective date: 3/17/2005	TYPE OR PRINT	FRONT ROE RESTAURANTS, INC. LARKIN'S ON THE RIVER 318 SOUTH MAIN STREET GREENVILLE, SC 29601	D Employer identification number: 13593
B Business activity code number (see instrs): 722110			E Date incorporated: 3/17/2005
C Check if Sch M-3 attached ☐			F Total assets (see instructions): $ 1,668,635.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not previously filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ► 3

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

INCOME	1a	Merchant card and third-party payments. For 2011, enter -0-	1a	0.	
	b	Gross receipts or sales not reported on line 1a (see instructions)	1b	4,392,737.	
	c	Total. Add lines 1a and 1b	1c	4,392,737.	
	d	Returns and allowances plus any other adjustments (see instructions)	1d		
	e	Subtract line 1d from line 1c			1e 4,392,737.
	2	Cost of goods sold (attach Form 1125-A)			2 2,717,173.
	3	Gross profit. Subtract line 2 from line 1e			3 1,675,564.
	4	Net gain (loss) from Form 4797, Part II, line 17 *(attach Form 4797)*			4
	5	Other income (loss) *(see instrs – attach statement)* SEE STATEMENT 1			5 3,533.
	6	Total income (loss). Add lines 3 through 5 ►			6 1,679,097.
DEDUCTIONS (SEE INSTRS)	7	Compensation of officers			7 90,000.
	8	Salaries and wages (less employment credits)			8 20,767.
	9	Repairs and maintenance			9 31,960.
	10	Bad debts			10
	11	Rents			11 190,065.
	12	Taxes and licenses			12 27,367.
	13	Interest			13 48,715.
	14	Depreciation not claimed on Form 1125-A or elsewhere on return *(attach Form 4562)*			14 53,815.
	15	Depletion (Do not deduct oil and gas depletion.)			15
	16	Advertising			16 56,051.
	17	Pension, profit-sharing, etc, plans			17
	18	Employee benefit programs			18
	19	Other deductions *(attach statement)* SEE STATEMENT 2			19 941,931.
	20	Total deductions. Add lines 7 through 19 ►			20 1,460,671.
	21	Ordinary business income (loss). Subtract line 20 from line 6			21 218,426.
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	2011 estimated tax payments and 2010 overpayment credited to 2011	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	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed			25 0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid			26
	27	Enter amount from line 26 Credited to 2012 estimated tax Refunded			27

Sign Here

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

► Signature of officer Date ► PRESIDENT Title

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

Paid Preparer Use Only

Print/Type preparer's name: MARK E. LEWINTER	Preparer's signature	Date	Check ☐ if self-employed	PTIN: P00036004
Firm's name ► LEWINTER | THELANDER CPAS | BUSINESS ADVISORS			Firm's EIN ► 33-0549077	
Firm's address ► 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691			Phone no. 949.365.1040	

BAA For Paperwork Reduction Act Notice, see separate instructions. SPSA0105L Form 1120S (2011)

DEFENDANT'S EXHIBIT 31 G

Schedule B Other Information (see instructions)

		Yes	No
1	Check accounting method: a [X] Cash b [ ] Accrual c [ ] Other (specify) ►		
2	See the instructions and enter the: a Business activity ► RESTAURANT b Product or service ► FOOD SERVICE		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a qualified subchapter S subsidiary election made?		X
4	Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		X
5	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.		
6	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 the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years *(see instructions)* ► $		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year ► $		
8	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
9	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If 'Yes', see instructions		X
10a	Did the corporation make any payments in 2011 that would require it to file Form(s) 1099 (see instructions)?	X	
b	If 'Yes,' did the corporation file or will it file all required Forms 1099?	X	

Schedule K Shareholders' Pro Rata Share Items

				Total amount
INCOME (LOSS)	1	Ordinary business income (loss) (page 1, line 21)	1	218,426.
	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	8.
	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)* Type ►	10	

	Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction *(attach Form 4562)*	11	
	12a Contributions SEE STATEMENT 3	12a	5,231.
	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 Alcohol and cellulosic biofuel fuels credit *(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 category	14d	
	e General category	14e	
	f Other *(attach statement)*	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 category	14i	
	j General category	14j	
	k Other *(attach statement)*	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-1985 depreciation adjustment	15a	-4,457.
	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	342.
	d Distributions *(attach stmt if required) (see instrs)*	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	8.
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	213,203.

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		49,147.		32,268.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories		97,779.		95,430.
4 U.S. government obligations				
5 Tax-exempt securities *(see instructions)*				
6 Other current assets *(attach stmt)* ....SEE .ST. 4.		444,191.		459,727.
7 Loans to shareholders		454,685.		457,302.
8 Mortgage and real estate loans				
9 Other investments *(attach statement)*				
10a Buildings and other depreciable assets	793,625.		933,010.	
b Less accumulated depreciation	596,606.	197,019.	650,421.	282,589.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	599,966.		599,966.	
b Less accumulated amortization	226,650.	373,316.	266,647.	333,319.
14 Other assets *(attach stmt)*.....SEE .ST. 5.				8,000.
15 Total assets		1,616,137.		1,668,635.
Liabilities and Shareholders' Equity				
16 Accounts payable				
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities *(attach stmt)* ..SEE .ST. 6.		128,688.		54,271.
19 Loans from shareholders		275,388.		275,388.
20 Mortgages, notes, bonds payable in 1 year or more		639,850.		553,904.
21 Other liabilities *(attach statement)*				
22 Capital stock		252,525.		252,525.
23 Additional paid-in capital				
24 Retained earnings		319,686.		532,547.
25 Adjustments to shareholders' equity *(att stmt)*				
26 Less cost of treasury stock				
27 Total liabilities and shareholders' equity		1,616,137.		1,668,635.

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	212,861.	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 ..... $ b Travel and entertainment. $ 342.	342.	6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation ... $	
		7 Add lines 5 and 6	0.
4 Add lines 1 through 3	213,203.	8 Income (loss) (Schedule K, ln 18). Ln 4 less ln 7	213,203.

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	319,686.		
2 Ordinary income from page 1, line 21	218,426.		
3 Other additions.....SEE .STATEMENT .7.....	8.		
4 Loss from page 1, line 21			
5 Other reductions.....SEE .STATEMENT .8.....	(5,573.)		
6 Combine lines 1 through 5	532,547.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	532,547.		

Form **1125-A**
(December 2011)
Department of the Treasury
Internal Revenue Service

Cost of Goods Sold

▶ Attach to Form 1120, 1120-C, 1120-F, 1120-S, 1065, and 1065-B.

OMB No. 1545-2225

Name: FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER

Employer identification number: 13593

1	Inventory at beginning of year	1	97,779.
2	Purchases	2	1,395,805.
3	Cost of labor	3	1,104,753.
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule) SEE STATEMENT 9	5	214,266.
6	Total. Add lines 1 through 5	6	2,812,603.
7	Inventory at end of year	7	95,430.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return (see instructions)	8	2,717,173.

9a Check all methods used for valuing closing inventory:

(i) [X] Cost
(ii) [ ] Lower of cost or market
(iii) [ ] Other (Specify method used and att. expl.) ▶

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 amount 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

671111

Schedule K-1 (Form 1120S)

Department of the Treasury Internal Revenue Service

2011

For calendar year 2011, or tax year beginning _____, 2011 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
3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number
[redacted]

E Shareholder's name, address, city, state, and ZIP code
MARK D. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 49.5 %

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

1	Ordinary business income (loss) 108,121.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 4.		
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 -2,206.
11	Section 179 deduction	16 C	Items affecting shareholder basis 169.
12 A	Other deductions 2,589.		
		17 A	Other information 4.

*See attached statement for additional information.

FOR IRS USE ONLY

BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S. Schedule K-1 (Form 1120S) 2011

SHAREHOLDER 1

SPSA0412L 08/02/11

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 3b
7	Net short-term capital gain (loss)	Schedule D, line 5
8a	Net long-term capital gain (loss)	Schedule D, line 12
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	J Deductions — royalty income	Schedule E, line 19
	K Section 59(e)(2) expenditures	See the Shareholder's Instructions
	L Deductions — portfolio (2% floor)	Schedule A, line 23
	M Deductions — portfolio (other)	Schedule A, line 28
	N Preproductive period expenses	See the Shareholder's Instructions
	O Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	P Reforestation expense deduction	See the Shareholder's Instructions
	Q Domestic production activities information	See Form 8903 Instructions
	R Qualified production activities income	Form 8903, line 7b
	S Employer's Form W-2 wages	Form 8903, line 17
	T Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal community employment credit	
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	See the Shareholder's Instructions
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other Information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

SHAREHOLDER 1 : MARK D. HAMMOND

12/02/11 Schedule K-1 (Form 1120S) 2011

SUPPLEMENTAL INFORMATION

INTEREST INCOME TO REPORT ON FORM 1040 SCHEDULE B - $8,975

671111

Schedule K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

2011

For calendar year 2011, or tax year beginning _____, 2011
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
1593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
LARKIN T. RAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 49.5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 108,121.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 4.		
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 -2,206.
11	Section 179 deduction	16 C	Items affecting shareholder basis 170.
12 A	Other deductions 2,590.		
		17 A	Other Information 4.

*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 3b
7	Net short-term capital gain (loss)	Schedule D, line 5
8a	Net long-term capital gain (loss)	Schedule D, line 12
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal community employment credit	

		Report on
	Code	
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	See the Shareholder's Instructions
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other Information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income-forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

671111

Schedule K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

2011

For calendar year 2011, or tax year beginning _____, 2011
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
3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE E. PERTUIS

GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 1 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 2,184.	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 A	Alternative minimum tax (AMT) items -45.
11	Section 179 deduction	16 C	Items affecting shareholder basis 3.
12 A	Other deductions 52.		
		17	Other information

*See attached statement for additional information.

SHAREHOLDER 3

SPSA0412L 08/02/11

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5a	Ordinary dividends	Form 1040, line 9a
5b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 3b
7	Net short-term capital gain (loss)	Schedule D, line 5
8a	Net long-term capital gain (loss)	Schedule D, line 12
8b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)
8c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Section 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal community employment credit	
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	See the Shareholder's Instructions
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other Information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q ODF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

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 or is attaching Form 2553 to elect to be an S corporation.
► Information about Form 1120S and its separate instructions is at www.irs.gov/form1120s.

OMB No. 1545-0130

2012

For calendar year 2012 or tax year beginning , 2012, ending

A S election effective date: 3/17/2005	TYPE OR PRINT: FRONT ROE RESTAURANTS, INC. LARKIN'S ON THE RIVER 318 SOUTH MAIN STREET GREENVILLE, SC 29601	D Employer identification number: 3593
B Business activity code number (see instrs): 722511		E Date incorporated: 3/17/2005
C Check if Schedule M-3 attached ☐		F Total assets (see instructions): $ 1,840,740.

G Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not already filed

H Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ► 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	1a	4,319,098.	
	b	Returns and allowances	1b		
	c	Balance. Subtract line 1b from line 1a		1c	4,319,098.
	2	Cost of goods sold (attach Form 1125-A)		2	2,700,841.
	3	Gross profit. Subtract line 2 from line 1c		3	1,618,257.
	4	Net gain (loss) from Form 4797, line 17 (attach Form 4797)		4	
	5	Other income (loss) *(see instrs – attach statement)* SEE STATEMENT 1		5	7,706.
	6	Total income (loss). Add lines 3 through 5 ►		6	1,625,963.
DEDUCTIONS (SEE INSTRS)	7	Compensation of officers		7	60,000.
	8	Salaries and wages (less employment credits)		8	28,223.
	9	Repairs and maintenance		9	38,202.
	10	Bad debts		10	
	11	Rents		11	215,138.
	12	Taxes and licenses		12	14,108.
	13	Interest		13	47,468.
	14	Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)		14	56,016.
	15	Depletion (Do not deduct oil and gas depletion.)		15	
	16	Advertising		16	75,320.
	17	Pension, profit-sharing, etc, plans		17	
	18	Employee benefit programs		18	
	19	Other deductions (attach statement) SEE STATEMENT 2		19	825,972.
	20	Total deductions. Add lines 7 through 19 ►		20	1,360,447.
	21	Ordinary business income (loss). Subtract line 20 from line 6		21	265,516.
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	2012 estimated tax payments and 2011 overpayment credited to 2012	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	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed		25	0.
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid		26	
	27	Enter amount from line 26 Credited to 2013 estimated tax ► Refunded ►		27	

Sign Here

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

Signature of officer — Date — ► PRESIDENT Title

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

Paid Preparer Use Only

Print/Type preparer's name: MARK E. LEWINTER	Preparer's signature	Date	Check ☐ if self-employed	PTIN: P00036004
Firm's name ► LEWINTER TAX ASSOCIATES, INC.			Firm's EIN ► 33-0549077	
Firm's address ► 27405 PUERTA REAL, SUITE 340 MISSION VIEJO, CA 92691			Phone no. 949.365.1040	

BAA For Paperwork Reduction Act Notice, see separate Instructions. SP8A0105L 12/30/12 Form 1120S (2012)

DEFENDANT'S EXHIBIT 31 A

Schedule B Other Information (see instructions)

		Yes	No
1	Check accounting method: a [X] Cash b [ ] Accrual c [ ] Other (specify) ►		
2	See the instructions and enter the: a Business activity ► RESTAURANT b Product or service ► FOOD SERVICE		
3	At any time during the tax year, was any shareholder of the corporation a disregarded entity, a trust, an estate, or a nominee or similar person?		X
4a	At the end of the tax year, did the corporation: Own directly 20% or more, or own, directly or indirectly, 50% or more of the total stock issued and outstanding of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If 'Yes,' complete (i) through (v) below		X

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage of Stock Owned	(v) If Percentage in (iv) Is 100%, Enter the Date (if any) a Qualified Subchapter S Subsidiary Election Was Made

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

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

5a	At the end of the tax year, did the corporation have any outstanding shares of restricted stock? If 'Yes,' complete lines (i) and (ii) below.		X
	(i) Total shares of restricted stock ►		
	(ii) Total shares of non-restricted stock ►		
b	At the end of the tax year, did the corporation have any outstanding stock options, warrants, or similar instruments? If 'Yes,' complete lines (i) and (ii) below.		X
	(i) Total shares of stock outstanding at the end of the tax year ►		
	(ii) Total shares of stock oustanding if all instruments were executed ►		
6	Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		X
7	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.		
8	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 the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years (see instructions) ► $		
9	Enter the accumulated earnings and profits of the corporation at the end of the tax year $		
10	Does the corporation satisfy both of the following conditions?		
a	The corporation's total receipts (see instructions) for the tax year were less than $250,000		X
b	The corporation's total assets at the end of the tax year were less than $250,000 If 'Yes,' the corporation is not required to complete Schedules L and M-1.		X
11	During the tax year, did the corporation have any non-shareholder debt that was canceled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt? If 'Yes,' enter the amount of principal reduction $		X
12	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If 'Yes', see instructions		X
13a	Did the corporation make any payments in 2012 that would require it to file Form(s) 1099?	X	
b	If 'Yes,' did the corporation file or will it file required Forms 1099?	X	

Schedule K	Shareholders' Pro Rata Share Items		Total amount
Income (Loss)	1 Ordinary business income (loss) (page 1, line 21)	1	265,516.
	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	30.
	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) Type ▶	10	
Deductions	11 Section 179 deduction (attach Form 4562)	11	40,205.
	12a Charitable contributions SEE STATEMENT 3	12a	1,500.
	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 Alcohol and cellulosic biofuel fuels credit (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 category	14d	
	e General category	14e	
	f Other (attach statement)	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 category	14i	
	j General category	14j	
	k Other (attach statement)	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	993.
	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	199.
	d Distributions (attach stmt if required) (see instrs)	16d	
	e Repayment of loans from shareholders	16e	

Schedule K	Shareholders' Pro Rata Share Items (continued)		Total amount
Other Information	17a Investment income	17a	30.
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	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	223,841.

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
	Assets	(a)	(b)	(c)	(d)
1	Cash		32,268.		45,563.
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories		95,430.		93,366.
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach stmt) ....SEE ST 4.		459,727.		505,056.
7	Loans to shareholders		457,302.		668,860.
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets	933,010.		973,215.	
b	Less accumulated depreciation	650,421.	282,589.	746,642.	226,573.
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)	599,966.		599,966.	
b	Less accumulated amortization	266,647.	333,319.	306,644.	293,322.
14	Other assets (attach stmt).....SEE ST 5.		8,000.		8,000.
15	Total assets		1,668,635.		1,840,740.
	Liabilities and Shareholders' Equity				
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach stmt) ..SEE ST 6.		54,271.		93,276.
19	Loans from shareholders		275,388.		275,388.
20	Mortgages, notes, bonds payable in 1 year or more		553,904.		463,362.
21	Other liabilities (attach statement)				
22	Capital stock		252,525.		252,525.
23	Additional paid-in capital				
24	Retained earnings		532,547.		756,189.
25	Adjustments to shareholders' equity (att stmt)				
26	Less cost of treasury stock				
27	Total liabilities and shareholders' equity		1,668,635.		1,840,740.

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	223,642.	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 ..... $ b Travel and entertainment. $ 199.	199.	6 Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize): a Depreciation ... $	
		7 Add lines 5 and 6	0.
4 Add lines 1 through 3	223,841.	8 Income (loss) (Schedule K, line 18). Ln 4 less ln 7	223,841.

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	532,547.		
2 Ordinary income from page 1, line 21	265,516.		
3 Other additions SEE STATEMENT 7	30.		
4 Loss from page 1, line 21			
5 Other reductions SEE STATEMENT 8	(41,904.)		
6 Combine lines 1 through 5	756,189.		
7 Distributions other than dividend distributions			
8 Balance at end of tax year. Subtract line 7 from line 6	756,189.		

Form **1125-A**
(Rev December 2012)
Department of the Treasury
Internal Revenue Service

Cost of Goods Sold

► Attach to Form 1120, 1120-C, 1120-F, 1120-S, 1065, or 1065-B.
► Information about Form 1125-A and its instructions is at www.irs.gov/form1125a.

OMB No. 1545-2225

Name: FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER

Employer identification number: 3593

1	Inventory at beginning of year	1	95,430.
2	Purchases	2	1,318,990.
3	Cost of labor	3	1,161,951.
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule) SEE STATEMENT 9	5	217,836.
6	Total. Add lines 1 through 5	6	2,794,207.
7	Inventory at end of year	7	93,366.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return (see instructions)	8	2,700,841.

9a Check all methods used for valuing closing inventory:
- (i) [X] 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 amount of closing inventory computed under LIFO — 9d

e If property is produced or acquired for resale, do the rules of section 263A apply to this entity (see instructions)? [ ] 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

471112

Schedule K-1
(Form 1120S)
Department of the Treasury
Internal Revenue Service

2012

For calendar year 2012, or tax year beginning _____, 2012
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
3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
MARK D. HAMMOND
142 WATERS EDGE COURT
LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 49.5 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 131,430.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 15.		
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 492.
11	Section 179 deduction 19,901.	16 C	Items affecting shareholder basis 99.
12 A	Other deductions 743.		
		17 A	Other information 15.

*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5 a	Ordinary dividends	Form 1040, line 9a
5 b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5
8 a	Net long-term capital gain (loss)	Schedule D, line 12
8 b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8 c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Sec. 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal community employment credit	
	Code	*Report on*
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	
	P Other credits	
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 1060 information	
	U Other information	

SUPPLEMENTAL INFORMATION

INTEREST INCOME TO REPORT ON FORM 1040 SCHEDULE B - $8,950

671112

Schedule K-1 (Form 1120S)
Department of the Treasury Internal Revenue Service

2012

For calendar year 2012, or tax year beginning _____, 2012 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
3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
LARKIN L. HAMMOND

LAKE LURE, NC

F Shareholder's percentage of stock ownership for tax year..... 49.5 %

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

1	Ordinary business income (loss) 131,431.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 15.		
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 491.
11	Section 179 deduction 19,902.	16 C	Items affecting shareholder basis 98.
12 A	Other deductions 742.		
		17 A	Other information 15.

*See attached statement for additional information.

FOR IRS USE ONLY

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5 a	Ordinary dividends	Form 1040, line 9a
5 b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5
8 a	Net long-term capital gain (loss)	Schedule D, line 12
8 b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8 c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Sec. 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 Instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal community employment credit	

		Report on
	Code	
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	
	P Other credits	
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other Information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q CCF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

SHAREHOLDER 2 : LARKIN L. HAMMOND

671112

Schedule K-1 (Form 1120S)
Department of the Treasury Internal Revenue Service

2012

For calendar year 2012, or tax year beginning _____, 2012 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
3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE E. PERTUIS

GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 1 %

FOR IRS USE ONLY

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

1	Ordinary business income (loss) 2,655.	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 A	Alternative minimum tax (AMT) items 10.
11	Section 179 deduction 402.	16 C	Items affecting shareholder basis 2.
12 A	Other deductions 15.		
		17	Other information

*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the Instructions for your income tax return.

		Report on
1	Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:	
	Passive loss	See the Shareholder's Instructions
	Passive income	Schedule E, line 28, column (g)
	Nonpassive loss	Schedule E, line 28, column (h)
	Nonpassive income	Schedule E, line 28, column (j)
2	Net rental real estate income (loss)	See the Shareholder's Instructions
3	Other net rental income (loss)	
	Net income	Schedule E, line 28, column (g)
	Net loss	See the Shareholder's Instructions
4	Interest income	Form 1040, line 8a
5 a	Ordinary dividends	Form 1040, line 9a
5 b	Qualified dividends	Form 1040, line 9b
6	Royalties	Schedule E, line 4
7	Net short-term capital gain (loss)	Schedule D, line 5
8 a	Net long-term capital gain (loss)	Schedule D, line 12
8 b	Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8 c	Unrecaptured section 1250 gain	See the Shareholder's Instructions
9	Net section 1231 gain (loss)	See the Shareholder's Instructions
10	Other income (loss)	
	Code	
	A Other portfolio income (loss)	See the Shareholder's Instructions
	B Involuntary conversions	See the Shareholder's Instructions
	C Sec. 1256 contracts and straddles	Form 6781, line 1
	D Mining exploration costs recapture	See Pub 535
	E Other income (loss)	See the Shareholder's Instructions
11	Section 179 deduction	See the Shareholder's Instructions
12	Other deductions	
	A Cash contributions (50%)	See the Shareholder's Instructions
	B Cash contributions (30%)	
	C Noncash contributions (50%)	
	D Noncash contributions (30%)	
	E Capital gain property to a 50% organization (30%)	
	F Capital gain property (20%)	
	G Contributions (100%)	
	H Investment interest expense	Form 4952, line 1
	I Deductions — royalty income	Schedule E, line 19
	J Section 59(e)(2) expenditures	See the Shareholder's Instructions
	K Deductions — portfolio (2% floor)	Schedule A, line 23
	L Deductions — portfolio (other)	Schedule A, line 28
	M Preproductive period expenses	See the Shareholder's Instructions
	N Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
	O Reforestation expense deduction	See the Shareholder's Instructions
	P Domestic production activities information	See Form 8903 instructions
	Q Qualified production activities income	Form 8903, line 7b
	R Employer's Form W-2 wages	Form 8903, line 17
	S Other deductions	See the Shareholder's Instructions
13	Credits	
	A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
	B Low-income housing credit (other) from pre-2008 buildings	
	C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
	D Low-income housing credit (other) from post-2007 buildings	
	E Qualified rehabilitation expenditures (rental real estate)	
	F Other rental real estate credits	
	G Other rental credits	
	H Undistributed capital gains credit	Form 1040, line 71, box a
	I Alcohol and cellulosic biofuel fuels credit	See the Shareholder's Instructions
	J Work opportunity credit	
	K Disabled access credit	
	L Empowerment zone and renewal community employment credit	

		Report on
	Code	
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	
	O Backup withholding	
	P Other credits	
14	Foreign transactions	
	A Name of country or U.S. possession	Form 1116, Part I
	B Gross income from all sources	
	C Gross income sourced at shareholder level	
	Foreign gross income sourced at corporate level	
	D Passive category	Form 1116, Part I
	E General category	
	F Other	
	Deductions allocated and apportioned at shareholder level	
	G Interest expense	Form 1116, Part I
	H Other	Form 1116, Part I
	Deductions allocated and apportioned at corporate level to foreign source income	
	I Passive category	Form 1116, Part I
	J General category	
	K Other	
	Other information	
	L Total foreign taxes paid	Form 1116, Part II
	M Total foreign taxes accrued	Form 1116, Part II
	N Reduction in taxes available for credit	Form 1116, line 12
	O Foreign trading gross receipts	Form 8873
	P Extraterritorial income exclusion	Form 8873
	Q Other foreign transactions	See the Shareholder's Instructions
15	Alternative minimum tax (AMT) items	
	A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
	B Adjusted gain or loss	
	C Depletion (other than oil & gas)	
	D Oil, gas, & geothermal — gross income	
	E Oil, gas, & geothermal — deductions	
	F Other AMT items	
16	Items affecting shareholder basis	
	A Tax-exempt interest income	Form 1040, line 8b
	B Other tax-exempt income	See the Shareholder's Instructions
	C Nondeductible expenses	
	D Distributions	
	E Repayment of loans from shareholders	
17	Other information	
	A Investment income	Form 4952, line 4a
	B Investment expenses	Form 4952, line 5
	C Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
	D Basis of energy property	See the Shareholder's Instructions
	E Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
	F Recapture of low-income housing credit (other)	Form 8611, line 8
	G Recapture of investment credit	See Form 4255
	H Recapture of other credits	See the Shareholder's Instructions
	I Look-back interest — completed long-term contracts	See Form 8697
	J Look-back interest — income forecast method	See Form 8866
	K Dispositions of property with section 179 deductions	See the Shareholder's Instructions
	L Recapture of section 179 deduction	
	M Section 453(l)(3) information	
	N Section 453A(c) information	
	O Section 1260(b) information	
	P Interest allocable to production expenditures	
	Q ODF nonqualified withdrawals	
	R Depletion information — oil and gas	
	S Amortization of reforestation costs	
	T Section 108(i) information	
	U Other information	

SHAREHOLDER 3 : KYLE E. PERTUIS

671112

Schedule K-1 (Form 1120S)
Department of the Treasury Internal Revenue Service

2012

For calendar year 2012, or tax year beginning _____, 2012
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
3593

B Corporation's name, address, city, state, and ZIP code
FRONT ROE RESTAURANTS, INC.
LARKIN'S ON THE RIVER
318 SOUTH MAIN STREET
GREENVILLE, SC 29601

C IRS Center where corporation filed return
E-FILE

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code
KYLE E [illegible]
GREENVILLE, SC

F Shareholder's percentage of stock ownership for tax year..... 1 %

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

1	Ordinary business income (loss) 2,655.	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 A	Alternative minimum tax (AMT) items 10.
11	Section 179 deduction 402.	16 C	Items affecting shareholder basis 2.
12 A	Other deductions 15.		
		17	Other information

*See attached statement for additional information.

FOR IRS USE ONLY

LAKE POINT RESTAURANTS, INC.

STOCKHOLDER AGREEMENT

This Stockholder Agreement (**Agreement**) by and between the persons signing as stockholders (**Stockholders**) and Lake Point Restaurants, Inc., a North Carolina corporation (**Company**) is effective on the last date set forth on the signature page(s) below.

THIS AGREEMENT IS SUBJECT TO THE NORTH CAROLINA REVISED UNIFORM ARBITRATION ACT (CHAPTER 1, SUBCHAPTER 15, ARTICLE 45C) OR THE FEDERAL ARBITRATION ACT (9 U.S.C. §§1-16).

BACKGROUND.

A. The Company is authorized to issue 100,000 shares of capital stock (**Shares**). Each Stockholder has been issued the number of Shares as set forth in their respective signature blocks below in exchange for the consideration recorded in the Company's corporate and financial records.

B. The Company's business is to design, manufacture, market, and distribute fashion items and related products.

C. The Company and Stockholders have determined that it is in their mutual best interest to (i) preserve continuity of management, (ii) maximize the value of Company capital stock, (iii) protect minority stockholders interests, and (iv) clarify the Stockholders' respective rights and responsibilities.

In consideration of the background above and the provisions below the parties agree as follows:

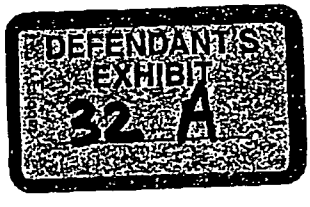
1. RESTRICTIONS ON TRANSFER; OPTIONS.

1.1. General Restrictions. A Stockholder may not Dispose of any part of its Shares unless approved in the manner set forth in this Article. The word **Dispose** (or a derivative of dispose) means a transfer, exchange, grant of a security interest, or other conveyance or encumbrance (including, without limitation, by operation of law), or acts attempting to effect such transactions. Any other attempted Disposition by a person of an interest or right to its Shares of Company stock other than in accordance with the Agreement shall be void.

1.2. Exclusions from Restrictions. Notwithstanding the provisions in Section 1.1, Shares transfers among the Stockholders -- whether by conveyance, pledge, gift, testamentary or other transfer -- will not cause the Options described in Sections 1.4 and 3.3 to be exercisable, but shall require the notice according to Section 1.3.

1.3. Notice of Transfer. A Stockholder (**Transferring Stockholder**) will notify the Company and other Stockholders of its intention to transfer any of the Stockholder's Shares (**Option Shares**) before effecting such transfer (the **Transfer Notice**). The Transfer Notice must state (a) the identity of the proposed transferee, (b) the highest bona fide offer such transferee has made for the Stockholder's Shares involved, if any, (c) the specific interest in the Stockholder's Shares proposed to be transferred, and (d) other material terms of the proposed transfer.

1.4. Option to Purchase Option Shares. Upon receipt of the Transfer Notice, the Option Shares will be subject to the following purchase options (**Options**):



(a) **Company Option.** The Company will have the option to purchase all of the Option Shares by providing notice to all Stockholders within 30 days from receipt of the Transfer Notice.

(b) **Non-Transferring Stockholder Options.** If the Company has not exercised its option to purchase all the Option Shares within the time prescribed in Section 1.4(a), the non-Transferring Stockholders will have the option to purchase by providing notice to the Company and all Stockholders within an additional 30 days. The share of the Option Shares each non-Transferring Stockholder shall have the option to purchase shall be in proportion to the Shares owned by each non-Transferring Stockholder exercising its option. The non-Transferring Stockholders agree that among themselves they will notify each other as to their intent to exercise the option set forth in this Section at least five days prior to the expiration of the options described in this Section. The Company and some or all of the non-Transferring Stockholders may collectively exercise their respective options to purchase the Option Shares, but in that event the Company must exercise its option for less than all of the Option Shares and some or all of the non-Transferring Stockholders must exercise their respective options for the remaining Option Shares.

1.5. **Option Value Procedure.** The purchase price of the Option Shares will be the **Option Value** determined according to this Section as of the date of the Transfer Notice.

(a) *Agreed Value.* Within ten days of receipt of the Transfer Notice, the Company and the Transferring Stockholder shall attempt in good faith to agree on the Option Value.

(b) *Appraiser Value.* If the Transferring Stockholder and the Company cannot agree on the Option Value, then within 15 days after receipt of the Transfer Notice the Transferring Stockholder and the Company shall attempt in good faith to agree upon and hire a single appraiser to determine the Option Value. The cost of a single appraiser shall be borne by the Company. If the Transferring Stockholder and the Company cannot agree upon a single appraiser, then within the same time period for selecting a single appraiser, the Company and the Transferring Stockholder shall each hire an appraiser, at their respective expense. The appraiser(s) shall provide a written report of their determinations of the Option Value within 45 days of hire. If there are two appraisers and their determinations differ by less than 20.00% (with the lowest as the base for computing the percentage of difference), then the Option Value shall be the arithmetic mean of the two. If there are two appraisers and their determinations differ by more than 20.00%, then within five days of their determinations they shall appoint a third appraiser (the cost of which shall be shared equally by the Company and the Transferring Stockholder) and within ten days following such appointment, the third appraiser shall pick one of the determinations of Option Value previously prepared by the two other appraisers which the third appraiser finds best determines the Option Value in accordance with accepted valuation principles applied to closely held business interests. For purposes of this Agreement, an **appraiser** is a person expert in determining the value of businesses with business purposes similar to the Company and the securities representing the capital ownership therein. The Company and the Stockholders shall reasonably cooperate with the appraiser(s) and shall promptly provide him any information requested which is in possession or control of the Company or the Stockholders.

(c) *Third Party Pricing.* If the Option Shares are being transferred to another person in a bona fide sale transaction, then the Company (or any non-Transferring Stockholders exercising their option) may elect to determine the Option Value according to the price and terms of the sale to the person named as transferee in the Transfer Notice. This election shall be made by written notice to the

Transferring Stockholder, within the period to exercise the options described in Sections 1.4(a), and 1.4(b).

1.6. **Disposition Exercised; Terms and Closing.** In the case of exercise of the options described in sections 1.4(a) and 1.4(b), the specifics of the closing and the deliveries are described below.

(a) *Agreed; Appraiser Value Terms.* If the Option Value was determined according to either sections 1.5(a) or 1.5(b), the purchasing parties may (in their sole discretion) pay the purchase price as follows but subject to applicable legal restrictions:

(i) *In Kind.* The Company may elect to distribute a portion of the Company's property (including an undivided interest in some or all of its property, which may or may not be subject to partition) equal in value to the purchase price, as reasonably determined by the Company;

(ii) *Collected Funds.* The Company and non-Transferring Stockholders may choose to make one payment by check representing collected funds or wire transfer in US dollars;

(iii) *Installments.* The Company and non-Transferring Stockholders may deliver a promissory note calling for payment of three equal annual installments of principal and interest in US dollars, with the first payment payable on the first anniversary after the closing date. Interest shall accrue from the closing date on the unpaid portion of the purchase price at the applicable federal rate on the closing date as defined by Code § 1274; the obligation shall be evidenced by a commercially reasonable promissory note, without prepayment penalty.

(b) *Third Party Value Terms.* If the Option Value is determined according to section 1.5(c), then the terms shall be the same as those described in the Transfer Notice pursuant to the bona fide offer.

(c) *Closing.* The closing of a sale of the Option Shares will take place at the Company's principal place of business no more than 30 days after the Option is exercised. At closing, (i) the party exercising the Option will tender the consideration for the Option Shares to the Transferring Stockholder, and (ii) the Transferring Stockholder will deliver the certificate representing the Stock to the exercising party endorsed in blank, conveying good and marketable title free of all claims and encumbrances to the certificate (this representation of title shall survive closing).

1.7. **Disposition Option Not Exercised.** If neither the Company nor the non-Transferring Stockholders exercise their respective Options, the Company will not recognize for any purpose a purported Disposition of Stock unless and until the other applicable provisions of this Agreement have been satisfied and the Company has received:

(a) *Instrument of Conveyance.* A document executed by both the Transferring Stockholder (his representative if the transfer is on account of the death, incapacity, or termination of a trust) and the person to whom the Transferring Stockholder's Stock is Disposed (i) including the notice address of the person to be admitted to the Company as a Stockholder; (ii) containing a representation and warranty that the Disposition was made in accordance with all applicable laws (including specifically, but not for limitation, the securities laws); (iii) an affirmation that the person to be admitted to the Company as a Stockholder agrees to the provisions of this Agreement, as in effect at the time of the Disposition; and

(b) *Legal Opinion.* If requested by the Company, the legal opinions that (i) either the Stock subject to the Disposition has been registered under the Securities Act of 1933 and any applicable state securities laws or is exempt from registration under those laws; and (ii) the Disposition as contemplated would not adversely affect the Company's existing tax status or election (e.g., S-corporation status).

1.8. Costs of Disposition. The Transferring Stockholder and any person admitted as a new Stockholder to the in connection therewith shall pay, or reimburse the Company for, reasonable costs incurred by the Company in connection with the Disposition or admission (including, without limitation, the legal fees incurred in connection with the legal opinions described above) on or before the tenth day after the receipt by that person of the Company's invoice for the amount due. If payment is not made by the date due, the person owing that amount shall pay interest on the unpaid amount from the date due until paid at a rate of 12.00% per annum, compounded monthly, and the Stockholder's rights to any distributions may be set off against such amounts.

1.9. Effective Date. Each Disposition and, if applicable, admission under this Article is effective as of the first day of the calendar month immediately succeeding the month in which the Stockholders receive the notification of Disposition and the other requirements of this Article have been met.

1.10. Consecutive Options. If an Option is exercisable because of a proposed transfer of the Stockholder's Shares , but the Transfer Notice indicates that the Transferring Stockholder does not intend to transfer all of the Stockholder's Shares , then the failure of the Company or the non-Transferring Stockholders to exercise their respective Options will not affect their Option rights due to any subsequent intended transfer of the Stockholder's retained Shares.

2. STOCKHOLDER EMPLOYMENT; OPTIONS.

2.1. Condition of Shares Ownership. Each Stockholder acknowledges that employment by the Company is a condition of Shares ownership. The Stockholders' status as employees of the Company was a material factor in the decision of each Stockholder to invest in and be employed by the Company.

2.2. Termination of Employment; Option. If a Stockholder terminates its employment with the Company for any reason other than disability or retirement (**Employment Termination**), the Shares owned by such Stockholder (**Terminating Stockholder**) will be subject to an option to purchase by the Company or the other Stockholders for a period of 12 months following the Employment Termination (**Termination Option**). Employment Termination means a voluntary or involuntary termination of employment, but does not include a termination of employment attributed to disability, retirement, or death. For purposes of this agreement. **Disability** means the inability to engage in any substantial gainful activity on behalf of the Company by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months as determined by a majority of the Company's board of directors (exclusive of the disabled Stockholder), in their reasonable discretion. **Retirement** means separation from service with the Company as an Employee on or after the date on which the Stockholder has attained age 65 for any reason.

2.3. **Termination Options to Purchase.** Upon an Employment Termination all the Terminating Stockholder's Shares (**Option Shares**) shall be subject to the options to purchase described in this Article.

(a) *Company Option.* The Company shall have the option to purchase all of the Option Shares for 11 months from the date of Employment Termination.

(b) *Non-Terminating Stockholder Options.* If the Company has not exercised its option to purchase the Terminating Stockholder's Option Shares, the non-Terminating Stockholders will have the option to purchase all of the Option Shares for an additional 30 days. The portion of the Option Shares each non-Terminating Stockholder will have the option to purchase will be in proportion to the Shares owned by each non-Terminating Stockholder exercising its option. The Company and some or all of the non-Terminating Stockholders may collectively exercise their respective options to purchase all the Option Shares. The non-Terminating Stockholders agree that they will notify each other as to their intent to exercise the option set forth in this section at least five days prior to the expiration of the options described in this Section.

(c) *Termination Options; Exercise.* The Company or the non-Terminating Stockholders, as the case may be, shall exercise their respective options according to this Article by providing notice within the prescribed time period to the Terminating Stockholder. The exercising parties will also notify all other parties to this Agreement.

2.4. **Terminating Option Value.** The purchase price for the Option Shares of the Terminating Stockholder will be the **Option Value.** For purposes of this Article, the Option Value will be equal to the product of a fraction, the numerator of which is (a) the number of Shares owned by the Terminating Stockholder, and the denominator of which is (b) the total number of Shares outstanding on the date of Employment Termination, multiplied by (c) the total Stockholders' equity section of the Company's balance sheet as of the end of the calendar month during which the Employment Termination occurred, as reflected using consistently applied accounting practices used by the Company for federal income tax purposes; including however, any interim adjustments necessary to reasonably and accurately reflect the Company's financial position at that time [(a)/(b)*(c)].

2.5. **Terms and Closing.** In the case of exercise of the options described in this Article, the closing and the deliveries are described below.

(a) *Terms.* The obligation of the Company or the non-Terminating Stockholders (as the case may be) to pay the Option Value calculated pursuant to this Article will be evidenced by a commercially reasonable promissory note delivered to the Terminating Stockholder and containing the following terms: (i) interest accruing from the closing date on the unpaid portion of the purchase price at the applicable federal rate on the closing date as defined by Code § 1274; (ii) payment due in three equal annual installments of principal and interest in US dollars; (iii) first payment due on the first anniversary after the closing date; and (iv) no prepayment penalty.

(b) *Closing.* The closing of a sale of the Option Shares shall take place at the Company's principal place of business no more than 30 days after receipt by the Terminating Stockholder of notice of the Company's or the non-Terminating Stockholders' intent to exercise the Termination Option to purchase the Option Shares. At closing, the consideration for the Option Shares will be

delivered by the party exercising the options. The Terminating Stockholder will deliver the certificate representing the Option Shares to the exercising party endorsed in blank, conveying good and marketable title free of all claims and encumbrances to the certificate (this representation of title shall survive closing).

3. STOCKHOLDER PROTECTIONS.

3.1. Supermajority Voting Requirements. Notwithstanding any other provision of this Agreement or of any other document governing the voting rights and privileges of the Stockholders, the affirmative vote of at least two thirds of the issued and outstanding Shares of the Company stock (**Supermajority**) shall be required to (1) issue or purchase Company stock; (2) any merger or share exchange involving the Company; (3) any sale, exchange, conveyance, transfer, or other disposition of rights, title, or interests in property of the Company not in the ordinary course of business; (4) borrow or otherwise commit the credit of the Company other than in the ordinary course of business or which requires the guaranty of one or more of the Stockholders; (5) dissolution and liquidation of the Company; and (6) terminate or amend this Agreement. Upon approval of any action specified in this Article, the failure of any Stockholder to take any actions necessary for carrying out the transactions contemplated by such approval shall be considered an event which entitles the Company or the other Stockholders to exercise the option provided if a employee Stockholder's employment is terminated as provided in Section **Error! Reference source not found.** above.

3.2. Unanimous Voting Requirements. Notwithstanding any other provision of this Agreement or of any other document governing the voting rights and privileges of the Stockholders, the affirmative vote of all the Stockholders shall be required to borrow or otherwise commit the credit or resources of the Company other than in the ordinary course of business or which requires the guaranty or would adversely affect the previously granted guaranty of one or more of the Stockholders.

3.3. Right of Co-Sale. If Transferring Stockholders hold Option Shares constituting more than one half of the Company's outstanding capital stock (whether in a single transaction or a series of transactions with the same transferee or such transferee's affiliates), then each remaining Stockholder may elect to participate in the contemplated transfer (or transfers) as a seller by delivering written notice that such Stockholder is exercising the rights granted by this Section to the Transferring Stockholder(s) and the Company within 30 days after receipt by the non-Transferring Stockholder of the Transfer Notice. If one or more of the non-Transferring Stockholders have elected to participate in such sale, the Transferring Stockholder(s) and any Stockholders electing under this Section shall be entitled to sell in the contemplated sale, at the same price and on the same terms, a ratable share of their Shares in proportion to all Stockholders' Shares being sold.

3.4. Come Along Obligations. If there is an affirmative vote of two-thirds of the issued and outstanding Shares to (a) issue or purchase Shares; (b) agree to or consummate any merger or share exchange involving the Company; (c) sell, exchange, convey, transfer, or dispose of rights, title, or interests in property of the Company not in the ordinary course of business; (d) dissolve and liquidate the Company, then each Stockholder shall take the actions necessary to consummate the transactions contemplated by such approval, including executing documents reasonably required by legal counsel associated with the Company or the other Stockholders. Failure do so, will entitle the Company or the other Stockholders, as the case may be, to exercise the option provided for in the Event of an Employment Termination. If there is a public offering, it is underwritten, and the managing underwriters advise the

Company in writing that in their opinion the existing capital structure of the Company will adversely affect the marketability of the offering, upon resolution of the board of directors adopting the capital structure recommendations made by the managing underwriters, each Stockholder will consent to and vote for a recapitalization, reorganization, or other transaction in order to effect the appropriate capital structure. Each Stockholder will take all other necessary or desirable actions in connection with the consummation of the recapitalization, reorganization or exchange; provided that the resulting securities reflect and are consistent with the rights and preferences among the outstanding classes of securities in effect immediately prior to such recapitalization, reorganization or exchange. Each Stockholder shall be entitled to participate in any registration of outstanding stock as recommended by the managing underwriter and resolved by the board of directors in proportion to his ownership. For purposes of this agreement, **public offering** means a public offering and sale of Stockholder Shares pursuant to an effective registration statement under applicable securities laws. If there is a public offering, then this agreement shall terminate upon the successful completion of such offering.

3.5. **Transferee Becoming a Stockholder.** A transferee of Shares has the right to be admitted as a Stockholder with all the rights, interests, and obligations attributable thereto if such transfer is made in accordance with this agreement, and the transferee becomes a signatory to this agreement. A transferee of all or a portion of a Stockholder's Shares who becomes a Stockholder has, to the extent assigned, the rights and powers and is subject to the restrictions and liabilities of a Stockholder under this agreement. Unless otherwise provided by this agreement, such a transferee is also liable for the obligations of the Transferring Stockholder, but is not obligated for liabilities unknown at the time the transferee became a Stockholder and which could not be ascertained from this agreement. The Transferring Stockholder is not released from the liability to the Company or the other Stockholders for matters occurring or attributable to actions or failures to act before the transfer absent a separate release.

3.6. **Tax Distributions.** Except upon approval of a Supermajority to the contrary, on or before April 1 of each succeeding calendar year, the Company shall make a cash distribution to each Stockholder to pay for the projected federal and state income tax liability attributable to the income of the Company allocated to such Stockholder for the Company's fiscal year. For purposes of computing the distribution under this section, the Stockholders will be assigned a tax rate of 40% with respect to ordinary income and 20% with respect to capital gain income, such percentages may be changed by the Company's Directors to reflect prevailing tax rates provided by the federal Internal Revenue Code on the date of the distribution. However, no distribution may be made contrary to applicable state or federal law.

4. COMPANY MATTERS.

4.1. **S Corporation Status.** If the Company becomes aware that any provision contained herein (or the exercise of such provision) would terminate the Company's election under Internal Revenue Code (**Code**) Section 1362, (a) the Company will request a determination from legal counsel with expertise in corporate tax law and (b) such provision will be severed from the Agreement if counsel determines the provision would terminate the Company's election. During any period in which the Company has in effect an election under Code Section 1362, or any successor provision, the Company will not be required to recognize any sale of stock of the Company in the event that such sale will cause a disqualification from the application of Subchapter S of the Code or terminate the Company's election.

4.2. **Restrictive Endorsement.** The parties agree that all certificates representing Shares of capital stock of the Company shall be stamped with a restrictive endorsement substantially in the following form:

> The securities represented by this certificate are not registered under the Securities Act of 1933 or the North Carolina Securities Act, and may not be transferred except pursuant to an effective registration statement or an exemption from registration. The sale or transfer of the stock represented by this certificate is subject to an agreement between the stockholders and the corporation, a copy of which is on file in the office of the secretary of the corporation.

4.3. **Company Information.**

(a) *Information.* The Company's property and books and records shall be open to inspection of Stockholders from time to time upon reasonable request which shall specify the purpose of inspection. The Company shall permit a Stockholder and up to two additional individuals to inspect. The inspecting Stockholder or designee(s), as the case may be, may make copies or extracts of the books and records, provided that all the costs of making copies shall be borne by the inspecting Stockholder. Additionally, the Company shall make any of its employees and agents (including its independent public accountants) reasonably available to the inspecting Stockholder to discuss the Company's affairs, records, finances, and accounts, provided that the reasonable costs of making the employees and agents available shall be borne by the inspecting Stockholder. The Company may, in its reasonable discretion, choose a reasonable place to make the Company's books, records, employees, and agents available to the inspecting Stockholder other than the place where its books and records are maintained.

(b) *Non-disclosure.* Because of the nature of the Company's business, any information that a Stockholder obtains from the Company about the Company or its business activities (including for example and not limitation information obtained from its books and records) shall be presumed to be trade secrets of the Company and Proprietary Information (defined below). Stockholder or its designee shall keep all Proprietary Information confidential as long as it remains a trade secret or not generally known outside the Company. As long as the information remains a trade secret or not generally known outside the Company, a Stockholder or its designees shall not directly or indirectly disclose any of the Proprietary Information to any third party, unless (a) authorized by the Company in writing, or (b) in the case of a Stockholder who is an employee, officer, or director of the Company and disclosure is for the purpose of carrying out its responsibilities to the Company. Prior to any disclosure, Stockholder shall notify the Company, in writing, of any of the information obtained from the Company which he asserts is not subject to these obligations and, with specificity, why it is not subject to such restrictions. If a Stockholder or Stockholders are served with a legally enforceable request for the production of information which includes any information provided by the Company, then Stockholder shall immediately notify the Company and cooperate with the Company in taking any actions that the Company determines necessary to protect the information (at the Company's expense).

(c) *Proprietary Information Defined.* **Proprietary Information** means any information about the Company or its business that derives independent economic value from not being generally known to and ascertainable by other persons who may obtain economic value from its disclosure or use, and Work Product (defined below). While some information considered Proprietary

Information is not confidential, the form of its compilation or the manner in which it is to be used makes it Proprietary Information. Proprietary Information, however, does not include information which, (a) a person can show by written evidence was in its possession prior to disclosure by the Company; (b) becomes generally available to the public in tangible form other than by acts or omissions of a person (or persons obtaining Proprietary Information from such person); and (c) is lawfully obtained from a third party who is properly in possession of such Proprietary Information, has a right to reveal the same to a person, and did not obtain the Proprietary Information directly or indirectly from the Company with restrictions on disclosure. **Work Product** means information, whether prepared by the person receiving Proprietary Information, which contains, reflects, is based upon, or arises out of (in whole or in part) Proprietary Information

(d) *Use.* A Stockholder shall use the Proprietary Information for the purpose of evaluating and protecting its interest in the Company. A Stockholder's dissemination of the Proprietary Information shall be limited to the employees or agents of Stockholder whose duties justify the "need to know," and then only after those persons agree in writing to be bound by the terms of this Article, copies of which shall be provided to the Company promptly upon request. A Stockholder or any employee or agent of Stockholder receiving Proprietary Information shall not use the Proprietary Information to compete against the Company in any way or in a manner which is otherwise detrimental to the Company.

(e) *Ownership.* All Proprietary Information is and shall continue to be the exclusive property of the Company, despite the fact that Proprietary Information is entrusted to a Stockholder, whether in its capacity as a Stockholder, director, officer, or employee. A Stockholder's possession of the Proprietary Information does not confer to the Stockholder any license, interest or rights of any kind in or to the Proprietary Information.

4.4. **Non-Competition Covenants.** A Stockholder or former Stockholder who is receiving payment or other consideration in exchange for its Shares agrees not to engage in competitive work throughout the Share ownership and for two years after receipt of the last payment or other consideration. **Competitive work** means (a) directly or indirectly acting as an owner, partner, consultant, employee, agent, officer, director, advisor, creditor, or otherwise engaging in (or will be engaged in) developing, supplying, marketing, distributing, or selling a product, process, or service that is substantially similar to that conducted or actively planned by Employer during Employee's employment up to the point of termination; (b) supplying, marketing, distributing, or selling (or attempting to do so) a substantially similar product, process, or service via the same marketing and distribution sources as currently used or actively planned by Employer during Employee's employment up to the point of termination to any existing or actively prospective wholesale customer of Employer with which Employee has had material participation; and (c) causing or attempting to cause an existing or actively prospective wholesale customer, supplier, prospective supplier, employee, or prospective employee to divert, terminate, limit, modify, or fail to enter into any existing or potential business relationship with Employer.

4.5. **Acknowledgment.** Stockholder acknowledges that (a) Company has spent substantial money, time, and effort in developing its processes, customers, suppliers, employees, business associates, goodwill, and Proprietary Information (collectively, **Enterprise**); (b) the Enterprise is difficult to develop and requires a significant investment of time, effort, and expense; (c) the Enterprise serves as a significant and substantial portion of the value and economic viability of the Company; and (d) the Company has agreed to issue Shares to Stockholder based upon the Stockholder's assurances and promises not to divert the Company's Enterprise or to put himself or herself in a position following employment in which the

Proprietary Information might be compromised. Stockholder acknowledges that the provisions contained in Sections titled *Company Information* and *Competition* (separately and collectively) are reasonable and enforceable in view of Company's legitimate interests in protecting the Proprietary Information, Enterprise, and its other property. Stockholder understands the non-competition restrictions are not limited geographically because of (1) the Company's nationwide operations and the Proprietary Information and persons to which Stockholder had or will have access. During the time period in which Stockholder's non-competition obligations remain applicable, Stockholder will disclose the terms of this Agreement to any potential future employer, joint venturer, contractor, or partner.

4.6. Covenant of Assurance by Company and Stockholders. If the Company is unable to take any action required of it hereunder because of the provisions of the applicable statutes or its Articles or Bylaws, the Company agrees to make such amendments or provisions as may be necessary to permit it to take such action, and the Stockholders agree that they will take such action as may be necessary to allow the Company to take the action required of it.

4.7. Further Actions. In connection with the Agreement and any transactions contemplated each Stockholder shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the intent of the provisions of the Agreement and those transactions.

5. SPECIAL CONTRIBUTION OBLIGATION. This paragraph is intended to assure that liability which any of the Stockholders may have for the Qualified Debt of the Company will be shared in proportion to their respective stock ownership. **Qualified Debt** of the Company is an obligation which has been (1) approved by unanimous consent of the Stockholders; and (2) required a guaranty by one or more Stockholders as a condition to the Company obtaining the benefit of such obligation.

5.1. Demand of Guaranty. If demand is made by the holder of Qualified Debt upon any Stockholder according to its guaranty to satisfy all or a portion of any Qualified Debt and the amount of cash or the value of other property that is demanded of such Stockholder is greater than its percentage ownership of the Company's outstanding stock multiplied by the total amount demanded with respect to the Company, then any Stockholders upon whom demand was not made shall tender an amount of cash or property to satisfy the demand in proportion to their respective stock ownership.

5.2. Mechanics. The Stockholder entitled to contribution under the terms of this paragraph shall promptly notify all the Stockholders and the Company of the demand. The notice shall include (a) a copy of any document received from the holder of the Qualified Debt or a summary of the demand if no document is available and (b) the amount required for tender in order to perform under the terms of this paragraph. The Stockholders required to tender by the terms of this paragraph shall perform as directed by the President of the Company within five business days of receiving notice. Failure to perform under this paragraph shall be a material breach of this Agreement, and amounts due and unpaid shall begin to accrue interest at a rate of 1.00% per month compounded monthly, until paid in full.

6. DISPUTE RESOLUTION. The parties accept the following process as the exclusive means to resolve disputes arising under this Agreement.

6.1. Dispute Notice. Either party (**Claimant**) may promptly notify the other party (**Respondent**) in writing (**Dispute Notice**) of a dispute arising under this Agreement that has not been

resolved through ordinary commercial means. The Dispute Notice will include (a) a summary of the dispute; (b) the Claimant's position; and (c) any material and relevant documentary information or references relating to the dispute that are in Claimant's possession or control. Within five business days after receiving the Dispute Notice, Respondent will respond in writing by either (y) agreeing to Claimant's position or (z) scheduling a dispute resolution meeting to occur within ten business days following receipt of the Dispute Notice.

6.2. **Initial Meeting**. If Respondent schedules a dispute resolution meeting, Respondent will submit to Claimant (a) Respondent's written position and (b) any material and relevant documentary information or references relating to the dispute that are in Respondent's possession or control. The dispute resolution meeting may be by telephone or other agreed means of contemporaneous communication. Each party will appoint one or more individuals authorized to act with regard to the disputed issue. All dispute resolution meetings must be concluded within 20 business days of the Dispute Notice. If the dispute has not been resolved by the parties within five business days of the conclusion of the dispute resolution meeting period, the parties will each prepare a written summary (not to exceed two pages; 8.5"x11;" single spaced; typed; one-inch margins; 12-point font) identifying (y) all issues that have been resolved and their resolution and (z) any issues that remain unresolved (**Written Summary**).

6.3. **Mediation**. If the parties are unable to resolve all disputed issues, either party may initiate mediation by notice to the other generally following the International Institute for Conflict Prevention & Resolution (CPR) Mediation Procedure (see cpradr.org) within 30 days of the Dispute Notice. The mediator will be a qualified neutral; member of the South Carolina bar located in Anderson, Greenville, Pickens, or Spartanburg County; practicing for at least ten years; and with substantial experience in closely held corporations and limited liability companies, business, taxation, or business litigation. Within five business days of initiating the mediation process, the parties or their legal counsel shall attempt in good faith to select a single mediator; if they cannot, then a neutral shall be selected by each party (and compensated by same) who shall together select a third neutral, who shall mediate the matter. The mediator may be -- but is not required to be -- a CPR neutral. The parties will present to the mediator the Written Summary and any material and relevant documentary information previously shared by the parties. The mediation will be completed within 30 days of the mediator's appointment. If the mediation resolves all disputed issues, the parties will bear their own mediation costs and equally share the cost of the mediator.

6.4. **Arbitration**. If the mediation fails to resolve all disputed issues, either party may initiate arbitration within ten days after the mediation concludes. Arbitration will be governed by the North Carolina Revised Uniform Arbitration Act (Chapter 1, Sub-Chapter 15, Article 45C) or the Federal Arbitration Act (9 U.S.C. §1-16), as the case may be, and will follow the CPR Non-Administered Arbitration Rules effective November 1, 2007. The arbitrator will be a qualified neutral; member of the North Carolina or South Carolina bar located in Buncombe County, North Carolina, or Greenville County, South Carolina; practicing for at least ten years; and with substantial experience in closely held corporations and limited liability companies, business, or taxation. Within five business days of initiating arbitration, the parties or their legal counsel shall attempt in good faith to select a single arbitrator; if they cannot, then a neutral shall be selected by each party (and compensated by same) who shall together select a third neutral, who shall be the sole arbitrator of the matter. The arbitrator may be – but is not required to be -- a CPR neutral. The parties will present to the arbitrator their Written Summary and any material and relevant documentary information previously provided to the mediator. Arbitration will be held in Buncombe County, North Carolina, or Greenville County, South Carolina, and will be completed

with a final determination rendered within 45 days of the arbitrator's appointment. Unless otherwise determined by the arbitrator (or judge), the non-prevailing party will be obligated to reimburse the prevailing party's legal fees and other expenses related to the mediation, arbitration, or any judicial action; the parties' good faith compliance with the intent of this provision shall be a material factor in such determination by the arbitrator (or judge).

6.5. **Application and Finality of Arbitration.** The procedures outlined in this Article will be the sole and exclusive process for dispute resolution between the parties and relating to this Agreement. Judgment upon an arbitrator's determination may be entered by any court having competent jurisdiction over the affected party.

6.6. **Injunctions.** Notwithstanding anything to the contrary in this Article, the parties will be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any violation of this Agreement if such violation is reasonably anticipated to cause irreparable harm. The parties agree that an amount greater than $10,000.00 USD will not be necessary for purposes of providing adequate security to assure that a party wrongfully restrained or enjoined shall be paid costs and damages; however, the amount of security provided according to this provision shall not limit the amount of actual costs or damages which a party wrongfully restrained or enjoined may recover.

6.7. **Continuing Obligations.** The parties will continue in good faith to perform their respective obligations hereunder throughout any dispute resolution process. Throughout the entire dispute resolution process, the parties will have a continuing obligation to produce all relevant documentary information or references relating to the dispute that are in the parties' respective possession or control.

7. GENERAL.

7.1. **Entire Agreement; Supersedure.** The Agreement constitutes the entire Agreement of the Stockholders and the Company relating to the formation, operation, and dissolution of the Company and with the exception of any surviving obligations under any subscription agreements supersedes all prior contracts or agreements with respect to the Company and its Stockholders.

7.2. **Severability.** If any provision of the Agreement or the application thereof to any person or circumstance is held invalid or unenforceable to any extent, the remainder of the Agreement and the application of that provision to other persons or circumstances shall not be affected, and that provision shall be enforced to the greatest extent permitted by law.

7.3. **Effect of Waiver or Consent.** A waiver of or consent to any breach or default by any person in the performance by that person of its obligations under the Agreement is not a consent to or waiver of any other breach or default in the performance by that person. Failure on the part of a person to complain of any act or to declare a default with respect to the Company, Stockholder, or the Agreement, irrespective of how long that failure continues, does not constitute a waiver of rights with respect to that default until the applicable statute-of-limitations period has run.

7.4. **Binding Effect.** The Agreement is binding on and inures to the benefit of the Partners and their respective heirs, legal representatives, successors, and assigns. This paragraph does not modify any restrictions on dispositions of Shares.

7.5. **Successors Bound.** All transferees who by any means obtain an interest in the capital stock of the Company shall take such interest subject to the terms of this Agreement. No transfer of stock of the Company shall be recognized on the records of the Company unless and until the transferee becomes a signatory to this Agreement, expressly consenting to be bound by the terms hereof. Any sale in violation of this paragraph shall be void.

7.6. **Governing Law.** This Agreement is governed by and shall be construed according to the law of North Carolina, excluding any conflict-of-laws rules or principles. This section contemplates application of the North Carolina Revised Uniform Arbitration Act to the resolution of disputes.

7.7. **Notices.** All notices, directions, requests, demands, acknowledgments and other communications required or permitted herein will be deemed given if sent to the addresses appearing at the Parties' respective signature blocks: (a) when delivered personally or by electronic mail; (b) when made or given by prepaid telex, telegraph or telecopier (with confirmation of receipt); (c) in the case of delivery by express delivery service, two days after any such notice, direction, request, demand, acknowledgment or other communication is transferred to such express delivery service for delivery; (d) in the case of mail delivery, three days after any such notice, direction, request, demand, acknowledgment or other communication is deposited in the United States mail for transmission by first class mail, postage prepaid, or upon receipt thereof, whichever shall first occur; and (e) for oral notice, upon communication. Each Party may from time to time designate in writing to the Company a different notice address from that appearing at the Parties' respective signature blocks.

7.8. **Counterparts.** The Agreement may be executed in any number of counterparts with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

SIGNATURES ON FOLLOWING PAGE.

LAKE POINT RESTAURANTS, INC.

STOCKHOLDER AGREEMENT

The parties have executed this Agreement the day and year written adjacent their names below.

COMPANY:
LAKE POINT RESTAURANTS, INC.

_____
Mark Hammond, President

Date: _____

STOCKHOLDERS:

_____
Larkin Hammond 500 Shares

Lake Lure, NC
Fax: _____
E-Mail: lpm@larkinsontheriver.com
Date: _____

_____
Mark Hammond 500 Shares

Lake Lure, NC
Fax: _____
E-Mail: mark@larkinsontheriver.com
Date: _____

_____
Kyle Pertuis 100 Shares

Greenville, SC
Fax: _____
E-Mail: kyle@larkinsontheriver.com
Date: _____

Stockholder Agreement - Template Properties

General | Summary | Statistics | Contents | Custom

Created: Monday, September 14, 2009 12:01:00 PM
Modified: Monday, May 27, 2013 2:45:13 PM
Accessed: Monday, May 27, 2013 2:49:31 PM
Printed: Friday, September 11, 2009 3:44:00 PM

Last saved by: kreese
Revision number: 5
Total editing time: 292 Minutes

Statistics:

Statistic name	Value
Pages:	14
Paragraphs:	108
Lines:	646
Words:	7292
Characters:	39940
Characters (with spaces)	47251

OK | Cancel

DEFENDANT'S EXHIBIT 32 B

BEACHFRONT FOODS, INC.

STOCKHOLDER AGREEMENT

This Stockholder Agreement (**Agreement**) by and between the persons signing as stockholders (**Stockholders**) and Beachfront Foods, Inc., a North Carolina corporation (**Company**) is effective on the last date set forth on the signature page(s) below.

THIS AGREEMENT IS SUBJECT TO THE NORTH CAROLINA REVISED UNIFORM ARBITRATION ACT (CHAPTER 1, SUBCHAPTER 15, ARTICLE 45C) OR THE FEDERAL ARBITRATION ACT (9 U.S.C. §§1-16).

BACKGROUND.

A. The Company is authorized to issue 100,000 shares of capital stock (**Shares**). Each Stockholder has been issued the number of Shares as set forth in their respective signature blocks below in exchange for the consideration recorded in the Company's corporate and financial records.

B. The Company's business is food and hospitality service.

C. The Company and Stockholders have determined that it is in their mutual best interest to (i) preserve continuity of management, (ii) maximize the value of Company capital stock, (iii) protect minority stockholders interests, and (iv) clarify the Stockholders' respective rights and responsibilities.

In consideration of the background above and the provisions below the parties agree as follows:

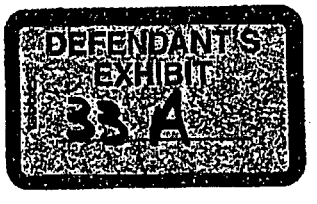
1. RESTRICTIONS ON TRANSFER; OPTIONS.

1.1. **General Restrictions.** A Stockholder may not Dispose of any part of its Shares unless approved in the manner set forth in this Article. The word **Dispose** (or a derivative of dispose) means a transfer, exchange, grant of a security interest, or other conveyance or encumbrance (including, without limitation, by operation of law), or acts attempting to effect such transactions. Any other attempted Disposition by a person of an interest or right to its Shares of Company stock other than in accordance with the Agreement shall be void.

1.2. **Exclusions from Restrictions.** Notwithstanding the provisions in Section 1.1, Shares transfers among the Stockholders -- whether by conveyance, pledge, gift, testamentary or other transfer -- will not cause the Options described in Sections 1.4 and 3.3 to be exercisable, but shall require the notice according to Section 1.3.

1.3. **Notice of Transfer.** A Stockholder (**Transferring Stockholder**) will notify the Company and other Stockholders of its intention to transfer any of the Stockholder's Shares (**Option Shares**) before effecting such transfer (**Transfer Notice**). The Transfer Notice must state (a) the identity of the proposed transferee, (b) the highest bona fide offer such transferee has made for the Stockholder's Shares involved, if any, (c) the specific interest in the Stockholder's Shares proposed to be transferred, and (d) other material terms of the proposed transfer.

1.4. **Option to Purchase Option Shares.** Upon receipt of the Transfer Notice, the Option Shares will be subject to the following purchase options (**Options**):



(a) *Company Option.* The Company will have the option to purchase all of the Option Shares by providing notice to all Stockholders within 30 days from receipt of the Transfer Notice.

(b) *Non-Transferring Stockholder Options.* If the Company has not exercised its option to purchase all the Option Shares within the time prescribed in Section 1.4(a), the non-Transferring Stockholders will have the option to purchase by providing notice to the Company and all Stockholders within an additional 30 days. The share of the Option Shares each non-Transferring Stockholder shall have the option to purchase shall be in proportion to the Shares owned by each non-Transferring Stockholder exercising its option. The non-Transferring Stockholders agree that among themselves they will notify each other as to their intent to exercise the option set forth in this Section at least five days prior to the expiration of the options described in this Section. The Company and some or all of the non-Transferring Stockholders may collectively exercise their respective options to purchase the Option Shares, but in that event the Company must exercise its option for less than all of the Option Shares and some or all of the non-Transferring Stockholders must exercise their respective options for the remaining Option Shares.

1.5. **Option Value Procedure.** The purchase price of the Option Shares will be the **Option Value** determined according to this Section as of the date of the Transfer Notice.

(a) *Agreed Value.* Within ten days of receipt of the Transfer Notice, the Company and the Transferring Stockholder shall attempt in good faith to agree on the Option Value.

(b) *Appraiser Value.* If the Transferring Stockholder and the Company cannot agree on the Option Value, then within 15 days after receipt of the Transfer Notice the Transferring Stockholder and the Company shall attempt in good faith to agree upon and hire a single appraiser to determine the Option Value. The cost of a single appraiser shall be borne by the Company. If the Transferring Stockholder and the Company cannot agree upon a single appraiser, then within the same time period for selecting a single appraiser, the Company and the Transferring Stockholder shall each hire an appraiser, at their respective expense. The appraiser(s) shall provide a written report of their determinations of the Option Value within 45 days of hire. If there are two appraisers and their determinations differ by less than 20.00% (with the lowest as the base for computing the percentage of difference), then the Option Value shall be the arithmetic mean of the two. If there are two appraisers and their determinations differ by more than 20.00%, then within five days of their determinations they shall appoint a third appraiser (the cost of which shall be shared equally by the Company and the Transferring Stockholder) and within ten days following such appointment, the third appraiser shall pick one of the determinations of Option Value previously prepared by the two other appraisers which the third appraiser finds best determines the Option Value in accordance with accepted valuation principles applied to closely held business interests. For purposes of this Agreement, an **appraiser** is a person expert in determining the value of businesses with business purposes similar to the Company and the securities representing the capital ownership therein. The Company and the Stockholders shall reasonably cooperate with the appraiser(s) and shall promptly provide him any information requested which is in possession or control of the Company or the Stockholders.

(c) *Third Party Pricing.* If the Option Shares are being transferred to another person in a bona fide sale transaction, then the Company (or any non-Transferring Stockholders exercising their option) may elect to determine the Option Value according to the price and terms of the sale to the person named as transferee in the Transfer Notice. This election shall be made by written notice to the

Transferring Stockholder, within the period to exercise the options described in Sections 1.4(a), and 1.4(b).

1.6. Disposition Exercised; Terms and Closing. In the case of exercise of the options described in sections 1.4(a) and 1.4(b), the specifics of the closing and the deliveries are described below.

(a) *Agreed; Appraiser Value Terms.* If the Option Value was determined according to either sections 1.5(a) or 1.5(b), the purchasing parties may (in their sole discretion) pay the purchase price as follows but subject to applicable legal restrictions:

(i) *In Kind.* The Company may elect to distribute a portion of the Company's property (including an undivided interest in some or all of its property, which may or may not be subject to partition) equal in value to the purchase price, as reasonably determined by the Company;

(ii) *Collected Funds.* The Company and non-Transferring Stockholders may choose to make one payment by check representing collected funds or wire transfer in US dollars;

(iii) *Installments.* The Company and non-Transferring Stockholders may deliver a promissory note calling for payment of three equal annual installments of principal and interest in US dollars, with the first payment payable on the first anniversary after the closing date. Interest shall accrue from the closing date on the unpaid portion of the purchase price at the applicable federal rate on the closing date as defined by Code § 1274; the obligation shall be evidenced by a commercially reasonable promissory note, without prepayment penalty.

(b) *Third Party Value Terms.* If the Option Value is determined according to section 1.5(c), then the terms shall be the same as those described in the Transfer Notice pursuant to the bona fide offer.

(c) *Closing.* The closing of a sale of the Option Shares will take place at the Company's principal place of business no more than 30 days after the Option is exercised. At closing, (i) the party exercising the Option will tender the consideration for the Option Shares to the Transferring Stockholder, and (ii) the Transferring Stockholder will deliver the certificate representing the Stock to the exercising party endorsed in blank, conveying good and marketable title free of all claims and encumbrances to the certificate (this representation of title shall survive closing).

1.7. Disposition Option Not Exercised. If neither the Company nor the non-Transferring Stockholders exercise their respective Options, the Company will not recognize for any purpose a purported Disposition of Stock unless and until the other applicable provisions of this Agreement have been satisfied and the Company has received:

(a) *Instrument of Conveyance.* A document executed by both the Transferring Stockholder (his representative if the transfer is on account of the death, incapacity, or termination of a trust) and the person to whom the Transferring Stockholder's Stock is Disposed (i) including the notice address of the person to be admitted to the Company as a Stockholder; (ii) containing a representation and warranty that the Disposition was made in accordance with all applicable laws (including specifically, but not for limitation, the securities laws); (iii) an affirmation that the person to be admitted to the Company as a Stockholder agrees to the provisions of this Agreement, as in effect at the time of the Disposition; and

(b) *Legal Opinion.* If requested by the Company, the legal opinions that (i) either the Stock subject to the Disposition has been registered under the Securities Act of 1933 and any applicable state securities laws or is exempt from registration under those laws; and (ii) the Disposition as contemplated would not adversely affect the Company's existing tax status or election (e.g., S-corporation status).

1.8. Costs of Disposition. The Transferring Stockholder and any person admitted as a new Stockholder to the in connection therewith shall pay, or reimburse the Company for, reasonable costs incurred by the Company in connection with the Disposition or admission (including, without limitation, the legal fees incurred in connection with the legal opinions described above) on or before the tenth day after the receipt by that person of the Company's invoice for the amount due. If payment is not made by the date due, the person owing that amount shall pay interest on the unpaid amount from the date due until paid at a rate of 12.00% per annum, compounded monthly, and the Stockholder's rights to any distributions may be set off against such amounts.

1.9. Effective Date. Each Disposition and, if applicable, admission under this Article is effective as of the first day of the calendar month immediately succeeding the month in which the Stockholders receive the notification of Disposition and the other requirements of this Article have been met.

1.10. Consecutive Options. If an Option is exercisable because of a proposed transfer of the Stockholder's Shares , but the Transfer Notice indicates that the Transferring Stockholder does not intend to transfer all of the Stockholder's Shares , then the failure of the Company or the non-Transferring Stockholders to exercise their respective Options will not affect their Option rights due to any subsequent intended transfer of the Stockholder's retained Shares.

2. STOCKHOLDER EMPLOYMENT; OPTIONS.

2.1. Condition of Shares Ownership. Each Stockholder acknowledges that employment by the Company is a condition of Shares ownership. The Stockholders' status as employees of the Company was a material factor in the decision of each Stockholder to invest in and be employed by the Company.

2.2. Termination of Employment; Option. If a Stockholder terminates its employment with the Company for any reason other than disability or retirement (**Employment Termination**), the Shares owned by such Stockholder (**Terminating Stockholder**) will be subject to an option to purchase by the Company or the other Stockholders for a period of 12 months following the Employment Termination (**Termination Option**). Employment Termination means a voluntary or involuntary termination of employment, but does not include a termination of employment attributed to disability, retirement, or death. For purposes of this agreement. **Disability** means the inability to engage in any substantial gainful activity on behalf of the Company by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months as determined by a majority of the Company's board of directors (exclusive of the disabled Stockholder), in their reasonable discretion. **Retirement** means separation from service with the Company as an Employee on or after the date on which the Stockholder has attained age 65 for any reason.

2.3. **Termination Options to Purchase.** Upon an Employment Termination all the Terminating Stockholder's Shares (**Option Shares**) shall be subject to the options to purchase described in this Article.

(a) *Company Option.* The Company shall have the option to purchase all of the Option Shares for 12 months from the date of Employment Termination.

(b) *Non-Terminating Stockholder Options.* If the Company has not exercised its option to purchase the Terminating Stockholder's Option Shares, the non-Terminating Stockholders will have the option to purchase all of the Option Shares for an additional 30 days. The portion of the Option Shares each non-Terminating Stockholder will have the option to purchase will be in proportion to the Shares owned by each non-Terminating Stockholder exercising its option. The Company and some or all of the non-Terminating Stockholders may collectively exercise their respective options to purchase all the Option Shares. The non-Terminating Stockholders agree that they will notify each other as to their intent to exercise the option set forth in this section at least five days prior to the expiration of the options described in this Section.

(c) *Termination Options; Exercise.* The Company or the non-Terminating Stockholders, as the case may be, shall exercise their respective options according to this Article by providing notice within the prescribed time period to the Terminating Stockholder. The exercising parties will also notify all other parties to this Agreement.

2.4. **Terminating Option Value.** The purchase price for the Option Shares of the Terminating Stockholder will be the **Option Value.** For purposes of this Article, the Option Value will be equal to the product of a fraction, the numerator of which is (a) the number of Shares owned by the Terminating Stockholder, and the denominator of which is (b) the total number of Shares outstanding on the date of Employment Termination, multiplied by (c) the total Stockholders' equity section of the Company's balance sheet as of the end of the calendar month during which the Employment Termination occurred, as reflected using consistently applied accounting practices used by the Company for federal income tax purposes; including however, any interim adjustments necessary to reasonably and accurately reflect the Company's financial position at that time [(a)/(b)*(c)].

2.5. **Terms and Closing.** In the case of exercise of the options described in this Article, the closing and the deliveries are described below.

(a) *Terms.* The obligation of the Company or the non-Terminating Stockholders (as the case may be) to pay the Option Value calculated pursuant to this Article will be evidenced by a commercially reasonable promissory note delivered to the Terminating Stockholder and containing the following terms: (i) interest accruing from the closing date on the unpaid portion of the purchase price at the applicable federal rate on the closing date as defined by Code § 1274; (ii) payment due in three equal annual installments of principal and interest in US dollars; (iii) first payment due on the first anniversary after the closing date; and (iv) no prepayment penalty.

(b) *Closing.* The closing of a sale of the Option Shares shall take place at the Company's principal place of business no more than 30 days after receipt by the Terminating Stockholder of notice of the Company's or the non-Terminating Stockholders' intent to exercise the Termination Option to purchase the Option Shares. At closing, the consideration for the Option Shares will be

delivered by the party exercising the options. The Terminating Stockholder will deliver the certificate representing the Option Shares to the exercising party endorsed in blank, conveying good and marketable title free of all claims and encumbrances to the certificate (this representation of title shall survive closing).

3. STOCKHOLDER PROTECTIONS.

3.1. Supermajority Voting Requirements. Notwithstanding any other provision of this Agreement or of any other document governing the voting rights and privileges of the Stockholders, the affirmative vote of at least two thirds of the issued and outstanding Shares of the Company stock (**Supermajority**) shall be required to (a) issue or purchase Company stock; (b) any merger or share exchange involving the Company; (c) any sale, exchange, conveyance, transfer, or other disposition of rights, title, or interests in property of the Company not in the ordinary course of business; (d) borrow or otherwise commit the credit of the Company other than in the ordinary course of business or which requires the guaranty of one or more of the Stockholders; (e) dissolution and liquidation of the Company; and (f) terminate or amend this Agreement. Upon approval of any action specified in this Article, the failure of any Stockholder to take any actions necessary for carrying out the transactions contemplated by such approval shall be considered an event which entitles the Company or the other Stockholders to exercise the option provided if an employee Stockholder's employment is terminated as provided in Article 2 above.

3.2. Unanimous Voting Requirements. Notwithstanding any other provision of this Agreement or of any other document governing the voting rights and privileges of the Stockholders, the affirmative vote of all the Stockholders shall be required to borrow or otherwise commit the credit or resources of the Company other than in the ordinary course of business or which requires the guaranty or would adversely affect the previously granted guaranty of one or more of the Stockholders.

3.3. Right of Co-Sale. If Transferring Stockholders hold Option Shares constituting more than one half of the Company's outstanding capital stock (whether in a single transaction or a series of transactions with the same transferee or such transferee's affiliates), then each remaining Stockholder may elect to participate in the contemplated transfer (or transfers) as a seller by delivering written notice that such Stockholder is exercising the rights granted by this Section to the Transferring Stockholder(s) and the Company within 30 days after receipt by the non-Transferring Stockholder of the Transfer Notice. If one or more of the non-Transferring Stockholders have elected to participate in such sale, the Transferring Stockholder(s) and any Stockholders electing under this Section shall be entitled to sell in the contemplated sale, at the same price and on the same terms, a ratable share of their Shares in proportion to all Stockholders' Shares being sold.

3.4. Come Along Obligations. If there is an affirmative vote of two-thirds of the issued and outstanding Shares to (a) issue or purchase Shares; (b) agree to or consummate any merger or share exchange involving the Company; (c) sell, exchange, convey, transfer, or dispose of rights, title, or interests in property of the Company not in the ordinary course of business; (d) dissolve and liquidate the Company, then each Stockholder shall take the actions necessary to consummate the transactions contemplated by such approval, including executing documents reasonably required by legal counsel associated with the Company or the other Stockholders. Failure do so, will entitle the Company or the other Stockholders, as the case may be, to exercise the option provided for in the Event of an Employment Termination. If there is a public offering, it is underwritten, and the managing underwriters advise the

Company in writing that in their opinion the existing capital structure of the Company will adversely affect the marketability of the offering, upon resolution of the board of directors adopting the capital structure recommendations made by the managing underwriters, each Stockholder will consent to and vote for a recapitalization, reorganization, or other transaction in order to effect the appropriate capital structure. Each Stockholder will take all other necessary or desirable actions in connection with the consummation of the recapitalization, reorganization or exchange; provided that the resulting securities reflect and are consistent with the rights and preferences among the outstanding classes of securities in effect immediately prior to such recapitalization, reorganization or exchange. Each Stockholder shall be entitled to participate in any registration of outstanding stock as recommended by the managing underwriter and resolved by the board of directors in proportion to his ownership. For purposes of this agreement, **public offering** means a public offering and sale of Stockholder Shares pursuant to an effective registration statement under applicable securities laws. If there is a public offering, then this agreement shall terminate upon the successful completion of such offering.

3.5. **Transferee Becoming a Stockholder.** A transferee of Shares has the right to be admitted as a Stockholder with all the rights, interests, and obligations attributable thereto if such transfer is made in accordance with this agreement, and the transferee becomes a signatory to this agreement. A transferee of all or a portion of a Stockholder's Shares who becomes a Stockholder has, to the extent assigned, the rights and powers and is subject to the restrictions and liabilities of a Stockholder under this agreement. Unless otherwise provided by this agreement, such a transferee is also liable for the obligations of the Transferring Stockholder, but is not obligated for liabilities unknown at the time the transferee became a Stockholder and which could not be ascertained from this agreement. The Transferring Stockholder is not released from the liability to the Company or the other Stockholders for matters occurring or attributable to actions or failures to act before the transfer absent a separate release.

3.6. **Tax Distributions.** Except upon approval of a Supermajority to the contrary, on or before April 1 of each succeeding calendar year, the Company shall make a cash distribution to each Stockholder to pay for the projected federal and state income tax liability attributable to the income of the Company allocated to such Stockholder for the Company's fiscal year. For purposes of computing the distribution under this section, the Stockholders will be assigned a tax rate of 40% with respect to ordinary income and 20% with respect to capital gain income, such percentages may be changed by the Company's Directors to reflect prevailing tax rates provided by the federal Internal Revenue Code on the date of the distribution. However, no distribution may be made contrary to applicable state or federal law.

4. COMPANY MATTERS.

4.1. **S Corporation Status.** If the Company becomes aware that any provision contained herein (or the exercise of such provision) would terminate the Company's election under Internal Revenue Code (**Code**) Section 1362, (a) the Company will request a determination from legal counsel with expertise in corporate tax law and (b) such provision will be severed from the Agreement if counsel determines the provision would terminate the Company's election. During any period in which the Company has in effect an election under Code Section 1362, or any successor provision, the Company will not be required to recognize any sale of stock of the Company in the event that such sale will cause a disqualification from the application of Subchapter S of the Code or terminate the Company's election.

4.2. **Restrictive Endorsement.** The parties agree that all certificates representing Shares of capital stock of the Company shall be stamped with a restrictive endorsement substantially in the following form:

> The securities represented by this certificate are not registered under the Securities Act of 1933 or the North Carolina Securities Act, and may not be transferred except pursuant to an effective registration statement or an exemption from registration. The sale or transfer of the stock represented by this certificate is subject to an agreement between the stockholders and the corporation, a copy of which is on file in the office of the secretary of the corporation.

4.3. **Company Information.**

(a) *Information.* The Company's property and books and records shall be open to inspection of Stockholders from time to time upon reasonable request which shall specify the purpose of inspection. The Company shall permit a Stockholder and up to two additional individuals to inspect. The inspecting Stockholder or designee(s), as the case may be, may make copies or extracts of the books and records, provided that all the costs of making copies shall be borne by the inspecting Stockholder. Additionally, the Company shall make any of its employees and agents (including its independent public accountants) reasonably available to the inspecting Stockholder to discuss the Company's affairs, records, finances, and accounts, provided that the reasonable costs of making the employees and agents available shall be borne by the inspecting Stockholder. The Company may, in its reasonable discretion, choose a reasonable place to make the Company's books, records, employees, and agents available to the inspecting Stockholder other than the place where its books and records are maintained.

(b) *Non-disclosure.* Because of the nature of the Company's business, any information that a Stockholder obtains from the Company about the Company or its business activities (including for example and not limitation information obtained from its books and records) shall be presumed to be trade secrets of the Company and Proprietary Information (defined below). Stockholder or its designee shall keep all Proprietary Information confidential as long as it remains a trade secret or not generally known outside the Company. As long as the information remains a trade secret or not generally known outside the Company, a Stockholder or its designees shall not directly or indirectly disclose any of the Proprietary Information to any third party, unless (a) authorized by the Company in writing, or (b) in the case of a Stockholder who is an employee, officer, or director of the Company and disclosure is for the purpose of carrying out its responsibilities to the Company. Prior to any disclosure, Stockholder shall notify the Company, in writing, of any of the information obtained from the Company which he asserts is not subject to these obligations and, with specificity, why it is not subject to such restrictions. If a Stockholder or Stockholders are served with a legally enforceable request for the production of information which includes any information provided by the Company, then Stockholder shall immediately notify the Company and cooperate with the Company in taking any actions that the Company determines necessary to protect the information (at the Company's expense).

(c) *Proprietary Information Defined.* **Proprietary Information** means any information about the Company or its business that derives independent economic value from not being generally known to and ascertainable by other persons who may obtain economic value from its disclosure or use, and Work Product (defined below). While some information considered Proprietary

Information is not confidential, the form of its compilation or the manner in which it is to be used makes it Proprietary Information. Proprietary Information, however, does not include information which, (a) a person can show by written evidence was in its possession prior to disclosure by the Company; (b) becomes generally available to the public in tangible form other than by acts or omissions of a person (or persons obtaining Proprietary Information from such person); and (c) is lawfully obtained from a third party who is properly in possession of such Proprietary Information, has a right to reveal the same to a person, and did not obtain the Proprietary Information directly or indirectly from the Company with restrictions on disclosure. **Work Product** means information, whether prepared by the person receiving Proprietary Information, which contains, reflects, is based upon, or arises out of (in whole or in part) Proprietary Information

(d) *Use.* A Stockholder shall use the Proprietary Information for the purpose of evaluating and protecting its interest in the Company. A Stockholder's dissemination of the Proprietary Information shall be limited to the employees or agents of Stockholder whose duties justify the "need to know," and then only after those persons agree in writing to be bound by the terms of this Article, copies of which shall be provided to the Company promptly upon request. A Stockholder or any employee or agent of Stockholder receiving Proprietary Information shall not use the Proprietary Information to compete against the Company in any way or in a manner which is otherwise detrimental to the Company.

(e) *Ownership.* All Proprietary Information is and shall continue to be the exclusive property of the Company, despite the fact that Proprietary Information is entrusted to a Stockholder, whether in its capacity as a Stockholder, director, officer, or employee. A Stockholder's possession of the Proprietary Information does not confer to the Stockholder any license, interest or rights of any kind in or to the Proprietary Information.

4.4. **Non-Competition Covenants.** A Stockholder or former Stockholder who is receiving payment or other consideration in exchange for its Shares agrees not to engage in competitive work throughout the Share ownership and for two years after receipt of the last payment or other consideration for a Disposition. **Competitive work** means (a) directly or indirectly acting as an owner, partner, consultant, employee, agent, officer, director, advisor, creditor, or otherwise engaging in (or will be engaged in) developing, supplying, marketing, distributing, or selling a product, process, or service that is substantially similar to that conducted or actively planned by Employer during Employee's employment up to the point of termination; (b) supplying, marketing, distributing, or selling (or attempting to do so) a substantially similar product, process, or service via the same marketing and distribution sources as currently used or actively planned by Employer during Employee's employment up to the point of termination to any existing or actively prospective wholesale customer of Employer with which Employee has had material participation; and (c) causing or attempting to cause an existing or actively prospective wholesale customer, supplier, prospective supplier, employee, or prospective employee to divert, terminate, limit, modify, or fail to enter into any existing or potential business relationship with Employer.

4.5. **Acknowledgment.** Stockholder acknowledges that (a) Company has spent substantial money, time, and effort in developing its processes, customers, suppliers, employees, business associates, goodwill, and Proprietary Information (collectively, **Enterprise**); (b) the Enterprise is difficult to develop and requires a significant investment of time, effort, and expense; (c) the Enterprise serves as a significant and substantial portion of the value and economic viability of the Company; and (d) the Company has agreed to issue Shares to Stockholder based upon the Stockholder's assurances and promises not to divert

the Company's Enterprise or to put himself or herself in a position following a Disposition in which the Proprietary Information might be compromised. Stockholder acknowledges that the provisions contained in Sections titled *Company Information* and *Non-Competition Covenants* (separately and collectively) are reasonable and enforceable in view of Company's legitimate interests in protecting the Proprietary Information, Enterprise, and its other property. Stockholder understands the non-competition restrictions are not limited geographically because of the Company's nationwide operations, the Proprietary Information, and persons to which Stockholder had or will have access. During the time period in which Stockholder's non-competition obligations remain applicable, Stockholder will disclose the terms of this Agreement to any potential future employer, joint venturer, contractor, or partner.

4.6. **Covenant of Assurance by Company and Stockholders.** If the Company is unable to take any action required of it hereunder because of the provisions of the applicable statutes or its Articles or Bylaws, the Company agrees to make such amendments or provisions as may be necessary to permit it to take such action, and the Stockholders agree that they will take such action as may be necessary to allow the Company to take the action required of it.

4.7. **Further Actions.** In connection with the Agreement and any transactions contemplated each Stockholder shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the intent of the provisions of the Agreement and those transactions.

5. **SPECIAL CONTRIBUTION OBLIGATION.** This paragraph is intended to assure that liability which any of the Stockholders may have for the Qualified Debt of the Company will be shared in proportion to their respective stock ownership. **Qualified Debt** of the Company is an obligation which has been (1) approved by unanimous consent of the Stockholders; and (2) required a guaranty by one or more Stockholders as a condition to the Company obtaining the benefit of such obligation.

5.1. **Demand of Guaranty.** If demand is made by the holder of Qualified Debt upon any Stockholder according to its guaranty to satisfy all or a portion of any Qualified Debt and the amount of cash or the value of other property that is demanded of such Stockholder is greater than its percentage ownership of the Company's outstanding stock multiplied by the total amount demanded with respect to the Company, then any Stockholders upon whom demand was not made shall tender an amount of cash or property to satisfy the demand in proportion to their respective stock ownership.

5.2. **Mechanics.** The Stockholder entitled to contribution under the terms of this paragraph shall promptly notify all the Stockholders and the Company of the demand. The notice shall include (a) a copy of any document received from the holder of the Qualified Debt or a summary of the demand if no document is available and (b) the amount required for tender in order to perform under the terms of this paragraph. The Stockholders required to tender by the terms of this paragraph shall perform as directed by the President of the Company within five business days of receiving notice. Failure to perform under this paragraph shall be a material breach of this Agreement, and amounts due and unpaid shall begin to accrue interest at a rate of 1.00% per month compounded monthly, until paid in full.

6. **DISPUTE RESOLUTION.** The parties accept the following process as the exclusive means to resolve disputes arising under this Agreement.

6.1. Dispute Notice. Either party (**Claimant**) may promptly notify the other party (**Respondent**) in writing (**Dispute Notice**) of a dispute arising under this Agreement that has not been resolved through ordinary commercial means. The Dispute Notice will include (a) a summary of the dispute; (b) the Claimant's position; and (c) any material and relevant documentary information or references relating to the dispute that are in Claimant's possession or control. Within five business days after receiving the Dispute Notice, Respondent will respond in writing by either (y) agreeing to Claimant's position or (z) scheduling a dispute resolution meeting to occur within ten business days following receipt of the Dispute Notice.

6.2. Initial Meeting. If Respondent schedules a dispute resolution meeting, Respondent will submit to Claimant (a) Respondent's written position and (b) any material and relevant documentary information or references relating to the dispute that are in Respondent's possession or control. The dispute resolution meeting may be by telephone or other agreed means of contemporaneous communication. Each party will appoint one or more individuals authorized to act with regard to the disputed issue. All dispute resolution meetings must be concluded within 20 business days of the Dispute Notice. If the dispute has not been resolved by the parties within five business days of the conclusion of the dispute resolution meeting period, the parties will each prepare a written summary (not to exceed two pages; 8.5"x11;" single spaced; typed; one-inch margins; 12-point font) identifying (y) all issues that have been resolved and their resolution and (z) any issues that remain unresolved (**Written Summary**).

6.3. Mediation. If the parties are unable to resolve all disputed issues, either party may initiate mediation by notice to the other generally following the International Institute for Conflict Prevention & Resolution (**CPR**) Mediation Procedure (see cpradr.org) within 30 days of the Dispute Notice. The mediator will be a qualified neutral; member of the South Carolina bar located in Anderson, Greenville, Pickens, or Spartanburg County; practicing for at least ten years; and with substantial experience in closely held corporations and limited liability companies, business, taxation, or business litigation. Within five business days of initiating the mediation process, the parties or their legal counsel shall attempt in good faith to select a single mediator; if they cannot, then a neutral shall be selected by each party (and compensated by same) who shall together select a third neutral, who shall mediate the matter. The mediator may be -- but is not required to be -- a CPR neutral. The parties will present to the mediator the Written Summary and any material and relevant documentary information previously shared by the parties. The mediation will be completed within 30 days of the mediator's appointment. If the mediation resolves all disputed issues, the parties will bear their own mediation costs and equally share the cost of the mediator.

6.4. Arbitration. If the mediation fails to resolve all disputed issues, either party may initiate arbitration within ten days after the mediation concludes. Arbitration will be governed by the North Carolina Revised Uniform Arbitration Act (Chapter 1, Sub-Chapter 15, Article 45C) or the Federal Arbitration Act (9 U.S.C. §1-16), as the case may be, and will follow the CPR Non-Administered Arbitration Rules effective November 1, 2007. The arbitrator will be a qualified neutral; member of the North Carolina or South Carolina bar located in Buncombe County, North Carolina, or Greenville County, South Carolina; practicing for at least ten years; and with substantial experience in closely held corporations and limited liability companies, business, or taxation. Within five business days of initiating arbitration, the parties or their legal counsel shall attempt in good faith to select a single arbitrator; if they cannot, then a neutral shall be selected by each party (and compensated by same) who shall together select a third neutral, who shall be the sole arbitrator of the matter. The arbitrator may be – but is not required to be -- a CPR neutral. The parties will present to the arbitrator their Written Summary and any

material and relevant documentary information previously provided to the mediator. Arbitration will be held in Buncombe County, North Carolina, or Greenville County, South Carolina, and will be completed with a final determination rendered within 45 days of the arbitrator's appointment. Unless otherwise determined by the arbitrator (or judge), the non-prevailing party will be obligated to reimburse the prevailing party's legal fees and other expenses related to the mediation, arbitration, or any judicial action; the parties' good faith compliance with the intent of this provision shall be a material factor in such determination by the arbitrator (or judge).

6.5. **Application and Finality of Arbitration.** The procedures outlined in this Article will be the sole and exclusive process for dispute resolution between the parties and relating to this Agreement. Judgment upon an arbitrator's determination may be entered by any court having competent jurisdiction over the affected party.

6.6. **Injunctions.** Notwithstanding anything to the contrary in this Article, the parties will be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any violation of this Agreement if such violation is reasonably anticipated to cause irreparable harm. The parties agree that an amount greater than $10,000.00 USD will not be necessary for purposes of providing adequate security to assure that a party wrongfully restrained or enjoined shall be paid costs and damages; however, the amount of security provided according to this provision shall not limit the amount of actual costs or damages which a party wrongfully restrained or enjoined may recover.

6.7. **Continuing Obligations.** The parties will continue in good faith to perform their respective obligations hereunder throughout any dispute resolution process. Throughout the entire dispute resolution process, the parties will have a continuing obligation to produce all relevant documentary information or references relating to the dispute that are in the parties' respective possession or control.

7. GENERAL.

7.1. **Entire Agreement; Supersedure.** The Agreement constitutes the entire Agreement of the Stockholders and the Company relating to the formation, operation, and dissolution of the Company and with the exception of any surviving obligations under any subscription agreements supersedes all prior contracts or agreements with respect to the Company and its Stockholders.

7.2. **Severability.** If any provision of the Agreement or the application thereof to any person or circumstance is held invalid or unenforceable to any extent, the remainder of the Agreement and the application of that provision to other persons or circumstances shall not be affected, and that provision shall be enforced to the greatest extent permitted by law.

7.3. **Effect of Waiver or Consent.** A waiver of or consent to any breach or default by any person in the performance by that person of its obligations under the Agreement is not a consent to or waiver of any other breach or default in the performance by that person. Failure on the part of a person to complain of any act or to declare a default with respect to the Company, Stockholder, or the Agreement, irrespective of how long that failure continues, does not constitute a waiver of rights with respect to that default until the applicable statute-of-limitations period has run.

7.4. **Binding Effect.** The Agreement is binding on and inures to the benefit of the Partners and their respective heirs, legal representatives, successors, and assigns. This paragraph does not modify any restrictions on dispositions of Shares.

7.5. **Successors Bound.** All transferees who by any means obtain an interest in the capital stock of the Company shall take such interest subject to the terms of this Agreement. No transfer of stock of the Company shall be recognized on the records of the Company unless and until the transferee becomes a signatory to this Agreement, expressly consenting to be bound by the terms hereof. Any sale in violation of this paragraph shall be void.

7.6. **Governing Law.** This Agreement is governed by and shall be construed according to the law of North Carolina, excluding any conflict-of-laws rules or principles. This section contemplates application of the North Carolina Revised Uniform Arbitration Act to the resolution of disputes.

7.7. **Notices.** All notices, directions, requests, demands, acknowledgments and other communications required or permitted herein will be deemed given if sent to the addresses appearing at the Parties' respective signature blocks: (a) when delivered personally or by electronic mail; (b) when made or given by prepaid telex, telegraph or telecopier (with confirmation of receipt); (c) in the case of delivery by express delivery service, two days after any such notice, direction, request, demand, acknowledgment or other communication is transferred to such express delivery service for delivery; (d) in the case of mail delivery, three days after any such notice, direction, request, demand, acknowledgment or other communication is deposited in the United States mail for transmission by first class mail, postage prepaid, or upon receipt thereof, whichever shall first occur; and (e) for oral notice, upon communication. Each Party may from time to time designate in writing to the Company a different notice address from that appearing at the Parties' respective signature blocks.

7.8. **Counterparts.** The Agreement may be executed in any number of counterparts with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

SIGNATURES ON FOLLOWING PAGE.

The parties have executed this Agreement the day and year written adjacent their names below.

COMPANY:
BEACHFRONT FOODS, INC.

_____
Larkin Hammond, President

Date: _____

STOCKHOLDERS:

_____
Larkin Hammond 200 Shares

Lake Lure, NC
Fax: _____
E-Mail: lpm@larkinsontheriver.com
Date: _____

_____
Mark Hammond 200 Shares

Lake Lure, NC
Fax: _____
E-Mail: mark@larkinsontheriver.com
Date: _____

_____
Kyle Pertuis 40 Shares

Greenville, SC
Fax: _____
E-Mail: kyle@larkinsontheriver.com
Date: _____

Beaumont - Stockholders Agreement Properties

General | Summary | Statistics | Contents | Custom

Created: Thursday, October 01, 2009 3:26:00 PM
Modified: Monday, May 27, 2013 2:45:13 PM
Accessed: Monday, May 27, 2013 2:48:04 PM
Printed: Friday, September 11, 2009 3:44:00 PM

Last saved by: kreese
Revision number: 8
Total editing time: 43 Minutes

Statistics:

Statistic name	Value
Pages:	14
Paragraphs:	106
Lines:	646
Words:	7285
Characters:	39907
Characters (with spaces):	47211

OK | Cancel

DEFENDANT'S EXHIBIT 33 B

FRONT ROE RESTAURANTS, INC.

STOCKHOLDER AGREEMENT

This Stockholder Agreement (**Agreement**) by and between the persons signing as stockholders (**Stockholders**) and Front Roe Restaurants, Inc., a South Carolina corporation (**Company**) is effective on the last date set forth on the signature page(s) below.

THIS AGREEMENT IS SUBJECT TO THE SOUTH CAROLINA UNIFORM ARBITRATION ACT (TITLE 15, CHAPTER 48) OR THE FEDERAL ARBITRATION ACT (9 U.S.C. §§1-16).

BACKGROUND.

A. The Company is authorized to issue 100,000 shares of Series A (voting) capital stock and 100,000 shares of Series B (non-voting) capital stock (**Shares**). Each Stockholder has been issued the number of Shares as set forth in their respective signature blocks below in exchange for the consideration recorded in the Company's corporate and financial records.

B. The Company's business is food and hospitality service.

C. The Company and Stockholders have determined that it is in their mutual best interest to (i) preserve continuity of management, (ii) maximize the value of Company capital stock, (iii) protect minority stockholders interests, and (iv) clarify the Stockholders' respective rights and responsibilities.

In consideration of the background above and the provisions below the parties agree as follows:

1. RESTRICTIONS ON TRANSFER; OPTIONS.

1.1. **General Restrictions.** A Stockholder may not Dispose of any part of its Shares unless approved in the manner set forth in this Article. The word **Dispose** (or a derivative of dispose) means a transfer, exchange, grant of a security interest, or other conveyance or encumbrance (including, without limitation, by operation of law), or acts attempting to effect such transactions. Any other attempted Disposition by a person of an interest or right to its Shares of Company stock other than in accordance with the Agreement shall be void.

1.2. **Exclusions from Restrictions.** Notwithstanding the provisions in Section 1.1, Share transfers among the Stockholders -- whether by conveyance, pledge, gift, testamentary or other transfer -- will not cause the Options described in Sections 1.4 and 3.3 to be exercisable, but shall require the notice according to Section 1.3.

1.3. **Notice of Transfer.** A Stockholder (**Transferring Stockholder**) will notify the Company and other Stockholders of its intention to transfer any of the Stockholder's Shares (**Option Shares**) before effecting such transfer (**Transfer Notice**). The Transfer Notice must state (a) the identity of the proposed transferee, (b) the highest bona fide offer such transferee has made for the Stockholder's Shares involved, if any, (c) the specific interest in the Stockholder's Shares proposed to be transferred, and (d) other material terms of the proposed transfer.

1.4. **Option to Purchase Option Shares.** Upon receipt of the Transfer Notice, the Option Shares will be subject to the following purchase options (**Options**):

(a) *Company Option.* The Company will have the option to purchase all of the Option Shares by providing notice to all Stockholders within 30 days from receipt of the Transfer Notice.

(b) *Non-Transferring Stockholder Options.* If the Company has not exercised its option to purchase all the Option Shares within the time prescribed in Section 1.4(a), the non-Transferring Stockholders will have the option to purchase by providing notice to the Company and all Stockholders within an additional 30 days. The share of the Option Shares each non-Transferring Stockholder shall have the option to purchase shall be in proportion to the Shares owned by each non-Transferring Stockholder exercising its option. The non-Transferring Stockholders agree that among themselves they will notify each other as to their intent to exercise the option set forth in this Section at least five days prior to the expiration of the options described in this Section. The Company and some or all of the non-Transferring Stockholders may collectively exercise their respective options to purchase the Option Shares, but in that event the Company must exercise its option for less than all of the Option Shares and some or all of the non-Transferring Stockholders must exercise their respective options for the remaining Option Shares.

1.5. Option Value Procedure. The purchase price of the Option Shares will be the **Option Value** determined according to this Section as of the date of the Transfer Notice.

(a) *Agreed Value.* Within ten days of receipt of the Transfer Notice, the Company and the Transferring Stockholder shall attempt in good faith to agree on the Option Value.

(b) *Appraiser Value.* If the Transferring Stockholder and the Company cannot agree on the Option Value, then within 15 days after receipt of the Transfer Notice the Transferring Stockholder and the Company shall attempt in good faith to agree upon and hire a single appraiser to determine the Option Value. The cost of a single appraiser shall be borne by the Company. If the Transferring Stockholder and the Company cannot agree upon a single appraiser, then within the same time period for selecting a single appraiser, the Company and the Transferring Stockholder shall each hire an appraiser, at their respective expense. The appraiser(s) shall provide a written report of their determinations of the Option Value within 45 days of hire. If there are two appraisers and their determinations differ by less than 20.00% (with the lowest as the base for computing the percentage of difference), then the Option Value shall be the arithmetic mean of the two. If there are two appraisers and their determinations differ by more than 20.00%, then within five days of their determinations they shall appoint a third appraiser (the cost of which shall be shared equally by the Company and the Transferring Stockholder) and within ten days following such appointment, the third appraiser shall pick one of the determinations of Option Value previously prepared by the two other appraisers which the third appraiser finds best determines the Option Value in accordance with accepted valuation principles applied to closely held business interests. For purposes of this Agreement, an **appraiser** is a person expert in determining the value of businesses with business purposes similar to the Company and the securities representing the capital ownership therein. The Company and the Stockholders shall reasonably cooperate with the appraiser(s) and shall promptly provide him any information requested which is in possession or control of the Company or the Stockholders.

(c) *Third Party Pricing.* If the Option Shares are being transferred to another person in a bona fide sale transaction, then the Company (or any non-Transferring Stockholders exercising their option) may elect to determine the Option Value according to the price and terms of the sale to the person named as transferee in the Transfer Notice. This election shall be made by written notice to the

Transferring Stockholder, within the period to exercise the options described in Sections 1.4(a), and 1.4(b).

1.6. Disposition Exercised; Terms and Closing. In the case of exercise of the options described in sections 1.4(a) and 1.4(b), the specifics of the closing and the deliveries are described below.

(a) *Agreed; Appraiser Value Terms.* If the Option Value was determined according to either sections 1.5(a) or 1.5(b), the purchasing parties may (in their sole discretion) pay the purchase price as follows but subject to applicable legal restrictions:

(i) *In Kind.* The Company may elect to distribute a portion of the Company's property (including an undivided interest in some or all of its property, which may or may not be subject to partition) equal in value to the purchase price, as reasonably determined by the Company;

(ii) *Collected Funds.* The Company and non-Transferring Stockholders may choose to make one payment by check representing collected funds or wire transfer in US dollars;

(iii) *Installments.* The Company and non-Transferring Stockholders may deliver a promissory note calling for payment of three equal annual installments of principal and interest in US dollars, with the first payment payable on the first anniversary after the closing date. Interest shall accrue from the closing date on the unpaid portion of the purchase price at the applicable federal rate on the closing date as defined by Code § 1274; the obligation shall be evidenced by a commercially reasonable promissory note, without prepayment penalty.

(b) *Third Party Value Terms.* If the Option Value is determined according to section 1.5(c), then the terms shall be the same as those described in the Transfer Notice pursuant to the bona fide offer.

(c) *Closing.* The closing of a sale of the Option Shares will take place at the Company's principal place of business no more than 30 days after the Option is exercised. At closing, (i) the party exercising the Option will tender the consideration for the Option Shares to the Transferring Stockholder, and (ii) the Transferring Stockholder will deliver the certificate representing the Stock to the exercising party endorsed in blank, conveying good and marketable title free of all claims and encumbrances to the certificate (this representation of title shall survive closing).

1.7. Disposition Option Not Exercised. If neither the Company nor the non-Transferring Stockholders exercise their respective Options, the Company will not recognize for any purpose a purported Disposition of Stock unless and until the other applicable provisions of this Agreement have been satisfied and the Company has received:

(a) *Instrument of Conveyance.* A document executed by both the Transferring Stockholder (his representative if the transfer is on account of the death, incapacity, or termination of a trust) and the person to whom the Transferring Stockholder's Stock is Disposed (i) including the notice address of the person to be admitted to the Company as a Stockholder; (ii) containing a representation and warranty that the Disposition was made in accordance with all applicable laws (including specifically, but not for limitation, the securities laws); (iii) an affirmation that the person to be admitted to the Company as a Stockholder agrees to the provisions of this Agreement, as in effect at the time of the Disposition; and

(b) *Legal Opinion.* If requested by the Company, the legal opinions that (i) either the Stock subject to the Disposition has been registered under the Securities Act of 1933 and any applicable state securities laws or is exempt from registration under those laws; and (ii) the Disposition as contemplated would not adversely affect the Company's existing tax status or election (e.g., S-corporation status).

1.8. Costs of Disposition. The Transferring Stockholder and any person admitted as a new Stockholder to the in connection therewith shall pay, or reimburse the Company for, reasonable costs incurred by the Company in connection with the Disposition or admission (including, without limitation, the legal fees incurred in connection with the legal opinions described above) on or before the tenth day after the receipt by that person of the Company's invoice for the amount due. If payment is not made by the date due, the person owing that amount shall pay interest on the unpaid amount from the date due until paid at a rate of 12.00% per annum, compounded monthly, and the Stockholder's rights to any distributions may be set off against such amounts.

1.9. Effective Date. Each Disposition and, if applicable, admission under this Article is effective as of the first day of the calendar month immediately succeeding the month in which the Stockholders receive the notification of Disposition and the other requirements of this Article have been met.

1.10. Consecutive Options. If an Option is exercisable because of a proposed transfer of the Stockholder's Shares , but the Transfer Notice indicates that the Transferring Stockholder does not intend to transfer all of the Stockholder's Shares , then the failure of the Company or the non-Transferring Stockholders to exercise their respective Options will not affect their Option rights due to any subsequent intended transfer of the Stockholder's retained Shares.

2. STOCKHOLDER EMPLOYMENT; OPTIONS.

2.1. Condition of Shares Ownership. Each Stockholder acknowledges that employment by the Company is a condition of Shares ownership. The Stockholders' status as employees of the Company was a material factor in the decision of each Stockholder to invest in and be employed by the Company.

2.2. Termination of Employment; Option. If a Stockholder terminates its employment with the Company for any reason other than disability or retirement (**Employment Termination**), the Shares owned by such Stockholder (**Terminating Stockholder**) will be subject to an option to purchase by the Company or the other Stockholders for a period of 12 months following the Employment Termination (**Termination Option**). Employment Termination means a voluntary or involuntary termination of employment, but does not include a termination of employment attributed to disability, retirement, or death. For purposes of this agreement. **Disability** means the inability to engage in any substantial gainful activity on behalf of the Company by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months as determined by a majority of the Company's board of directors (exclusive of the disabled Stockholder), in their reasonable discretion. **Retirement** means separation from service with the Company as an Employee on or after the date on which the Stockholder has attained age 65 for any reason.

2.3. **Termination Options to Purchase.** Upon an Employment Termination all the Terminating Stockholder's Shares (**Option Shares**) shall be subject to the options to purchase described in this Article.

(a) *Company Option.* The Company shall have the option to purchase all of the Option Shares for 12 months from the date of Employment Termination.

(b) *Non-Terminating Stockholder Options.* If the Company has not exercised its option to purchase the Terminating Stockholder's Option Shares, the non-Terminating Stockholders will have the option to purchase all of the Option Shares for an additional 30 days. The portion of the Option Shares each non-Terminating Stockholder will have the option to purchase will be in proportion to the Shares owned by each non-Terminating Stockholder exercising its option. The Company and some or all of the non-Terminating Stockholders may collectively exercise their respective options to purchase all the Option Shares. The non-Terminating Stockholders agree that they will notify each other as to their intent to exercise the option set forth in this section at least five days prior to the expiration of the options described in this Section.

(c) *Termination Options; Exercise.* The Company or the non-Terminating Stockholders, as the case may be, shall exercise their respective options according to this Article by providing notice within the prescribed time period to the Terminating Stockholder. The exercising parties will also notify all other parties to this Agreement.

2.4. **Terminating Option Value.** The purchase price for the Option Shares of the Terminating Stockholder will be the **Option Value**. For purposes of this Article, the Option Value will be equal to the product of a fraction, the numerator of which is (a) the number of Shares owned by the Terminating Stockholder, and the denominator of which is (b) the total number of Shares outstanding on the date of Employment Termination, multiplied by (c) the total Stockholders' equity section of the Company's balance sheet as of the end of the calendar month during which the Employment Termination occurred, as reflected using consistently applied accounting practices used by the Company for federal income tax purposes; including however, any interim adjustments necessary to reasonably and accurately reflect the Company's financial position at that time [(a)/(b)*(c)].

2.5. **Terms and Closing.** In the case of exercise of the options described in this Article, the closing and the deliveries are described below.

(a) *Terms.* The obligation of the Company or the non-Terminating Stockholders (as the case may be) to pay the Option Value calculated pursuant to this Article will be evidenced by a commercially reasonable promissory note delivered to the Terminating Stockholder and containing the following terms: (i) interest accruing from the closing date on the unpaid portion of the purchase price at the applicable federal rate on the closing date as defined by Code § 1274; (ii) payment due in three equal annual installments of principal and interest in US dollars; (iii) first payment due on the first anniversary after the closing date; and (iv) no prepayment penalty.

(b) *Closing.* The closing of a sale of the Option Shares shall take place at the Company's principal place of business no more than 30 days after receipt by the Terminating Stockholder of notice of the Company's or the non-Terminating Stockholders' intent to exercise the Termination Option to purchase the Option Shares. At closing, the consideration for the Option Shares will be

delivered by the party exercising the options. The Terminating Stockholder will deliver the certificate representing the Option Shares to the exercising party endorsed in blank, conveying good and marketable title free of all claims and encumbrances to the certificate (this representation of title shall survive closing).

3. STOCKHOLDER PROTECTIONS.

3.1. Supermajority Voting Requirements. Notwithstanding any other provision of this Agreement or of any other document governing the voting rights and privileges of the Stockholders, the affirmative vote of at least two thirds of the issued and outstanding Shares of the Company stock (**Supermajority**) shall be required to (a) issue or purchase Company stock; (b) any merger or share exchange involving the Company; (c) any sale, exchange, conveyance, transfer, or other disposition of rights, title, or interests in property of the Company not in the ordinary course of business; (d) borrow or otherwise commit the credit of the Company other than in the ordinary course of business or which requires the guaranty of one or more of the Stockholders; (e) dissolution and liquidation of the Company; and (f) terminate or amend this Agreement. Upon approval of any action specified in this Article, the failure of any Stockholder to take any actions necessary for carrying out the transactions contemplated by such approval shall be considered an event which entitles the Company or the other Stockholders to exercise the option provided if an employee Stockholder's employment is terminated as provided in Article 2 above.

3.2. Unanimous Voting Requirements. Notwithstanding any other provision of this Agreement or of any other document governing the voting rights and privileges of the Stockholders, the affirmative vote of all the Stockholders shall be required to borrow or otherwise commit the credit or resources of the Company other than in the ordinary course of business or which requires the guaranty or would adversely affect the previously granted guaranty of one or more of the Stockholders.

3.3. Right of Co-Sale. If Transferring Stockholders hold Option Shares constituting more than one half of the Company's outstanding capital stock (whether in a single transaction or a series of transactions with the same transferee or such transferee's affiliates), then each remaining Stockholder may elect to participate in the contemplated transfer (or transfers) as a seller by delivering written notice that such Stockholder is exercising the rights granted by this Section to the Transferring Stockholder(s) and the Company within 30 days after receipt by the non-Transferring Stockholder of the Transfer Notice. If one or more of the non-Transferring Stockholders have elected to participate in such sale, the Transferring Stockholder(s) and any Stockholders electing under this Section shall be entitled to sell in the contemplated sale, at the same price and on the same terms, a ratable share of their Shares in proportion to all Stockholders' Shares being sold.

3.4. Come Along Obligations. If there is an affirmative vote of two-thirds of the issued and outstanding Shares to (a) issue or purchase Shares; (b) agree to or consummate any merger or share exchange involving the Company; (c) sell, exchange, convey, transfer, or dispose of rights, title, or interests in property of the Company not in the ordinary course of business; (d) dissolve and liquidate the Company, then each Stockholder shall take the actions necessary to consummate the transactions contemplated by such approval, including executing documents reasonably required by legal counsel associated with the Company or the other Stockholders. Failure do so, will entitle the Company or the other Stockholders, as the case may be, to exercise the option provided for in the Event of an Employment Termination. If there is a public offering, it is underwritten, and the managing underwriters advise the

Company in writing that in their opinion the existing capital structure of the Company will adversely affect the marketability of the offering, upon resolution of the board of directors adopting the capital structure recommendations made by the managing underwriters, each Stockholder will consent to and vote for a recapitalization, reorganization, or other transaction in order to effect the appropriate capital structure. Each Stockholder will take all other necessary or desirable actions in connection with the consummation of the recapitalization, reorganization or exchange; provided that the resulting securities reflect and are consistent with the rights and preferences among the outstanding classes of securities in effect immediately prior to such recapitalization, reorganization or exchange. Each Stockholder shall be entitled to participate in any registration of outstanding stock as recommended by the managing underwriter and resolved by the board of directors in proportion to his ownership. For purposes of this agreement, **public offering** means a public offering and sale of Stockholder Shares pursuant to an effective registration statement under applicable securities laws. If there is a public offering, then this agreement shall terminate upon the successful completion of such offering.

3.5. **Transferee Becoming a Stockholder.** A transferee of Shares has the right to be admitted as a Stockholder with all the rights, interests, and obligations attributable thereto if such transfer is made in accordance with this agreement, and the transferee becomes a signatory to this agreement. A transferee of all or a portion of a Stockholder's Shares who becomes a Stockholder has, to the extent assigned, the rights and powers and is subject to the restrictions and liabilities of a Stockholder under this agreement. Unless otherwise provided by this agreement, such a transferee is also liable for the obligations of the Transferring Stockholder, but is not obligated for liabilities unknown at the time the transferee became a Stockholder and which could not be ascertained from this agreement. The Transferring Stockholder is not released from the liability to the Company or the other Stockholders for matters occurring or attributable to actions or failures to act before the transfer absent a separate release.

3.6. **Tax Distributions.** Except upon approval of a Supermajority to the contrary, on or before April 1 of each succeeding calendar year, the Company shall make a cash distribution to each Stockholder to pay for the projected federal and state income tax liability attributable to the income of the Company allocated to such Stockholder for the Company's fiscal year. For purposes of computing the distribution under this section, the Stockholders will be assigned a tax rate of 40% with respect to ordinary income and 20% with respect to capital gain income, such percentages may be changed by the Company's Directors to reflect prevailing tax rates provided by the federal Internal Revenue Code on the date of the distribution. However, no distribution may be made contrary to applicable state or federal law.

4. COMPANY MATTERS.

4.1. **S Corporation Status.** If the Company becomes aware that any provision contained herein (or the exercise of such provision) would terminate the Company's election under Internal Revenue Code (Code) Section 1362, (a) the Company will request a determination from legal counsel with expertise in corporate tax law and (b) such provision will be severed from the Agreement if counsel determines the provision would terminate the Company's election. During any period in which the Company has in effect an election under Code Section 1362, or any successor provision, the Company will not be required to recognize any sale of stock of the Company in the event that such sale will cause a disqualification from the application of Subchapter S of the Code or terminate the Company's election.

4.2. Restrictive Endorsement. The parties agree that all certificates representing Shares of capital stock of the Company shall be stamped with a restrictive endorsement substantially in the following form:

> The securities represented by this certificate are not registered under the Securities Act of 1933 or the South Carolina Uniform Securities Act, and may not be transferred except pursuant to an effective registration statement or an exemption from registration. The sale or transfer of the stock represented by this certificate is subject to an agreement between the stockholders and the corporation, a copy of which is on file in the office of the secretary of the corporation.

4.3. Company Information.

(a) *Information.* The Company's property and books and records shall be open to inspection of Stockholders from time to time upon reasonable request which shall specify the purpose of inspection. The Company shall permit a Stockholder and up to two additional individuals to inspect. The inspecting Stockholder or designee(s), as the case may be, may make copies or extracts of the books and records, provided that all the costs of making copies shall be borne by the inspecting Stockholder. Additionally, the Company shall make any of its employees and agents (including its independent public accountants) reasonably available to the inspecting Stockholder to discuss the Company's affairs, records, finances, and accounts, provided that the reasonable costs of making the employees and agents available shall be borne by the inspecting Stockholder. The Company may, in its reasonable discretion, choose a reasonable place to make the Company's books, records, employees, and agents available to the inspecting Stockholder other than the place where its books and records are maintained.

(b) *Non-disclosure.* Because of the nature of the Company's business, any information that a Stockholder obtains from the Company about the Company or its business activities (including for example and not limitation information obtained from its books and records) shall be presumed to be trade secrets of the Company and Proprietary Information (defined below). Stockholder or its designee shall keep all Proprietary Information confidential as long as it remains a trade secret or not generally known outside the Company. As long as the information remains a trade secret or not generally known outside the Company, a Stockholder or its designees shall not directly or indirectly disclose any of the Proprietary Information to any third party, unless (a) authorized by the Company in writing, or (b) in the case of a Stockholder who is an employee, officer, or director of the Company and disclosure is for the purpose of carrying out its responsibilities to the Company. Prior to any disclosure, Stockholder shall notify the Company, in writing, of any of the information obtained from the Company which he asserts is not subject to these obligations and, with specificity, why it is not subject to such restrictions. If a Stockholder or Stockholders are served with a legally enforceable request for the production of information which includes any information provided by the Company, then Stockholder shall immediately notify the Company and cooperate with the Company in taking any actions that the Company determines necessary to protect the information (at the Company's expense).

(c) *Proprietary Information Defined.* **Proprietary Information** means any information about the Company or its business that derives independent economic value from not being generally known to and ascertainable by other persons who may obtain economic value from its disclosure or use, and Work Product (defined below). While some information considered Proprietary

Information is not confidential, the form of its compilation or the manner in which it is to be used makes it Proprietary Information. Proprietary Information, however, does not include information which, (a) a person can show by written evidence was in its possession prior to disclosure by the Company; (b) becomes generally available to the public in tangible form other than by acts or omissions of a person (or persons obtaining Proprietary Information from such person); and (c) is lawfully obtained from a third party who is properly in possession of such Proprietary Information, has a right to reveal the same to a person, and did not obtain the Proprietary Information directly or indirectly from the Company with restrictions on disclosure. **Work Product** means information, whether prepared by the person receiving Proprietary Information, which contains, reflects, is based upon, or arises out of (in whole or in part) Proprietary Information

(d) *Use.* A Stockholder shall use the Proprietary Information for the purpose of evaluating and protecting its interest in the Company. A Stockholder's dissemination of the Proprietary Information shall be limited to the employees or agents of Stockholder whose duties justify the "need to know," and then only after those persons agree in writing to be bound by the terms of this Article, copies of which shall be provided to the Company promptly upon request. A Stockholder or any employee or agent of Stockholder receiving Proprietary Information shall not use the Proprietary Information to compete against the Company in any way or in a manner which is otherwise detrimental to the Company.

(e) *Ownership.* All Proprietary Information is and shall continue to be the exclusive property of the Company, despite the fact that Proprietary Information is entrusted to a Stockholder, whether in its capacity as a Stockholder, director, officer, or employee. A Stockholder's possession of the Proprietary Information does not confer to the Stockholder any license, interest or rights of any kind in or to the Proprietary Information.

4.4. **Non-Competition Covenants.** A Stockholder or former Stockholder who is receiving payment or other consideration in exchange for its Shares agrees not to engage in competitive work throughout the Share ownership and for two years after receipt of the last payment or other consideration for a Disposition. **Competitive work** means (a) directly or indirectly acting as an owner, partner, consultant, employee, agent, officer, director, advisor, creditor, or otherwise engaging in (or will be engaged in) developing, supplying, marketing, distributing, or selling a product, process, or service that is substantially similar to that conducted or actively planned by Employer during Employee's employment up to the point of termination; (b) supplying, marketing, distributing, or selling (or attempting to do so) a substantially similar product, process, or service via the same marketing and distribution sources as currently used or actively planned by Employer during Employee's employment up to the point of termination to any existing or actively prospective wholesale customer of Employer with which Employee has had material participation; and (c) causing or attempting to cause an existing or actively prospective wholesale customer, supplier, prospective supplier, employee, or prospective employee to divert, terminate, limit, modify, or fail to enter into any existing or potential business relationship with Employer.

4.5. **Acknowledgment.** Stockholder acknowledges that (a) Company has spent substantial money, time, and effort in developing its processes, customers, suppliers, employees, business associates, goodwill, and Proprietary Information (collectively, **Enterprise**); (b) the Enterprise is difficult to develop and requires a significant investment of time, effort, and expense; (c) the Enterprise serves as a significant and substantial portion of the value and economic viability of the Company; and (d) the Company has agreed to issue Shares to Stockholder based upon the Stockholder's assurances and promises not to divert

the Company's Enterprise or to put himself or herself in a position following a Disposition in which the Proprietary Information might be compromised. Stockholder acknowledges that the provisions contained in Sections titled *Company Information* and *Non-Competition Covenants* (separately and collectively) are reasonable and enforceable in view of Company's legitimate interests in protecting the Proprietary Information, Enterprise, and its other property. Stockholder understands the non-competition restrictions are not limited geographically because of the Company's nationwide operations, the Proprietary Information, and persons to which Stockholder had or will have access. During the time period in which Stockholder's non-competition obligations remain applicable, Stockholder will disclose the terms of this Agreement to any potential future employer, joint venturer, contractor, or partner.

4.6. **Covenant of Assurance by Company and Stockholders.** If the Company is unable to take any action required of it hereunder because of the provisions of the applicable statutes or its Articles or Bylaws, the Company agrees to make such amendments or provisions as may be necessary to permit it to take such action, and the Stockholders agree that they will take such action as may be necessary to allow the Company to take the action required of it.

4.7. **Further Actions.** In connection with the Agreement and any transactions contemplated each Stockholder shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the intent of the provisions of the Agreement and those transactions.

5. **SPECIAL CONTRIBUTION OBLIGATION.** This paragraph is intended to assure that liability which any of the Stockholders may have for the Qualified Debt of the Company will be shared in proportion to their respective stock ownership. **Qualified Debt** of the Company is an obligation which has been (1) approved by unanimous consent of the Stockholders; and (2) required a guaranty by one or more Stockholders as a condition to the Company obtaining the benefit of such obligation.

5.1. **Demand of Guaranty.** If demand is made by the holder of Qualified Debt upon any Stockholder according to its guaranty to satisfy all or a portion of any Qualified Debt and the amount of cash or the value of other property that is demanded of such Stockholder is greater than its percentage ownership of the Company's outstanding stock multiplied by the total amount demanded with respect to the Company, then any Stockholders upon whom demand was not made shall tender an amount of cash or property to satisfy the demand in proportion to their respective stock ownership.

5.2. **Mechanics.** The Stockholder entitled to contribution under the terms of this paragraph shall promptly notify all the Stockholders and the Company of the demand. The notice shall include (a) a copy of any document received from the holder of the Qualified Debt or a summary of the demand if no document is available and (b) the amount required for tender in order to perform under the terms of this paragraph. The Stockholders required to tender by the terms of this paragraph shall perform as directed by the President of the Company within five business days of receiving notice. Failure to perform under this paragraph shall be a material breach of this Agreement, and amounts due and unpaid shall begin to accrue interest at a rate of 1.00% per month compounded monthly, until paid in full.

6. **DISPUTE RESOLUTION.** The parties accept the following process as the exclusive means to resolve disputes arising under this Agreement.

6.1. **Dispute Notice.** Either party (**Claimant**) may promptly notify the other party (**Respondent**) in writing (**Dispute Notice**) of a dispute arising under this Agreement that has not been resolved through ordinary commercial means. The Dispute Notice will include (a) a summary of the dispute; (b) the Claimant's position; and (c) any material and relevant documentary information or references relating to the dispute that are in Claimant's possession or control. Within five business days after receiving the Dispute Notice, Respondent will respond in writing by either (y) agreeing to Claimant's position or (z) scheduling a dispute resolution meeting to occur within ten business days following receipt of the Dispute Notice.

6.2. **Initial Meeting.** If Respondent schedules a dispute resolution meeting, Respondent will submit to Claimant (a) Respondent's written position and (b) any material and relevant documentary information or references relating to the dispute that are in Respondent's possession or control. The dispute resolution meeting may be by telephone or other agreed means of contemporaneous communication. Each party will appoint one or more individuals authorized to act with regard to the disputed issue. All dispute resolution meetings must be concluded within 20 business days of the Dispute Notice. If the dispute has not been resolved by the parties within five business days of the conclusion of the dispute resolution meeting period, the parties will each prepare a written summary (not to exceed two pages; 8.5"x11;" single spaced; typed; one-inch margins; 12-point font) identifying (y) all issues that have been resolved and their resolution and (z) any issues that remain unresolved (**Written Summary**).

6.3. **Mediation.** If the parties are unable to resolve all disputed issues, either party may initiate mediation by notice to the other generally following the International Institute for Conflict Prevention & Resolution (**CPR**) Mediation Procedure (see cpradr.org) within 30 days of the Dispute Notice. The mediator will be a qualified neutral; North Carolina or South Carolina bar located in Buncombe County, North Carolina, or Greenville County, South Carolina; practicing for at least ten years; and with substantial experience in closely held corporations and limited liability companies, business, taxation, or business litigation. Within five business days of initiating the mediation process, the parties or their legal counsel shall attempt in good faith to select a single mediator; if they cannot, then a neutral shall be selected by each party (and compensated by same) who shall together select a third neutral, who shall mediate the matter. The mediator may be -- but is not required to be -- a CPR neutral. The parties will present to the mediator the Written Summary and any material and relevant documentary information previously shared by the parties. The mediation will be completed within 30 days of the mediator's appointment. If the mediation resolves all disputed issues, the parties will bear their own mediation costs and equally share the cost of the mediator.

6.4. **Arbitration.** If the mediation fails to resolve all disputed issues, either party may initiate arbitration within ten days after the mediation concludes. Arbitration will be governed by the South Carolina Uniform Arbitration Act (Title 15, Chapter 48) or the Federal Arbitration Act (9 U.S.C. §1-16), as the case may be, and will follow the CPR Non-Administered Arbitration Rules effective November 1, 2007. The arbitrator will be a qualified neutral; member of the North Carolina or South Carolina bar located in Buncombe County, North Carolina, or Greenville County, South Carolina; practicing for at least ten years; and with substantial experience in closely held corporations and limited liability companies, business, or taxation. Within five business days of initiating arbitration, the parties or their legal counsel shall attempt in good faith to select a single arbitrator; if they cannot, then a neutral shall be selected by each party (and compensated by same) who shall together select a third neutral, who shall be the sole arbitrator of the matter. The arbitrator may be – but is not required to be -- a CPR neutral. The parties will present to the arbitrator their Written Summary and any material and relevant documentary

information previously provided to the mediator. Arbitration will be held in Buncombe County, North Carolina, or Greenville County, South Carolina, and will be completed with a final determination rendered within 45 days of the arbitrator's appointment. Unless otherwise determined by the arbitrator (or judge), the non-prevailing party will be obligated to reimburse the prevailing party's legal fees and other expenses related to the mediation, arbitration, or any judicial action; the parties' good faith compliance with the intent of this provision shall be a material factor in such determination by the arbitrator (or judge).

6.5. **Application and Finality of Arbitration.** The procedures outlined in this Article will be the sole and exclusive process for dispute resolution between the parties and relating to this Agreement. Judgment upon an arbitrator's determination may be entered by any court having competent jurisdiction over the affected party.

6.6. **Injunctions.** Notwithstanding anything to the contrary in this Article, the parties will be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any violation of this Agreement if such violation is reasonably anticipated to cause irreparable harm. The parties agree that an amount greater than $10,000.00 USD will not be necessary for purposes of providing adequate security to assure that a party wrongfully restrained or enjoined shall be paid costs and damages; however, the amount of security provided according to this provision shall not limit the amount of actual costs or damages which a party wrongfully restrained or enjoined may recover.

6.7. **Continuing Obligations.** The parties will continue in good faith to perform their respective obligations hereunder throughout any dispute resolution process. Throughout the entire dispute resolution process, the parties will have a continuing obligation to produce all relevant documentary information or references relating to the dispute that are in the parties' respective possession or control.

7. GENERAL.

7.1. **Entire Agreement; Supersedure.** The Agreement constitutes the entire Agreement of the Stockholders and the Company relating to the formation, operation, and dissolution of the Company and with the exception of any surviving obligations under any subscription agreements supersedes all prior contracts or agreements with respect to the Company and its Stockholders.

7.2. **Severability.** If any provision of the Agreement or the application thereof to any person or circumstance is held invalid or unenforceable to any extent, the remainder of the Agreement and the application of that provision to other persons or circumstances shall not be affected, and that provision shall be enforced to the greatest extent permitted by law.

7.3. **Effect of Waiver or Consent.** A waiver of or consent to any breach or default by any person in the performance by that person of its obligations under the Agreement is not a consent to or waiver of any other breach or default in the performance by that person. Failure on the part of a person to complain of any act or to declare a default with respect to the Company, Stockholder, or the Agreement, irrespective of how long that failure continues, does not constitute a waiver of rights with respect to that default until the applicable statute-of-limitations period has run.

7.4. **Binding Effect.** The Agreement is binding on and inures to the benefit of the Partners and their respective heirs, legal representatives, successors, and assigns. This paragraph does not modify any restrictions on dispositions of Shares.

7.5. **Successors Bound.** All transferees who by any means obtain an interest in the capital stock of the Company shall take such interest subject to the terms of this Agreement. No transfer of stock of the Company shall be recognized on the records of the Company unless and until the transferee becomes a signatory to this Agreement, expressly consenting to be bound by the terms hereof. Any sale in violation of this paragraph shall be void.

7.6. **Governing Law.** This Agreement is governed by and shall be construed according to the law of South Carolina, excluding any conflict-of-laws rules or principles. This section contemplates application of the South Carolina Uniform Arbitration Act to the resolution of disputes.

7.7. **Notices.** All notices, directions, requests, demands, acknowledgments and other communications required or permitted herein will be deemed given if sent to the addresses appearing at the Parties' respective signature blocks: (a) when delivered personally or by electronic mail; (b) when made or given by prepaid telex, telegraph or telecopier (with confirmation of receipt); (c) in the case of delivery by express delivery service, two days after any such notice, direction, request, demand, acknowledgment or other communication is transferred to such express delivery service for delivery; (d) in the case of mail delivery, three days after any such notice, direction, request, demand, acknowledgment or other communication is deposited in the United States mail for transmission by first class mail, postage prepaid, or upon receipt thereof, whichever shall first occur; and (e) for oral notice, upon communication. Each Party may from time to time designate in writing to the Company a different notice address from that appearing at the Parties' respective signature blocks.

7.8. **Counterparts.** The Agreement may be executed in any number of counterparts with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

SIGNATURES ON FOLLOWING PAGE.

The parties have executed this Agreement the day and year written adjacent their names below.

COMPANY:
FRONT ROE RESTAURANTS, INC.

_____
Larkin Hammond, President

Date: _____

STOCKHOLDERS:

_____
Larkin Hammond 500 Shares

Lake Lure, NC
Fax: _____
E-Mail: lpm@larkinsontheriver.com
Date: _____

_____
Mark Hammond 500 Shares

Lake Lure, NC.
Fax: _____
E-Mail: mark@larkinsontheriver.com
Date: _____

Properties — Stockholder Agreement Programs

General | Summary | Statistics | Contents | Custom

Created: Thursday, October 01, 2009 3:30:00 PM
Modified: Monday, May 27, 2013 2:45:13 PM
Accessed: Monday, May 27, 2013 2:45:20 PM
Printed: Thursday, October 01, 2009 3:45:00 PM

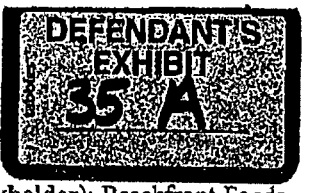
Last saved by: kreese
Revision number: 8
Total editing time: 22 Minutes

Statistics:

Statistic name	Value
Pages:	14
Paragraphs:	102
Lines:	639
Words:	7282
Characters:	39862
Characters (with spaces):	47150

OK | Cancel

DEFENDANT'S EXHIBIT 34-B



NON-DISCLOSURE AGREEMENT

This Non-Disclosure Agreement (**Agreement**) by and between the person signing as stockholder (**Stockholder**); Beachfront Foods, Inc., a North Carolina corporation (**Beachfront**); Lake Point Restaurants, Inc., a North Carolina corporation (**Lake Point**); and Front Roe Restaurants, Inc., a South Carolina corporation (**Front Roe**; Beachfront; Lake Point; and Front Roe will be collectively referred to as the **Company**) is effective on the date set forth below.

THIS AGREEMENT IS SUBJECT TO THE NORTH CAROLINA REVISED UNIFORM ARBITRATION ACT (CHAPTER 1, SUBCHAPTER 15, ARTICLE 45C) OR THE FEDERAL ARBITRATION ACT (9 U.S.C. §§1-16).

BACKGROUND. The Company's business is food and hospitality service. The Stockholder has requested certain corporate and financial information from the Company pursuant to its shareholder inspection rights under the North Carolina Business Corporation Act. The Stockholder acknowledges that it is engaging in, or contemplating, business activities that could complete with the Company's operations. The Company and Stockholder agree it is reasonable for the parties to protect any Company information from disclosure or use in any manner that could injure the Company or impair the information's commercial benefit to the Company.

In consideration of the background above and the provisions below the parties agree as follows:

1. COMPANY INFORMATION.

1.1. Information. The Company's property and books and records shall be open to inspection of Stockholders from time to time upon reasonable request which shall specify the purpose of inspection. The Company shall permit a Stockholder and up to two additional individuals to inspect. The inspecting Stockholder or designee(s), as the case may be, may make copies or extracts of the books and records, provided that all the costs of making copies shall be borne by the inspecting Stockholder. Additionally, the Company shall make any of its employees and agents (including its independent public accountants) reasonably available to the inspecting Stockholder to discuss the Company's affairs, records, finances, and accounts, provided that the reasonable costs of making the employees and agents available shall be borne by the inspecting Stockholder. The Company may, in its reasonable discretion, choose a reasonable place to make the Company's books, records, employees, and agents available to the inspecting Stockholder other than the place where its books and records are maintained.

1.2. Non-disclosure. Because of the nature of the Company's business, any information that a Stockholder obtains from the Company about the Company or its business activities (including for example and not limitation information obtained from its books and records) shall be presumed to be trade secrets of the Company and Proprietary Information (defined below). Stockholder or its designee shall keep all Proprietary Information confidential as long as it remains a trade secret or not generally known outside the Company. As long as the information remains a trade secret or not generally known outside the Company, a Stockholder or its designees shall not directly or indirectly disclose any of the Proprietary Information to any third party, unless (a) authorized by the Company in writing, or (b) in the case of a Stockholder who is an employee, officer, or director of the Company and disclosure is for the purpose of carrying out its responsibilities to the Company. Prior to any disclosure, Stockholder shall notify the Company, in writing, of any of the information obtained from the Company which he asserts is not subject to these obligations and, with specificity, why it is not subject to such restrictions. If Stockholder is served with a legally enforceable request for the production of information which includes any information provided by the Company, then Stockholder shall immediately notify the Company and cooperate with the Company in taking any actions that the Company determines necessary to protect the information (at the Company's expense).

1.3. Proprietary Information Defined. **Proprietary Information** means any information about the Company or its business that derives independent economic value from not being generally known to and ascertainable by other persons who may obtain economic value from its disclosure or use, and Work Product (defined below). While some information considered Proprietary Information is not confidential, the form of its compilation or the manner in which it is to be used makes it Proprietary Information. Proprietary Information, however, does not include information which, (a) a person can show by written evidence was in its possession prior to disclosure by the Company; (b) becomes generally available to the public in tangible form other than by acts or omissions of a person (or persons obtaining Proprietary Information from such person); and (c) is lawfully obtained from a third party who is properly in possession of such Proprietary Information, has a right to reveal the same to a person, and did not obtain the Proprietary Information directly or indirectly from the Company with restrictions on disclosure. **Work Product** means information, whether prepared by the person receiving Proprietary Information, which contains, reflects, is based upon, or arises out of (in whole or in part) Proprietary Information

1.4. Use. A Stockholder shall use the Proprietary Information for the purpose of evaluating and protecting its interest in the Company. A Stockholder's dissemination of the Proprietary Information shall be limited to the employees or agents of Stockholder whose duties justify the "need to know," and then only after those persons agree in writing to be bound by the terms of this Article, copies of which shall be provided to the Company promptly upon request. A Stockholder or any employee or agent of Stockholder receiving Proprietary Information shall not use the Proprietary

Information to compete against the Company in any way or in a manner which is otherwise detrimental to the Company.

1.5. Ownership. All Proprietary Information is and shall continue to be the exclusive property of the Company, despite the fact that Proprietary Information is entrusted to a Stockholder, whether in its capacity as a Stockholder, director, officer, or employee. A Stockholder's possession of the Proprietary Information does not confer to the Stockholder any license, interest or rights of any kind in or to the Proprietary Information.

2. DISCLOSURE TO STOCKHOLDER'S AGENTS. Stockholder may have the Proprietary Information reviewed by one or more agents for the purpose of evaluating Stockholder's interest and rights within the scope of this Agreement. Stockholder agrees that no Proprietary Information will be disclosed to any agent except (1) on a "need to know" basis and (2) only after the agent agrees to be bound by the terms of this Agreement by execution hereof. Stockholder's failure to obtain an agent's signature prior to disclosure of the Proprietary Information will constitute a breach of this Agreement. In any event, Stockholder will be liable for its agents' breach of the provisions herein as if Stockholder had personally committed the breach.

3. ACKNOWLEDGMENT. Stockholder acknowledges that (a) Company has spent substantial money, time, and effort in developing its processes, customers, suppliers, employees, business associates, goodwill, and Proprietary Information (collectively, Enterprise); (b) the Enterprise is difficult to develop and requires a significant investment of time, effort, and expense; and (c) the Enterprise serves as a significant and substantial portion of the value and economic viability of the Company. Stockholder acknowledges that the provisions contained in Section titled *Company Information* are reasonable and enforceable in view of Company's legitimate interests in protecting the Proprietary Information and its other property. Stockholder will disclose the terms of this Agreement to any potential future employer, joint venturer, contractor, or partner.

4. DISPUTE RESOLUTION. If a dispute among the parties arises related to the subject matter of this Agreement and the dispute cannot be resolved from direct discussions, then the parties shall endeavor in good faith to resolve the dispute through mediation before only one mediator. The mediation will be initiated by notice to the other party of the intent to mediate. The mediation will generally be conducted according to the International Institute for Conflict Prevention & Resolution (CPR) Mediation Procedure (see www.cpradr.org) subject to any specific procedures outlined herein. Within five business days after initiating the mediation process, the parties (or their legal counsel) will attempt in good faith to select a single mediator; if they cannot, then each party will select (at its expense) a neutral who will then collectively select a third neutral. The mediator may be (but is not required to be) a CPR neutral and will solely mediate the matter. If the dispute is resolved through mediation, then the parties will (a) equally share the costs associated with the mediation and (b) bear their own out-of pocket costs. Any dispute that cannot be resolved through mediation may be arbitrated before a single arbitrator at any party's request. Within five business days after initiating arbitration, the parties (or their legal counsel) will attempt in good faith to select a single arbitrator; if they cannot, then each party will select (at its expense) a neutral who will then collectively select a third neutral. The arbitrator may be (but is not required to be) a CPR neutral and will solely arbitrate the matter. The arbitrator and mediator may be the same person. The dispute will be arbitrated under authority of the North Carolina Revised Uniform Arbitration Act (Chapter 1, Sub-Chapter 15, Article 45C) or the Federal Arbitration Act (9 U.S.C. §1-16), as the case may be, and will follow the CPR Non-Administered Arbitration Rules effective November 1, 2007. The arbitrator will be a qualified neutral; member of the North Carolina or South Carolina bar located in Buncombe County, North Carolina, or Greenville County, South Carolina; practicing for at least ten years; and with substantial experience in closely held corporations and limited liability companies, business, or taxation. Mediation and arbitration will be held in Buncombe County, North Carolina, or Greenville County, South Carolina. Unless otherwise agreed by the parties, the arbitration (1) will take place within 60 days of notice by a party of its intention to arbitrate a dispute and (2) will be completed with a final determination rendered within 45 days of the arbitrator's appointment. Unless otherwise determined by the arbitrator, the prevailing party will be entitled to be paid all of its out-of-pocket costs, including fees for legal services and arbitrators and mediators fees related to both the mediation and arbitration. The allocation of legal fees will also apply to the extent of any action taken in a court of law to enforce the arbitrator's decision. Judgment upon an arbitrator's decision may be entered by any court having jurisdiction over the affected party.

4.1. Injunctions. Notwithstanding anything to the contrary in this Article, the parties will be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any violation of this Agreement if such violation is reasonably anticipated to cause irreparable harm. The parties agree that an amount greater than $10,000.00 USD will not be necessary for purposes of providing adequate security to assure that a party wrongfully restrained or enjoined shall be paid costs and damages; however, the amount of security provided according to this provision shall not limit the amount of actual costs or damages which a party wrongfully restrained or enjoined may recover.

4.2. Continuing Obligations. The parties will continue in good faith to perform their respective obligations hereunder throughout any dispute resolution process. Throughout the entire dispute resolution process, the parties will have a continuing obligation to produce all relevant documentary information or references relating to the dispute that are in the parties' respective possession or control.

5. GENERAL.

5.1. **Entire Agreement; Supersedure.** The Agreement constitutes the entire Agreement of the Stockholders and the Company relating to the subject matter hereof and supersedes all prior contracts or agreements with respect to the Company and its Stockholders.

5.2. **Severability.** If any provision of the Agreement or the application thereof to any person or circumstance is held invalid or unenforceable to any extent, the remainder of the Agreement and the application of that provision to other persons or circumstances shall not be affected, and that provision shall be enforced to the greatest extent permitted by law.

5.3. **Effect of Waiver or Consent.** A waiver of or consent to any breach or default by any person in the performance by that person of its obligations under the Agreement is not a consent to or waiver of any other breach or default in the performance by that person. Failure on the part of a person to complain of any act or to declare a default with respect to the Company, Stockholder, or the Agreement, irrespective of how long that failure continues, does not constitute a waiver of rights with respect to that default until the applicable statute-of-limitations period has run.

5.4. **Binding Effect.** The Agreement is binding on and inures to the benefit of the parties and their respective heirs, legal representatives, successors, and assigns.

5.5. **Governing Law.** This Agreement is governed by and shall be construed according to the laws of South Carolina, excluding any conflict-of-laws rules or principles. This Section contemplates application of the North Carolina Revised Uniform Arbitration Act to the resolution of disputes.

5.6. **Independent Counsel.** Each party has had the opportunity to receive independent legal advice regarding this Agreement and meaning of its provisions. No presumptions will be made in favor of the non-drafting party.

5.7. **Notices.** All notices, directions, requests, demands, acknowledgments and other communications required or permitted herein will be deemed given if sent to the addresses appearing at the Parties' respective signature blocks: (a) when delivered personally or by electronic mail; (b) when made or given by prepaid telex, telegraph or telecopier (with confirmation of receipt); (c) in the case of delivery by express delivery service, two days after any such notice, direction, request, demand, acknowledgment or other communication is transferred to such express delivery service for delivery; (d) in the case of mail delivery, three days after any such notice, direction, request, demand, acknowledgment or other communication is deposited in the United States mail for transmission by first class mail, postage prepaid, or upon receipt thereof, whichever shall first occur; and (e) for oral notice, upon communication. Each Party may from time to time designate in writing to the Company a different notice address from that appearing at the Parties' respective signature blocks.

This Agreement is effective as to each party on the date written adjacent their names below.

COMPANY: BEACHFRONT FOODS, INC.

_____
Larkin Hammond, President

LAKE POINTE RESTAURANTS, INC.

_____
Larkin Hammond, President

FRONT ROE RESTAURANTS, INC.

_____

Date: _____

STOCKHOLDER:

_____
Kyle Pertuis 40 Shares

Greenville, SC
Fax: _____
E-Mail:
kyle@larkinsontheriver.com
Date: _____

AGENT:

Agent: _____
By: _____
Title: _____
Address: _____
_____
Fax: _____
E-Mail: _____
Date: _____

AGENT:

Agent: _____
By: _____
Title: _____
Address: _____
_____
Fax: _____
E-Mail: _____
Date: _____

K:Pertuis -- Non-Disclosure Agreement Properties

General | Summary | Statistics | Contents | Custom

Created: Tuesday, January 12, 2010 10:27:00 AM
Modified: Monday, May 27, 2013 2:45:13 PM
Accessed: Monday, May 27, 2013 2:53:13 PM
Printed: Wednesday, January 20, 2010 2:54:00 PM

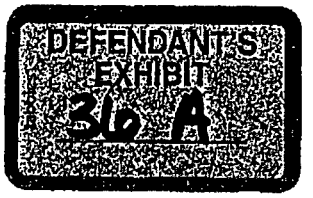
Last saved by: kreese
Revision number: 8
Total editing time: 340 Minutes

Statistics:

Statistic name	Value
Pages:	3
Paragraphs:	54
Lines:	343
Words:	2414
Characters:	13369
Characters (with spaces):	15851

OK | Cancel

DEFENDANT'S EXHIBIT 35 B



STATE OF SOUTH CAROLINA)
) CONFIDENTIAL INFORMATION
COUNTY OF GREENVILLE) PROTECTION AGREEMENT

This agreement is between Front Roe Restaurants, Inc., a South Carolina corporation ("Front Roe"), Beachfront Foods, Inc., a North Carolina corporation ("Beachfront"), and Lake Point Restaurants, Inc., a North Carolina corporation ("Lake Point") (Front Roe, Beachfront, and Lake Point may be collectively referred to as "Larkin's Restaurants") and Kyle Petrius a resident of Greenville, South Carolina ("Petrius") and is dated on the last date below.

Recitals

A. Front Roe operates a restaurant in Greenville South Carolina, Beachfront and Lake Point operate restaurants in or around Lake Lure, North Carolina. Larkin's Restaurants operate as S-corporations in accord with §§1361-1379 of the Internal Revenue Code of 1986, as amended.

B. Petruis was an employee and terminated employment on _____, 2009.

C. Petruis owns the following capital interest in Larkin's Restaurants:

Front Roe	1%
Lake Point	10%
Beachfront	10%; and

D. Upon termination of employment with Larkin's Restaurants, Petruis began doing business as a restaurant consultant.

E. Larkin's Restaurants has provided Petruis with information initially requested related to the companies.

F. Petruis has requested additional financial and other business information about Larkin's Restaurants, which management believes constitutes trade secrets under applicable law; will result in substantial and irreparable harm if wrongfully used or disclosed; is not required to be disclosed to shareholders without protection of the companies' interests; and not required to be disclosed if the requests are not made in good faith and for a proper purpose.

G. Larkin's Restaurants acknowledge Petruis' rights to information about Larkin's Restaurants so long as such information is used requested in good faith for a proper purpose and the information is directly connected to the purpose.

F. Petruis is in the restaurant business and could use Larkin's Restaurant information along with other trade secrets of Larkin's Restaurants to their detriment, and such use could have a material and adverse affect on Larkin's Restaurants' business and cause irreparable harm.

In consideration of the recitals above and good and valuable consideration of the provisions below the parties agree as follows:

1. Scope. All documents and information provided by any of the parties to the other before or after this agreement is signed, whether before any litigation or in the course of discovery, all responses to requests for information and discovery requests and all deposition testimony and deposition exhibits and any other materials which may be subject to discovery (hereinafter collectively "documents") shall be subject to this agreement. Larkin's Restaurants and Petruis acknowledge the possibility of litigation resulting from their conflicting interests, and in such event the parties consent to have this instrument become a incorporated into a consent order of the court.

2. Form and Timing of Designation. Confidential documents shall be so designated by placing or affixing the word "CONFIDENTIAL" or "CONFIDENTIAL – ATTORNEYS EYES ONLY" on the document in a manner which will not interfere with the legibility of the document and which will permit complete removal of the Confidential designation. Documents shall be

designated CONFIDENTIAL or "CONFIDENTIAL – ATTORNEYS EYES ONLY" prior to, or contemporaneously with, the production or disclosure of the documents. Inadvertent or unintentional production of documents without prior designation as confidential shall not be deemed a waiver, in whole or in part, of the right to designate documents as confidential as otherwise allowed by this Agreement and Order.

3. **Documents Which May be Designated Confidential.**

(a) **Designation.** Any party may designate documents as confidential but only after review of the documents by an attorney[1] who has, in good faith, determined that the documents contain information protected from disclosure by statute, sensitive personal information, trade secrets, or confidential research, development, or commercial information. The certification shall be made concurrently with the disclosure of the documents, using the form attached hereto as Attachment A, which shall be executed subject to the standards of Rule 11 of the South Carolina Rules of Civil Procedure. Information or documents which are available in the public sector may not be designated as confidential.

(b) **Higher Protection.** The CONFIDENTIAL – ATTORNEYS EYES ONLY" classification, being more highly protective of disclosure than the "CONFIDENTIAL" classification, governs information that an attorney, in good faith, determined has a high probability of materially and adversely affecting the business, financial, commercial, proprietary interests, or privacy interests of the party or person producing such material if such information is disclosed. Materials entitled to protection under the CONFIDENTIAL – ATTORNEYS EYES ONLY designation are limited to business plans, marketing surveys, financial statements (including budgets, accounting records, sales or profit projections or reports, profit and loss statements, balance sheets and income statements); customer lists; documents that identify customers or suppliers of the producing party or person; technical drawings and specifications; and documents related to the development or improvement of items, products or processes as well as sensitive personal financial information of individuals (e.g. tax returns).

4. **Depositions.** Portions of depositions shall be deemed confidential only if designated as such when the deposition is taken or within seven business days after receipt of the transcript. Such designation shall be specific as to the portions to be protected.

5. **Protection of Confidential Material.**

(a) **General Protections.** Documents designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY under this Agreement shall not be used or disclosed by the parties or counsel for the parties or any other persons identified below (5(b)) for any purposes whatsoever other than (i) the purpose set forth in Petruis request for corporate information or (ii) Petruis' or Larkins Restaurant's preparing for and conducting the litigation between Petruis or Larkins Restaurants in which the documents were disclosed (including any appeal of that litigation).

(b) **Limited Third Party Disclosures.** The parties and counsel for the parties shall not disclose or permit the disclosure of any documents designated CONFIDENTIAL under the terms of this agreement to any other person or entity except as set forth in subparagraphs (1)-(5) below, and then only after the person to whom disclosure is to be made has executed an

---

[1]The attorney who reviews the documents and certifies them to be CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY must be admitted to the South Carolina or North Carolina Bars, as the case may be. By signing the certification, counsel submits to the jurisdiction of the court hearing the matter in regard to the certification.

acknowledgment (in the form set forth at Attachment B hereto), that he or she has read and understands the terms of this agreement and is bound by it. The following categories of persons may be allowed to review documents which have been designated CONFIDENTIAL pursuant to this agreement:

(1) Counsel and employees of counsel for the parties who have responsibility for the preparation and trial of the lawsuit;

(2) Parties and employees of a party to this agreement but only to the extent counsel shall certify that the specifically named individual party or employee's assistance is necessary to the conduct of the litigation in which the information is disclosed;[2]

(3) Court reporters engaged for depositions and those persons, if any, specifically engaged for the limited purpose of making photocopies of documents;

(4) Consultants, investigators, or experts (hereinafter referred to collectively as "experts") employed by the parties or counsel for the parties to assist in the preparation and trial of the lawsuit; and

(5) Other persons only upon consent of the producing party or upon order of the court and on such conditions as are agreed to or ordered.

The parties and counsel for the parties shall not disclose or permit the disclosure of any documents designated CONFIDENTIAL- ATTORNEYS EYES ONLY under the terms of this agreement to any other person or entity except as set forth in subparagraphs (1)-(3) below, and then only after the person to whom disclosure is to be made has executed an acknowledgment (in the form set forth at Attachment B hereto), that he or she has read and understands the terms of this agreement and is bound by it. The following categories of persons may be allowed to review documents which have been designated CONFIDENTIAL – ATTORNEYS EYES ONLY pursuant to this agreement:

(1) Counsel and employees of counsel for the parties who have responsibility for the preparation and trial of the lawsuit;

(2) Consultants, investigators, or experts (hereinafter referred to collectively as "experts") employed by the parties' counsel to assist in the preparation and trial of the lawsuit; and

(3) Other persons only upon consent of the producing party or upon order of the court and on such conditions as are agreed to or ordered.

(c) **Control of Documents.** Counsel for the parties shall prevent unauthorized disclosure of documents designated as CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY pursuant to the terms of this agreement. Counsel shall maintain a record of those persons, including employees of counsel, who have reviewed or been given access to the documents along with the originals of the forms signed by those persons acknowledging their obligations under this agreement.

(d) **Copies.** All copies, duplicates, extracts, summaries or descriptions (hereinafter referred to collectively as "copies"), of documents designated as CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY under this agreement or any portion of such a document, shall be immediately affixed with the designation CONFIDENTIAL or

---

[2]At or prior to the time such party or employee completes his or her acknowledgment of review of this agreement to be bound by it (Attachment B hereto), counsel shall complete a certification in the form shown at Attachment C hereto. Counsel shall retain the certification together with the signed forms.

CONFIDENTIAL – ATTORNEYS EYES ONLY if the word does not already appear on the copy. All such copies shall be afforded the full protection of this agreement.

6. **Filing of Confidential Materials.** In the event a party seeks to file any material that is subject to protection under this agreement with the court, that party shall take appropriate action to insure that the documents receive proper protection from public disclosure including: (1) filing a redacted document with the consent of the party who designated the document as confidential; (2) where appropriate (*e.g.* in relation to discovery and evidentiary motions), submitting the documents solely for *in camera* review; or (3) where the preceding measures are not adequate, seeking permission to file the document under seal pursuant to South Carolina or North Carolina law, whichever the case. Absent extraordinary circumstances making prior consultation impractical or inappropriate, the party seeking to submit the document to the court shall first consult with counsel for the party who designated the document as confidential to determine if some measure less restrictive than filing the document under seal may serve to provide adequate protection. This duty exists irrespective of the duty to consult on the underlying motion. Nothing in this agreement shall be construed as a prior directive to the Clerk of Court to allow any document be filed under seal.

7. **Greater Protection of Specific Documents.** No party may withhold information from discovery on the ground that it requires protection greater than that afforded by this agreement unless the party moves for an Agreement and Order providing such special protection.

8. **Challenges to Designation as Confidential.** Any CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY designation is subject to challenge. The following procedures shall apply to any such challenge.

(a) **Burden.** The burden of proving the necessity of a Confidential designation remains with the party asserting confidentiality.

(b) **Confirmation Request.** A party who contends that documents designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY are not entitled to confidential treatment shall give written notice to the party who affixed the designation of the specific basis for the challenge. The party who so designated the documents shall have fifteen (15) days from service of the written notice to determine if the dispute can be resolved without judicial intervention and, if not, to move for an order confirming the Confidential designation.

(c) Notwithstanding any challenge to the designation of documents as confidential, all material previously designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY shall continue to be treated as subject to the full protections of this agreement until one of the following occurs:

(1) The party who claims that the documents are confidential withdraws such designation in writing;

(2) The party who claims that the documents are confidential fails to move timely for an order designating the documents as confidential as set forth in paragraph 8(b). above; or

(3) The court rules that the documents should no longer be designated as confidential information.

(d) Challenges to the confidentiality of documents may be made at any time and are not waived by the failure to raise the challenge at the time of initial disclosure or designation.

9. **Treatment on Conclusion of Litigation.**

(a) **Agreement and Order Remains in Effect.** All provisions of this Agreement and Order restricting the use of documents designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY shall continue to be binding after the conclusion of the litigation

unless otherwise agreed or ordered.

(b) **Return of Confidential Documents.** Within thirty (30) days after the conclusion of any litigation or resolution prior to instituting litigation, including conclusion of any appeal, all documents treated as confidential under this Agreement and Order, including copies as defined above (¶5(d)) shall be returned to the producing party unless: (1) the document has been entered as evidence or filed (unless introduced or filed under seal); (2) the parties stipulate to destruction in lieu of return; or (3) as to documents containing the notations, summations, or other mental impressions of the receiving party, that party elects destruction. Notwithstanding the above requirements to return or destroy documents, counsel may retain attorney work product including an index which refers or relates to information designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY so long as that work product does not duplicate verbatim substantial portions of the text of confidential documents. This work product continues to be Confidential under the terms of this agreement. An attorney may use his or her work product in a subsequent litigation provided that its use does not disclose the confidential documents.

10. Agreement Subject to Modification. This any order derived from adopting this agreement may call for this agreement to be subject to modification on motion of any party or any other person who may show an adequate interest in the matter to intervene for purposes of addressing the scope and terms of this agreement. The agreement shall not, however, be modified until the parties shall have been given notice and an opportunity to be heard on the proposed modification.

11. No Judicial Determination. This agreement is entered based on the representations and agreements of the parties and for the purpose of complying with shareholder inspection rights, facilitating resolution prior to litigation, and discovery should litigation ensue. Nothing herein shall be construed or presented as a judicial determination that any specific document or item of information designated as CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY by counsel is subject to protection under Rule 26(c) of the South Carolina Rules of Civil Procedure or otherwise until such time as a document-specific ruling shall have been made.

12. Persons Bound. This agreement shall take effect when entered and shall be binding upon: (1) counsel who signed below and their respective law firms; and (2) their respective clients.

IT IS SO AGREED.

ATTACHMENT A
CERTIFICATION BY COUNSEL OF DESIGNATION OF INFORMATION AS CONFIDENTIAL

Documents produced herewith whose bates numbers are listed below or are listed on an index attached hereto have been marked as CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY subject to the Confidential Information Protection Agreement and any order associated therewith. By signing below, I am certifying that I have personally reviewed the marked documents and believe, based on that review, that they are properly subject to protection under the terms of Paragraph 3 of said agreement.

Date: _____

[Signature of Counsel]]

ATTACHMENT B

ACKNOWLEDGMENT OF UNDERSTANDING & AGREEMENT TO BE BOUND

The undersigned hereby acknowledges that he or she has read the Confidential Information Protection Agreement and any order associated therewith, with respect to Front Roe Restaurants, Inc., Beachfront Foods, Inc., and Lake Point Restaurants, Inc., and Kyle Petrius, understands the terms thereof, and agrees to be bound by such terms. The undersigned submits to the jurisdiction of the Court of Common Pleas for Greenville County in South Carolina or Courts seated in Rutherford County, North Carolina in matters relating to the agreement or order related thereto and understands that the terms of said agreement and any order obligate him/her to use materials designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY solely for the purposes of the above-captioned action, and not to disclose any such confidential information to any other person, firm or concern.

The undersigned acknowledges that violation of the Confidential Information Protection Agreement and any appurtenant order may result in damages or penalties, including contempt of court.

Name: _____
Job Title: _____
Employer: _____
Business Address: _____

Date: _____ _____
Signature

ATTACHMENT C

STATE OF SOUTH CAROLINA	)	IN THE COURT OF COMMON PLEAS
	)	
COUNTY OF GREENVILLE	)	THIRTEENTH JUDICIAL CIRCUIT
North American Rescue Products, Inc.,	)	Civil Action No. 2007-CP-23-3206
	)	
Petruis,	)	
	)	
vs.	)	Certification of Counsel
	)	of Need for Assistance of
P.J. Richardson,	)	Party/Employee
	)	
Defendant.	)	

Pursuant to the Confidential Information Protection Agreement and any order derived as a result of that agreement, most particularly the provisions of Paragraph 6(b)2, I certify that the assistance of _____ is reasonably necessary to the conduct of this matter and that this assistance requires the disclosure to this individual of information which has been designated as CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY.

I have explained the terms of the Confidential Information Protection Agreement and any related order to the individual named above and will obtain his or her signature on an "Acknowledgment of Understanding and Agreement to be Bound" prior to releasing any confidential documents to the named individual and I will release only such confidential documents as are reasonably necessary to the conduct of this matter.

The individual named above is:

Date: _____

_____
Signature

Information protection agreement Properties

General | Summary | Statistics | Contents | Custom

Created: Monday, February 01, 2010 5:40:00 PM
Modified: Monday, May 27, 2013 2:45:13 PM
Accessed: Monday, May 27, 2013 2:52:16 PM
Printed:

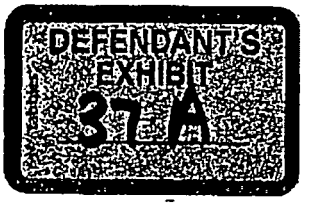
Last saved by:
Revision number: 1
Total editing time: 0 Minutes

Statistics:

Statistic name	Value
Pages:	8
Paragraphs:	106
Lines:	335
Words:	2898
Characters:	16379
Characters (with spaces):	19495
Bytes:	76800

OK | Cancel

DEFENDANT'S EXHIBIT 30B



STATE OF SOUTH CAROLINA)
) CONFIDENTIAL INFORMATION
COUNTY OF GREENVILLE) PROTECTION AGREEMENT

This agreement is between Front Roe Restaurants, Inc., a South Carolina corporation ("Front Roe"), Beachfront Foods, Inc., a North Carolina corporation ("Beachfront"), and Lake Point Restaurants, Inc., a North Carolina corporation ("Lake Point") (Front Roe, Beachfront, and Lake Point may be collectively referred to as "Larkin's Restaurants") and Kyle Petrius a resident of Greenville, South Carolina ("Petrius") and is dated on the last date below.

Recitals

A. Front Roe operates a restaurant in Greenville South Carolina, Beachfront and Lake Point operate restaurants in or around Lake Lure, North Carolina. Larkin's Restaurants operate as S-corporations in accord with §§1361-1379 of the Internal Revenue Code of 1986, as amended.

B. Petruis was an employee and terminated employment on October 12, 2009.

C. Petruis owns the following capital interest in Larkin's Restaurants:

Front Roe	1%
Lake Point	10%
Beachfront	10%; and

D. Upon termination of employment with Larkin's Restaurants, Petruis began doing business as a restaurant consultant.

E. Larkin's Restaurants has provided Petruis with information initially requested related to the companies.

F. Petruis has requested additional financial and other business information about Larkin's Restaurants, which management believes constitutes trade secrets under applicable law; will result in substantial and irreparable harm if wrongfully used or disclosed; is not required to be disclosed to shareholders without protection of the companies' interests; and not required to be disclosed if the requests are not made in good faith and for a proper purpose.

G. Larkin's Restaurants acknowledge Petruis' rights to information about Larkin's Restaurants so long as such information is used requested in good faith for a proper purpose and the information is directly connected to the purpose.

F. Petruis is in the restaurant business and could use Larkin's Restaurant information along with other trade secrets of Larkin's Restaurants to their detriment, and such use could have a material and adverse affect on Larkin's Restaurants' business and cause irreparable harm.

In consideration of the recitals above and good and valuable consideration of the provisions below the parties agree as follows:

1. **Scope.** All documents and information provided by any of the parties to the other before or after this agreement is signed, whether before any litigation or in the course of discovery, all responses to requests for information and discovery requests and all deposition testimony and deposition exhibits and any other materials which may be subject to discovery (hereinafter collectively "documents") shall be subject to this agreement. Larkin's Restaurants and Petruis acknowledge the possibility of litigation resulting from their conflicting interests, and in such event the parties consent to have this instrument become a incorporated into a consent order of the court.

2. **Form and Timing of Designation.** Confidential documents shall be so designated by placing or affixing the word "CONFIDENTIAL" or "CONFIDENTIAL – ATTORNEYS EYES ONLY" on the document in a manner which will not interfere with the legibility of the document and which will permit complete removal of the Confidential designation. Documents shall be

designated CONFIDENTIAL or "CONFIDENTIAL – ATTORNEYS EYES ONLY" prior to, or contemporaneously with, the production or disclosure of the documents. Inadvertent or unintentional production of documents without prior designation as confidential shall not be deemed a waiver, in whole or in part, of the right to designate documents as confidential as otherwise allowed by this Agreement and Order.

3. **Documents Which May be Designated Confidential.**

(a) **Designation.** Any party may designate documents as confidential but only after review of the documents by an attorney[1] who has, in good faith, determined that the documents contain information protected from disclosure by statute, sensitive personal information, trade secrets, or confidential research, development, or commercial information. The certification shall be made concurrently with the disclosure of the documents, using the form attached hereto as Attachment A, which shall be executed subject to the standards of Rule 11 of the South Carolina Rules of Civil Procedure. Information or documents which are available in the public sector may not be designated as confidential.

(b) **Higher Protection.** The CONFIDENTIAL – ATTORNEYS EYES ONLY" classification, being more highly protective of disclosure than the "CONFIDENTIAL" classification, governs information that an attorney, in good faith, determined has a high probability of materially and adversely affecting the business, financial, commercial, proprietary interests, or privacy interests of the party or person producing such material if such information is disclosed. Materials entitled to protection under the CONFIDENTIAL – ATTORNEYS EYES ONLY designation are limited to business plans, marketing surveys, detailed financial statements (including budgets, accounting records, sales or profit projections or reports, profit and loss statements, balance sheets and income statements); customer lists; documents that identify customers or suppliers of the producing party or person; technical drawings and specifications; and documents related to the development or improvement of items, products or processes as well as sensitive personal financial information of individuals (e.g. tax returns).

4. **Depositions.** Portions of depositions shall be deemed confidential only if designated as such when the deposition is taken or within seven business days after receipt of the transcript. Such designation shall be specific as to the portions to be protected.

5. **Protection of Confidential Material.**

(a) **General Protections.** Documents designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY under this Agreement shall not be used or disclosed by the parties or counsel for the parties or any other persons identified below (5(b)) for any purposes whatsoever other than (i) the purpose set forth in Petruis request for corporate information or (ii) Petruis' or Larkins Restaurant's preparing for and conducting the litigation between Petruis or Larkins Restaurants in which the documents were disclosed (including any appeal of that litigation).

(b) **Limited Third Party Disclosures.** The parties and counsel for the parties shall not disclose or permit the disclosure of any documents designated CONFIDENTIAL under the terms of this agreement to any other person or entity except as set forth in subparagraphs (1)-(5) below, and then only after the person to whom disclosure is to be made has executed an

---

[1]The attorney who reviews the documents and certifies them to be CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY must be admitted to the South Carolina or North Carolina Bars, as the case may be. By signing the certification, counsel submits to the jurisdiction of the court hearing the matter in regard to the certification.

acknowledgment (in the form set forth at Attachment B hereto), that he or she has read and understands the terms of this agreement and is bound by it. The following categories of persons may be allowed to review documents which have been designated CONFIDENTIAL pursuant to this agreement:

(1) Counsel and employees of counsel for the parties who have responsibility for the preparation and trial of the lawsuit;

(2) Parties and employees of a party to this agreement but only to the extent counsel shall certify that the specifically named individual party or employee's assistance is necessary to the conduct of the litigation in which the information is disclosed;[2]

(3) Court reporters engaged for depositions and those persons, if any, specifically engaged for the limited purpose of making photocopies of documents;

(4) Consultants, investigators, or experts (hereinafter referred to collectively as "experts") employed by the parties or counsel for the parties to assist in the preparation and trial of the lawsuit; and

(5) Other persons only upon consent of the producing party or upon order of the court and on such conditions as are agreed to or ordered.

The parties and counsel for the parties shall not disclose or permit the disclosure of any documents designated CONFIDENTIAL- ATTORNEYS EYES ONLY under the terms of this agreement to any other person or entity except as set forth in subparagraphs (1)-(3) below, and then only after the person to whom disclosure is to be made has executed an acknowledgment (in the form set forth at Attachment B hereto), that he or she has read and understands the terms of this agreement and is bound by it. The following categories of persons may be allowed to review documents which have been designated CONFIDENTIAL – ATTORNEYS EYES ONLY pursuant to this agreement:

(1) Counsel and employees of counsel for the parties who have responsibility for the preparation and trial of the lawsuit;

(2) Consultants, investigators, or experts (hereinafter referred to collectively as "experts") employed by the parties' counsel to assist in the preparation and trial of the lawsuit; and

(3) Other persons only upon consent of the producing party or upon order of the court and on such conditions as are agreed to or ordered.

(c) **Control of Documents.** Counsel for the parties shall prevent unauthorized disclosure of documents designated as CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY pursuant to the terms of this agreement. Counsel shall maintain a record of those persons, including employees of counsel, who have reviewed or been given access to the documents along with the originals of the forms signed by those persons acknowledging their obligations under this agreement.

(d) **Copies.** All copies, duplicates, extracts, summaries or descriptions (hereinafter referred to collectively as "copies"), of documents designated as CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY under this agreement or any portion of such a document, shall be immediately affixed with the designation CONFIDENTIAL or

---

[2]At or prior to the time such party or employee completes his or her acknowledgment of review of this agreement to be bound by it (Attachment B hereto), counsel shall complete a certification in the form shown at Attachment C hereto. Counsel shall retain the certification together with the signed forms.

CONFIDENTIAL – ATTORNEYS EYES ONLY if the word does not already appear on the copy. All such copies shall be afforded the full protection of this agreement.

6. **Filing of Confidential Materials.** In the event a party seeks to file any material that is subject to protection under this agreement with the court, that party shall take appropriate action to insure that the documents receive proper protection from public disclosure including: (1) filing a redacted document with the consent of the party who designated the document as confidential; (2) where appropriate (*e.g.* in relation to discovery and evidentiary motions), submitting the documents solely for *in camera* review; or (3) where the preceding measures are not adequate, seeking permission to file the document under seal pursuant to South Carolina or North Carolina law, whichever the case. Absent extraordinary circumstances making prior consultation impractical or inappropriate, the party seeking to submit the document to the court shall first consult with counsel for the party who designated the document as confidential to determine if some measure less restrictive than filing the document under seal may serve to provide adequate protection. This duty exists irrespective of the duty to consult on the underlying motion. Nothing in this agreement shall be construed as a prior directive to the Clerk of Court to allow any document be filed under seal.

7. **Greater Protection of Specific Documents.** No party may withhold information from discovery on the ground that it requires protection greater than that afforded by this agreement unless the party moves for an Agreement and Order providing such special protection.

8. **Challenges to Designation as Confidential.** Any CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY designation is subject to challenge. The following procedures shall apply to any such challenge.

(a) **Burden.** The burden of proving the necessity of a Confidential designation remains with the party asserting confidentiality.

(b) **Confirmation Request.** A party who contends that documents designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY are not entitled to confidential treatment shall give written notice to the party who affixed the designation of the specific basis for the challenge. The party who so designated the documents shall have fifteen (15) days from service of the written notice to determine if the dispute can be resolved without judicial intervention and, if not, to move for an order confirming the Confidential designation.

(c) Notwithstanding any challenge to the designation of documents as confidential, all material previously designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY shall continue to be treated as subject to the full protections of this agreement until one of the following occurs:

(1) The party who claims that the documents are confidential withdraws such designation in writing;

(2) The party who claims that the documents are confidential fails to move timely for an order designating the documents as confidential as set forth in paragraph 8(b). above; or

(3) The court rules that the documents should no longer be designated as confidential information.

(d) Challenges to the confidentiality of documents may be made at any time and are not waived by the failure to raise the challenge at the time of initial disclosure or designation.

9. **Treatment on Conclusion of Litigation.**

(a) **Agreement and Order Remains in Effect.** All provisions of this Agreement and Order restricting the use of documents designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY shall continue to be binding after the conclusion of the litigation

unless otherwise agreed or ordered.

(b) **Return of Confidential Documents.** Within thirty (30) days after the conclusion of any litigation or resolution prior to instituting litigation, including conclusion of any appeal, all documents treated as confidential under this Agreement and Order, including copies as defined above (¶5(d)) shall be returned to the producing party unless: (1) the document has been entered as evidence or filed (unless introduced or filed under seal); (2) the parties stipulate to destruction in lieu of return; or (3) as to documents containing the notations, summations, or other mental impressions of the receiving party, that party elects destruction. Notwithstanding the above requirements to return or destroy documents, counsel may retain attorney work product including an index which refers or relates to information designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY so long as that work product does not duplicate verbatim substantial portions of the text of confidential documents. This work product continues to be Confidential under the terms of this agreement. An attorney may use his or her work product in a subsequent litigation provided that its use does not disclose the confidential documents.

10. **Agreement Subject to Modification.** This any order derived from adopting this agreement may call for this agreement to be subject to modification on motion of any party or any other person who may show an adequate interest in the matter to intervene for purposes of addressing the scope and terms of this agreement. The agreement shall not, however, be modified until the parties shall have been given notice and an opportunity to be heard on the proposed modification.

11. **No Judicial Determination.** This agreement is entered based on the representations and agreements of the parties and for the purpose of complying with shareholder inspection rights, facilitating resolution prior to litigation, and discovery should litigation ensue. Nothing herein shall be construed or presented as a judicial determination that any specific document or item of information designated as CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY by counsel is subject to protection under Rule 26(c) of the South Carolina Rules of Civil Procedure or otherwise until such time as a document-specific ruling shall have been made.

12. **Persons Bound.** This agreement shall take effect when entered and shall be binding upon: (1) counsel who signed below and their respective law firms; and (2) their respective clients.

IT IS SO AGREED.

ATTACHMENT A
CERTIFICATION BY COUNSEL OF DESIGNATION OF INFORMATION AS CONFIDENTIAL

Documents produced herewith whose bates numbers are listed below or are listed on an index attached hereto have been marked as CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY subject to the Confidential Information Protection Agreement and any order associated therewith. By signing below, I am certifying that I have personally reviewed the marked documents and believe, based on that review, that they are properly subject to protection under the terms of Paragraph 3 of said agreement.

Date: _____

[Signature of Counsel____]]

ATTACHMENT B

ACKNOWLEDGMENT OF UNDERSTANDING & AGREEMENT TO BE BOUND

The undersigned hereby acknowledges that he or she has read the Confidential Information Protection Agreement and any order associated therewith, with respect to Front Roe Restaurants, Inc., Beachfront Foods, Inc., and Lake Point Restaurants, Inc., and Kyle Petrius, understands the terms thereof, and agrees to be bound by such terms. The undersigned submits to the jurisdiction of the Court of Common Pleas for Greenville County in South Carolina or Courts seated in Rutherford County, North Carolina in matters relating to the agreement or order related thereto and understands that the terms of said agreement and any order obligate him/her to use materials designated CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY solely for the purposes of the above-captioned action, and not to disclose any such confidential information to any other person, firm or concern.

The undersigned acknowledges that violation of the Confidential Information Protection Agreement and any appurtenant order may result in damages or penalties, including contempt of court.

Name: _____
Job Title: _____
Employer: _____
Business Address: _____

Date: _____ _____
Signature

ATTACHMENT C

STATE OF SOUTH CAROLINA	)	IN THE COURT OF COMMON PLEAS
	)	
COUNTY OF GREENVILLE	)	THIRTEENTH JUDICIAL CIRCUIT
Front Roe Restaurants, Inc., Plaintiff,	)	Civil Action No. 2007-CP-23-1646
vs.	)	
Kyle Pertuis,	)	Certification of Counsel of Need for Assistance of Party/Employee
Defendant and Third Party Plaintiff.	)	

Pursuant to the Confidential Information Protection Agreement and any order derived as a result of that agreement, most particularly the provisions of Paragraph 6(b)2, I certify that the assistance of _____ is reasonably necessary to the conduct of this matter and that this assistance requires the disclosure to this individual of information which has been designated as CONFIDENTIAL or CONFIDENTIAL – ATTORNEYS EYES ONLY.

I have explained the terms of the Confidential Information Protection Agreement and any related order to the individual named above and will obtain his or her signature on an "Acknowledgment of Understanding and Agreement to be Bound" prior to releasing any confidential documents to the named individual and I will release only such confidential documents as are reasonably necessary to the conduct of this matter.

The individual named above is:

Date: _____

_____
Signature

information protection agreement v2 Properties

General | Summary | Statistics | Contents | Custom

Created: Tuesday, July 13, 2010 4:39:00 PM
Modified: Monday, May 27, 2013 2:45:13 PM
Accessed: Monday, May 27, 2013 2:50:48 PM
Printed:

Last saved by:
Revision number: 1
Total editing time: 0 Minutes

Statistics:

Statistic name	Value
Pages:	8
Paragraphs:	107
Lines:	335
Words:	2903
Characters:	16398
Characters (with spaces):	19519
Bytes:	76800

OK | Cancel

DEFENDANT'S EXHIBIT 37 B

Nelson Mullins

Nelson Mullins Riley & Scarborough LLP
Attorneys and Counselors at Law
104 South Main Street · Ninth Floor / Greenville, SC 29601
Tel: 864.250.2300 Fax: 864.232.2925
www.nelsonmullins.com

D. Sean Faulkner
Tel: 864.250.2346
sean.faulkner@nelsonmullins.com

November 12, 2012

Via Certified Mail-Return Receipt Requested
Mr. Mark Hammond
Front Roe Restaurants, Inc.
d/b/a Larkin's on the River
318 S. Main Street
Greenville, SC 29601

Re: Notice of Default – Lease Agreement between The Peace Center Foundation, as Landlord, and Front Roe Restaurants, Inc., as Tenant dated May 1, 2005 (the "Lease Agreement")

Dear Mr. Hammond:

As you are aware, this law firm represents The Peace Center Foundation ("Peace Center") concerning the above referenced Lease Agreement. Section 2.1 of the Lease Agreement provides in pertinent part as follows:

> The areas known as the Pavilion, Amphitheatre and Theatres, located on the PCPA and under the control and management of the PCPA (the "PCPA Areas") may be rented by Tenant on an as-needed basis, and subject to availability, provided however, pursuant to the terms and conditions set forth herein, the Pavilion shall be under the control of Tenant so far as booking and availability is concerned. The use of the PCPA Areas by Tenant shall be subject to all the terms and conditions of this Lease and the PCPA Areas, rented on an as-needed basis, shall be considered part of the "Premises" for purposes of the covenants and conditions of this Lease. **The costs, conditions and any commission associated with such rental will be determined by Landlord as set forth in Schedule 1, to be attached hereto, and which from time to time may be updated by Landlord.** (Emphasis Added)

On or about August 30, 2012, the Peace Center delivered you a revised Schedule 1 to the Lease Agreement, which has been updated for the first time since the Lease was executed providing Tenant with the new per event rates and conditions for use of the Pavilion and the new TD Stage effective September 1, 2012. Subsequent to that date, you have continued to

remit payments to the Peace Center for your use of the Pavilion based on the old per event rate. It is my understanding that you have advised the Peace Center that you disagree with the ability of the Peace Center to change the per event rate for the Pavilion and therefore are not willing to pay the new per event rate for your use of the Pavilion.

The purpose of this letter is to provide notice of Tenant's default of the express terms of the Lease Agreement for failing to pay the new usage rate for the use of the Pavilion specified in the new Schedule 1 provided to you on August 30, 2012. This payment obligation must be remedied within ten (10) days of your receipt of this letter. Failure to do so could result in, among other things, the Peace Center terminating your right to use the Pavilion.

It is our sincere hope that you will abide by the terms of the Lease and new Schedule 1. Thank you for your prompt attention to this important matter.

Very truly yours,

D. Sean Faulkner

DSF:d

THE PEACE CENTER

DEFENDANT'S EXHIBIT 39

Certified Mail – Return Receipt Requested

Front Roe Restaurants, Inc.
d/b/a Larkins on the River
318 S. Main Street
Greenville, SC 29601
Attn: Mark Hammond

Re: Schedule 1 to Lease Agreement between The Peace Center Foundation and Front Roe Restaurants dated as of May 1, 2005

Dear Mark:

Please find enclosed Schedule 1 to the above referenced Lease with an effective date of September 1, 2012. This Schedule 1 shall supersede all other Schedule 1's heretofore attached to the Lease, all of which prior Schedule 1's are hereby revoked by Landlord and are of no further force and effect.

Sincerely,

W Scott Clark
Chief Financial Officer

SCHEDULE 1
To
Lease Agreement between
The Peace Center Foundation ("Landlord")
and Front Roe Restaurants, Inc. ("Tenant")
dated as of May 1, 2005 (the "Lease")

RENTAL CONDITIONS FOR TENANT'S USE OF AMPHITHEATRE & PAVILION

EFFECTIVE AS OF SEPTEMBER 1, 2012

Pursuant to Section 2.1 of the Lease, the Landlord is establishing the following new costs, conditions and commissions ("Rental Conditions") associated with the Tenant's rental of the Wyche Pavilion ("Pavilion") and Dow Amphitheatre which has been improved and is now known as the TD Stage (hereafter referred to as "TD Stage"). These Rental Conditions may from time to time be updated by the Landlord as allowed under Section 2.1 of the Lease. Capitalized terms as used herein shall have the same meaning provided in the Lease unless expressly provided otherwise herein.

Wyche Pavilion and TD Stage:

A. Booking for all events at the Pavilion shall be handled as provided in the Lease. Tenant shall pay a usage fee to Landlord in the amount of Seven Hundred Fifty Dollars per use ($750.00/use), ("Pavilion Usage Fee"). Tenant and those booking the use of the Pavilion through Tenant shall be subject to the Wyche Pavilion Rules and Regulations attached hereto and incorporated by reference as Schedule 1-A and the terms and conditions of the Lease.

B. Booking for all events at the TD Stage shall be handled by or through Landlord, subject to availability as determined by Landlord. Tenant shall pay a usage fee to Landlord for the use of the TD Stage ("TD Stage Basic Rental and Service Fee") in accordance with the terms and conditions of the TD Stage Rental Agreement attached as Schedule 1-B and incorporated herein by reference ("TD Stage Rental Agreement"). Those booking the use of the TD Stage, including Tenant, shall be required to execute and deliver to Landlord the form TD Stage Rental Agreement attached hereto, without changes or alterations to the Rental Agreement unless such changes and alteration are approved in advance by the Landlord. The use of TD Stage shall be subject to the terms and conditions of the TD Stage Rental Agreement and the Lease.

C. The Pavilion Usage Fee or the TD Stage Basic Rental and Service Fee may be waived or reduced by Landlord as determined by Landlord in its sole discretion; provided, however, that the single or partial waiver of any such fee by Landlord in any one instance shall not be deemed a waiver of the requirement to pay such fee for future or similar events. No course of dealing between Landlord and Tenant shall be effective to change, modify or discharge any provision of this Schedule or to constitute a waiver of the requirements enumerated herein.

D. Landlord shall continue to have the right to use the Pavilion free of charge, subject to availability.

E. The terms of this Schedule and the Lease shall be interpreted in such a manner as to be compatible and to not create any conflict.

F. The terms and conditions of this Schedule 1 with an effective date of September 1, 2012, shall supersede all other Schedule 1's heretofore attached to the Lease, all of which prior Schedule 1's are hereby revoked by Landlord and are of no further force and effect.

SCHEDULE 1-A

THE PEACE CENTER FOR THE PERFORMING ARTS
Greenville, South Carolina

WYCHE PAVILION RULES AND REGULATIONS

Use of Pavilion. Permitted use of the Pavilion ("Use") shall be limited to such uses necessary or convenient for purposes of load-in(s), events, performances and load-out(s) by Tenant for the particular events or shows listed and described in the Pavilion Usage Report, as amended from time to time (individually, an "Event"; collectively, the "Events"). The Use for each Event shall be limited to the dates and times set forth in the Pavilion Usage Report provided on a monthly basis in advance of the Events. No other use of the Pavilion shall be allowed.

Event Approval Tenant warrants that it will disclose all aspects and characteristics of the Event(s). Landlord shall have the right without liability or penalty, in its sole discretion, to cancel an Event or prohibit any portion thereof if any aspect or characteristic of the Event is materially different from that which Tenant has disclosed. Landlord shall have the right, in its sole discretion, to approve all performers, actors, artists and individuals performing in the Pavilion.

Insurance; Property Damage. Tenant must secure and keep in full force and effect, at Tenant's own expense, the insurance policies in coverage amounts set forth in Article 7 of the Lease for use of the Pavilion. Landlord shall not be responsible for any bodily injury or loss or damage to the property of Tenant or that of Tenant's employees, members, officers, directors, successors, contractors, patrons, donors, trustees, representatives, agents, licensees or invitees or members of the public attending or purchasing tickets to an Event at the Pavilion

Intellectual Property. Tenant shall be responsible for obtaining all approvals or consents necessary to use the intellectual property of others, including, without limitation, patented, trademarked, franchised or copyrighted music, materials, devices, processes and/or dramatic and other rights used by, in connection with, or incorporated in any Event at the Pavilion. Landlord shall not be liable for any unauthorized use or allegation of unauthorized use of any intellectual property by the Tenant or the Tenant's employees, members, officers, directors, successors, contractors, patrons, donors, trustees, representatives, agents, licensees or invitees or members of the public attending or purchasing tickets to an Event at the Pavilion.

Licenses & Permits. *With respect to all transactions contemplated by this Agreement, Tenant agrees to obtain, at* its expense, all licenses and permits required by federal, state and local laws – including a Special Events Permit from the City of Greenville – and to provide evidence of the same to Landlord immediately upon request.

Sales Tax & Admissions Tax. Tenant shall promptly pay or cause to be paid all applicable taxes, including, but not limited to, South Carolina State Sales Tax, South Carolina State Admissions Tax and any excise taxes or charges, associated with the Events at the Pavilion. Tenant shall file with the South Carolina Tax Commission (the "Tax Commission") appropriate records designating sales made in Greenville, South Carolina of programs, novelties and other items, and the applicable sales tax payable to the Tax Commission with respect to the same. If Tenant is exempt from South Carolina State Admissions Tax, documentation from the Tax Commission must be presented to Landlord.

Sponsorships. There shall be no sponsorships of the Pavilion or Events at the Pavilion without the prior written approval of Landlord, whether such sponsorships are obtained directly or indirectly through Tenant or by Tenant's promoters, licensees or invitees. Landlord's prior written approval of any sponsorship signage – including placement *of said signage – prior to its display is required. All invitations, advertisements regardless of the medium, signage* and event publicity must refer to the event location at "Wyche Pavilion at the Peace Center".

SCHEDULE I-A

Decorations. Landlord has the right to approve decorations and adornments attached to the Pavilion. No decorative or other materials shall be nailed, tacked, screwed or otherwise physically attached to any part of the Pavilion without special written permission from the Landlord. At Landlord discretion, Landlord may require that all approved decorations and adornments be attached to the Pavilion by Landlord's staff and removed by the same immediately following an Event at the Pavilion.

Royalties. Tenant is responsible for all ASCAP, BMI, and SESAC fees due as a result of the Event.

Laws and Ordinances. All groups using the Pavilion shall comply with all laws; Federal, State, County or Local, including all ordinances of the City of Greenville and all rules, regulations and requirements of the Police and Fire. Fire lanes must remain clear at all times. Any individual or group using the Pavilion must abide by and conform to all rules and regulations which may be adopted from time to time.

Sidewalks, Passages, Corridors, Stairways and Passageways. All portions of the sidewalks, passages, corridors stairways, passageways, and all ways of access to public utilities on the Pavilion shall be kept unobstructed by Tenant and shall not be used by Tenant for any purpose other than ingress and egress to and from the Pavilion unless specifically approved by the Landlord in writing

Smoke-Free Facility. The Pavilion is a smoke-free facility. There shall be no smoking anywhere within the Pavilion

Parking. Parking of private vehicles is permitted only in public parking lot spaces. Landlord does not provide parking No parking for any reason is permitted in the loading dock areas or circle. Violators are subject to ticketing and towing by local authorities

Capacity. The Pavilion is an open-air, unsecured, facility. The Landlord is not responsible for restricting access during an Event. The general capacity of the Venue may not exceed 300 persons. If Tenant undertakes any Event at the Pavilion for which 250 people or more is expected, Tenant must hire, at Tenant's sole cost, at least one Greenville City Police Officer as security for the event.

Abusing Policies. The Landlord and its designee reserve the right to refuse any group the privilege of using the Pavilion due to abusing rules and regulations established by the Landlord.

Conduct/Behavior.

a) The Landlord through its representatives, agents, and employees, reserves the right to eject any person(s) who is/are objectionable and acts contrary to these rules and regulations from and Event at the Pavilion.

b) The Landlord through its representatives, agents, and employees, may cancel and Event at the Pavilion if it is determined that the safety of the participants in the Event or other patrons of or visitors to the Pavilion is endangered by the continuation of such Event

c) Tenant is responsible to see that all Events at the Pavilion are properly controlled; all rules are enforced, and must have a designated person(s) of authority on site at all times during and Event.

d) Tenant shall, to the extent possible, take every action necessary to prevent any and all disorderly or boisterous conduct or immoral practices of any kind and/or about the Pavilion by its agents, servants, employees, assigns, successors, invitees and licensees.

Anti-Discrimination. Discrimination by the Tenant, it's agents or employees, on account of age, race, color, religion, sex or national origin, in the use of or admission to the Pavilion is prohibited.

SCHEDULE 1-A

Noise/Sound Ordinance. Sound levels at the Pavilion are not to exceed those levels established by the City of Greenville Noise Ordinance. Should sound levels exceed the established level, or cause a disturbance as deemed by the Police Department, Landlord will direct that the volume be turned down Failure to comply with such a direction shall be cause for termination of the Event at the Pavilion.

Clean Up. Tenant must load out and shall vacate the premises no later than one (1) hour after an Event has ended, unless prearranged in writing. Tenant must remove all personal property/equipment (i.e. lighting, audio/visual, tables, chairs, tents, etc) This includes personal property owned by the Tenant, as well as property borrowed or leased. Tenant is responsible for the collecting and bagging of all paper, trash, debris resulting from their use of the Pavilion and understands that if such clean up is not completed immediately following the Event the Landlord reserves the right to remove all personal property, paper trash, and debris, at Tenant's costs and expense.

Equipment. All equipment and decorations used in conjunction with an Event at the Pavilion must be free standing Anchoring equipment and/or decorations to the Pavilion or trees, tree grates, lamp posts, hand rails, etc is not allowed Any equipment needed for and Event must be provided by the Tenant.

All Pavilion Rules are subject to the discretion of the Landlord. The Landlord reserves the right to modify or waive any Rules as it deems necessary and in the best interest of the Landlord. Failure to comply with Pavilion Rules as well as the City of Greenville laws and ordinances may result in the cancellation of the forfeiture of the right to use the Pavilion in the future.

SCHEDULE 1

[costs, conditions, commissions associated with rental of PCPA areas; 2.1]

Wyche Pavilion and Dow Amphitheatre:

A. Booking for all events at the **Wyche Pavilion** (the "Pavilion") shall be handled by or through Tenant. Landlord shall refer to Tenant all inquiries for rental of the Pavilion. Tenant shall pay a usage fee to Landlord during the Initial Term and First Renewal Term of the Lease in the amount of Two Hundred Fifty Dollars per use ($250.00/use, ("Pavilion Usage Fee"). During the Second Renewal Term and the Third Renewal Term, the Pavilion Usage Fee shall be increased each Lease Year by an amount equal to (i) the Pavilion Usage Fee charged in the preceding Lease Year, times (ii) the CPI Factor. Landlord agrees to waive the fee for Tenant's use of the Pavilion for the first six (6) months of the Initial Term when the Pavilion is operated by Tenant as part of its business open to the public, other than during any Rhythm on the River series or in the case where the Pavilion is rented by a third party through Tenant. After such six-month period, Landlord and Tenant agree to negotiate in good faith the terms and conditions pursuant to which Tenant may use and operate the Pavilion as part of its business open to the public, and Landlord and Tenant agree to reduce such terms to a writing to be attached to this Lease as Schedule 1(a).

B. Booking for all events at the **Dow Amphitheatre** (the "Amphitheatre") shall be handled by or through Landlord. Tenant may use the Amphitheatre for the Rhythem on the River series for a usage fee of Five Hundred Dollars per use ($500.00/use) and for all other uses for a usage fee of One Thousand Five Hundred Dollars per use ($1,500/use) during the Initial Term and the First Renewal Term of the Lease, ("Amphitheatre Usage Fee"). During the Second Renewal Term and the Third Renewal Term, the Amphitheatre Usage Fee shall be increased each Lease Year by an amount equal to (i) the Amphitheatre Usage Fee charged in the preceding Lease Year, times (ii) the CPI Factor.

C. Upon the mutual agreement of both parties in good faith, the Pavilion Usage Fee or the Amphitheatre Usage Fee may be waived or reduced.

D. The use of the Pavilion and the Amphitheatre by Tenant and/or its customers shall be subject to the terms and conditions of the Lease.

E. Landlord shall have the right to use the Pavilion free of charge, subject to availability.

Profit Impact from New Peace Center Rental Rates

Pavilion Rent
Was $250 per use, now $750 per use.
We pass on the $500 extra about 75% of the time, the other 50% we negotiate something less. We rent the space about 45 times per year.

Total Pavilion Impact to the bottom line (EBITA) - $7,000

Amphitheater/TD Stage
Rhythm on the River – was $500 per use, now $4,000 per use
We reduced our concerts from 17 per year to 4. We are still paying $7500 more on 13 less events.

Increase in business from ROR concerts is not exact but my best guess is a reduction of $1700 per night in the dining room and $3200 per night in lost concessions from each concert. That equals $4900 in lost revenue times 13 concerts or $63,700 in total lost revenue. That translates to $31,850 in lost bottom line profit.

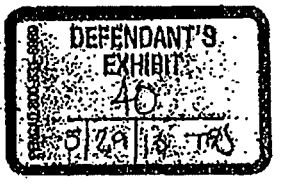
Note: The concert tickets sold covered our production and rental expenses in the past, so that portion is a wash with the exception of the additional $7500 in rent over prior years.

Total Amphitheater Estimated Impact to EBITA - $39,350

These increases also impact our ability to raise rental rates for years to come. This would normally be a positive impact to future profit growth.

Genevieve's
This newer and more convenient restaurant operated by the Peace Center competes directly with Larkin's on some of the most popular nights. There are approximately 45 major show days and another 25 minor show days. We estimate a loss of 30 dinners on major days and 10 on minor days. At our current guest average on show nights of $42.50 per person this translates to a loss in business of $68,000.

The bottom line impact from Genevieve's is approximately $34,000.



STATE OF SOUTH CAROLINA	)	
	)	IN THE COURT OF COMMON PLEAS
COUNTY OF GREENVILLE	)	2010-CP-23-1646
Front Roe Restaurants, Inc.,	)	
Plaintiff,	)	
vs.	)	
Kyle Pertuis,	)	**ANSWER, COUNTERCLAIM AND THIRD-PARTY COMPLAINT**
Defendant and Third-Party Plaintiff,	)	
vs.	)	
Beachfront Foods, Inc., Lake Point Restaurants, Inc.,	)	
Third-Party Defendants.	)	

Defendant, Kyle Pertuis, answering the Complaint of Plaintiff, and by way of Counterclaim and Third-Party Complaint, would respectfully show to this Court as follows:

(FOR A FIRST DEFENSE: GENERAL DENIAL)

I

Defendant admits the allegations of Paragraphs 1, 2, 3, 4, 5, 6, 8, 11, 12, 13, 14 of the Complaint of Plaintiff.

II

Defendant denies the remaining allegations of the Complaint of Plaintiff. In connection with his general denial, Defendant specifically and affirmatively alleges that the majority

DEFENDANT'S EXHIBIT 4 5-23-12

RECEIVED APR 06 2010

shareholders of Plaintiff have made a *de minimis* offer to purchase Defendant's ten (10%) ownership interest in Plaintiff, but the said majority shareholders have refused Defendant access to the corporate records to allow Defendant to assess the financial condition of Plaintiff for a proposed buyout of Defendant's ten (10%) ownership interest in Plaintiff.

III

Defendant further specifically and affirmatively alleges, in connection with the proposed buyout of his interest at a *de minimis* price, that all requests for financial and administrative records issued by Defendant and his counsel have been in the context of the Defendant's attempts to secure sufficient data with which to negotiate the purchase and sale of Defendant's ten (10%) ownership interest in Plaintiff to Plaintiff's majority shareholders. To date, Plaintiff, by and through its counsel, have failed, refused, and neglected to cooperate in providing Defendant sufficient records to sensibly respond to the offer for buyout by the majority shareholders. The offer made by the majority shareholders was unsupported by documentation sufficient to allow Defendant to make an informed decisions about the buyout offer. Accordingly, Defendant affirmatively alleges that Plaintiff, by and through its counsel, is attempting to wrongfully use the formalities of Title 33 of the S.C. Code of Laws, 1976, as amended, to avoid production of information, documents, and materials necessary to fully and fairly inform Defendant of the status of the corporation to whose business success Defendant has substantially contributed as a shareholder developing "sweat equity" in Plaintiff.

III

Defendant hereby expressly denies any and all allegations of the Complaint hereinabove admitted, denied, or otherwise modified.

(FOR A SECOND DEFENSE AND COUNTERCLAIM: WRONGFUL FAILURE TO PRODUCE CORPORATE RECORDS FOR *BONA FIDE* SHAREHOLDER REVIEW OF BUYOUT OFFER)

IV

Defendant hereby realleges all allegations set forth above as are not inconsistent herewith.

V

Defendant is informed and believes that he is entitled, as a ten (10%) shareholder in Plaintiff, to the production of the administrative and financial records of Plaintiff in order that Defendant may conduct a *bona fide* review of the financial condition of the Plaintiff for purposes of evaluating the buyout proposal issued by the majority shareholders to Defendant.

(FOR A THIRD DEFENSE AND THIRD-PARTY CLAIM: REFUSAL TO PRODUCE CORPORATE RECORDS)

VI

Defendant hereby realleges all allegations set forth above as are not inconsistent herewith.

VII

Defendant alleges that he is a ten (10%) per cent shareholder in Beachfront Foods, Inc., ("BF"), and in Lake Point Restaurants, Inc., ("LPR"), which are both corporations which are duly organized and existing under the laws of the State of North Carolina. The same parties are shareholders in Plaintiff and in LPR and in BF. Defendant alleges that BF and LPR have ongoing material business contacts with South Carolina sufficient to confer jurisdiction of this Court over BF and LPT.

VIII

As alleged, Defendant has received a buyout proposal from the majority shareholders. Defendant has made due demand on BF and LPR for full and complete financial and administrative records, in order to provide Defendant with sufficient information to cooperate in the sale of his ten (10%) ownership interests in Plaintiff, BF, and LPR. Third-party Defendants BF and LPR, by and through counsel, have, however, failed, refused, and neglected to produce the full financial and administrative records of BF and LPR to Defendant, for his review in considering the offer to buy Defendant's ownership interest in the entities.

VII

Defendant is informed and believes that the internal affairs of foreign corporations are governed by the statutes and common-law of the state of incorporation of the foreign corporation. Accordingly, Defendant is informed and believes that BF and LPR are subject to §55-16-02 of the General Statutes of North Carolina, a copy of which is attached hereto and marked "Exhibit A." Defendant is further informed and believes that BF and LPR are subject to §55-16-04 of the General Statutes of North Carolina, a copy of which is attached hereto and marked "Exhibit B."

VIII

Defendant alleges that he is entitled, under the foregoing Sections of the North Carolina General Statutes, to a full and complete production of the financial and administrative records of BF and LPR for the purpose of a full review of the financial history and condition of BF and LPR, in order to sensibly and knowledgeably make a decisions about selling his minority shareholder interest in BF and LPR to the majority shareholders of said corporations.

WHEREFORE, having fully answered the Complaint of Plaintiff, and alleging his Counterclaim and Third-Party Claim, Defendant prays that this Court dismiss the Complaint of Plaintiff and issue its Order requiring Plaintiff and the Third-Party Defendants to produce their full administrative and financial records, subject to such reasonable protective order as may be warranted in this case, for Defendant's *bona fide* review for evaluation of the Corporate parties; and Defendant prays for such other and further relief as this Court may deem just and proper.

Date: 4/2/10

Robert C. Wilson

Robert C. Wilson, Jr.
201 Whitsett Street
Greenville, SC 29601
(864) 242-9488
SC ID 6178
Email: trigor527@aol.com

Attorney for Defendant and Third-Party Plaintiff, Kyle Pertuis

"EXHIBIT A"

55-16-02
Chapter 55. North Carolina Business Corporation Act.
Article 16. Records and Reports.

§ 55-16-02 Inspection of records by shareholders.

(a) A qualified shareholder of a corporation is entitled to inspect and copy, during regular business hours at the corporation's principal office, any of the records of the corporation described in G.S. 55-16-01(e) if he gives the corporation written notice of his demand at least five business days before the date on which he wishes to inspect and copy.

(b) A qualified shareholder of a corporation is entitled to inspect and copy, during regular business hours at a reasonable location specified by the corporation, any of the following records of the corporation if the shareholder meets the requirements of subsection (c) and gives the corporation written notice of his demand at least five business days before the date on which he wishes to inspect and copy:

(1) Records of any final action taken with or without a meeting by the board of directors, or by a committee of the board of directors while acting in place of the board of directors on behalf of the corporation, minutes of any meeting of the shareholders and records of action taken by the shareholders without a meeting, to the extent not subject to inspection under G.S. 55-16-02 (a);

(2) Accounting records of the corporation; and

(3) The record of shareholders;

provided that a shareholder of a public corporation shall not be entitled to inspect or copy any accounting records of the corporation or any records of the corporation with respect to any matter which the corporation determines in good faith may, if disclosed, adversely affect the corporation in the conduct of its business or may constitute material nonpublic information at the time the shareholder's notice of demand to inspect and copy is received by the corporation.

(c) A qualified shareholder may inspect and copy the records described in subsection (b) only if:

(1) His demand is made in good faith and for a proper purpose;

(2) He describes with reasonable particularity his purpose and the records he desires to inspect; and

(3) The records are directly connected with his purpose.

(d) The right of inspection granted by this section may not be abolished or limited by a corporation's articles of incorporation or bylaws.

(e) This section does not affect:

(1) The right of a shareholder to inspect records under G.S. 55-7-20 or, if the shareholder is in litigation with the corporation, to inspect the records to the same extent as any other litigant;

(2) The power of a court, independently of this Chapter, to compel the production of corporate records for examination.

(f) For purposes of this section, "shareholder" includes a beneficial owner whose shares are held in a voting trust or by a nominee on his behalf and whose beneficial ownership is certified to the corporation by that voting trust or nominee.

(g) For purposes of this section a "qualified shareholder" of a corporation is a person who shall have been a shareholder in the corporation for at least six months immediately preceding his demand or who shall be the holder of at least five percent (5%) of the corporation's outstanding shares of any class.

(h) A qualified shareholder of a corporation that has the power to elect, appoint, or designate a majority of the directors of another domestic or foreign corporation or of a domestic or foreign nonprofit corporation, shall have the inspection rights provided in this section with respect to the records of that other corporation.

(i) Notwithstanding the provisions of this section or any other provisions of this Chapter or interpretations thereof to the contrary, a shareholder of a public corporation shall have no common law rights to inspect or copy any accounting records of the corporation or any other records of the corporation that may not be inspected or copied by a shareholder of a public corporation as provided in G.S. 55-16-02(b). (1901, c. 2, ss. 38, 45, 49; Rev., ss. 1179-1181; C.S., ss. 1170, 1172; G.S., ss. 55-107, 55-109; 1955, c. 1371, s. 1; 1965, c. 609; 1973, c. 469, s. 11; 1989, c. 265, s. 1; 1989 (Reg. Sess., 1990), c. 1024, s. 12.26; 1993, c. 552, s. 19.)

"EXHIBIT B"

55-16-04
Chapter 55. North Carolina Business Corporation Act.
Article 16. Records and Reports.

§ 55-16-04 Court-ordered inspection.

(a) If a corporation does not allow a shareholder who complies with G.S. 55-16-02(a) to inspect and copy any records required by that subsection to be available for inspection, the superior court of the county where the corporation's principal office (or, if none in this State, its registered office) is located may, upon application ofthe shareholder, summarily order inspection and copying of the records demanded at the corporation's expense.

(b) If a corporation does not within a reasonable time allow a shareholder to inspect and copy any other record, the shareholder who complies with G.S. 55-16-02(b) and (c) may apply to the superiorcourt in the county where the corporation's principal office (or, if none in this State, its registered office) is located for an order to permit inspection and copying of the records demanded. The court shall dispose of an application under this subsection on an expedited basis.

(c) If the court orders inspection and copying of the records demanded, it shall also order the corporation to pay the shareholder's costs (including reasonable attorneys' fees) incurred to obtain the order unless the corporation proves that it refused inspection in good faith because it had a reasonable basis for doubt about the right of the shareholder to inspect the records demanded.

(d) If the court orders inspection and copying of the records demanded, it may impose reasonable restrictions on the use or distribution of the records by the demanding shareholder. (1901, c. 2, s. 49; Rev., s. 1179, C.S., s. 1172; G.S., s. 55-109; 1955, c. 1371, s. 1; 1965, c. 609; 1973, c. 469, s. 11; 1989, c. 265, s. 1.)

STATE OF SOUTH CAROLINA	)	
	)	IN THE COURT OF COMMON PLEAS
COUNTY OF GREENVILLE	)	2010-CP-23-1646
Front Roe Restaurants, Inc.,	)	
Plaintiff,	)	
vs.	)	
Kyle Pertuis,	)	
	)	**VERIFICATION**
Defendant and Third-Party Plaintiff,	)	
vs.	)	
Beachfront Foods, Inc., Lake Point Restaurants, Inc.,	)	
Third-Party Defendants.	)	

Personally appeared before me Kyle Pertuis, who, being first duly sworn, deposes and states that he is the Defendant in this action and that he has reviewed the pleading captioned "Answer, Counterclaim and Third-Party Complaint," and that he hereby verifies the truth and accuracy of the allegations contained therein, to the best of his knowledge.

AND FURTHER AFFIANT SAYETH NOT.

SWORN TO BEFORE ME THIS
2d DAY OF APRIL, 2010.

Robert C. Wilson

Notary Public for South Carolina
My comm'n expires: 3/23/15

KCPE

Kyle Pertuis

RECEIVED APR 06 2010

SUBTITLE F -- PROCEDURE AND ADMINISTRATION

Chapter 61 -- Information and Returns
Subchapter A -- Returns and Records
Part III -- Informational Returns
Subpart A -- Information concerning persons subject to special provisions

Sec. 6037 Return of S corporation.

Background Notes
26 U.S.C. 6037 Regulations
1996 Small Business Act

(a) In general

Every S corporation shall make a return for each taxable year, stating specifically the items of its gross income and the deductions allowable by subtitle A, the names and addresses of all persons owning stock in the corporation at any time during the taxable year, the number of shares of stock owned by each shareholder at all times during the taxable year, the amount of money and other property distributed by the corporation during the taxable year to each shareholder, the date of each such distribution, each shareholder's pro rata share of each item of the corporation for the taxable year, and such other information, for the purpose of carrying out the provisions of subchapter S of chapter 1, as the Secretary may by forms and regulations prescribe. Any return filed pursuant to this section shall, for purposes of chapter 66 (relating to limitations), be treated as a return filed by the corporation under section 6012.

(b) Copies to shareholders

Each S corporation required to file a return under subsection (a) for any taxable year shall (on or before the day on which the return for such taxable year was filed) furnish to each person who is a shareholder at any time during such taxable year a copy of such information shown on such return as may be required by regulations.

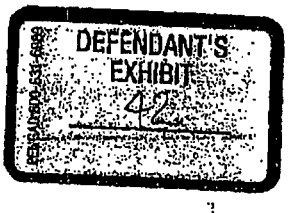
(c) Shareholders' return must be consistent with corporate return or Secretary notified of inconsistency

(1) In general

A shareholder of an S corporation shall, on such shareholder's return, treat a subchapter S item in a manner which is consistent with the treatment of such item on the corporate return.

(2) Notification of inconsistent treatment

(A) In general



In the case of any subchapter S item, if--

(i)(I) the corporation has filed a return but the shareholder's treatment on his return is (or may be) inconsistent with the treatment of the item on the corporate return, or

(II) the corporation has not filed a return, and

(ii) the shareholder files with the Secretary a statement identifying the inconsistency,

paragraph (1) shall not apply to such item.

(B) Shareholder receiving incorrect information

A shareholder shall be treated as having complied with clause (ii) of subparagraph (A) with respect to a subchapter S item if the shareholder--

(i) demonstrates to the satisfaction of the Secretary that the treatment of the subchapter S item on the shareholder's return is consistent with the treatment of the item on the schedule furnished to the shareholder by the corporation, and

(ii) elects to have this paragraph apply with respect to that item.

(3) Effect of failure to notify

In any case--

(A) described in subparagraph (A)(i)(I) of paragraph (2), and

(B) in which the shareholder does not comply with subparagraph (A)(ii) of paragraph (2),

any adjustment required to make the treatment of the items by such shareholder consistent with the treatment of the items on the corporate return shall be treated as arising out of mathematical or clerical errors and assessed according to section 6213(b)(1). Paragraph (2) of section 6213(b) shall not apply to any assessment referred to in the preceding sentence.

(4) Subchapter S item

For purposes of this subsection, the term "subchapter S item" means any item of an S corporation to the extent that regulations prescribed by the Secretary provide that, for purposes of this subtitle, such item is more appropriately determined at the corporation level than at the shareholder level.

(5) Addition to tax for failure to comply with section

For addition to tax in the case of a shareholder's negligence in connection with, or disregard of, the requirements of this section, see part II of subchapter A of chapter 68.

Greenville County 13th Judicial Circuit Public Index

Greenville County Home Page South Carolina Judicial Department Home Page Family Court Public Index

[redacted]

Front Roe Restaurants Inc , plaintiff, et al vs. Kyle Pertuis , defendant, et al

Case Number:	2010CP2301646	Court Agency:	Greenville County Common Pleas	Filed Date:	03/01/2010
Case Type:	Common Pleas	Case Sub Type:	Special-Comp/Oth 699	File Type:	Non-Jury
Status:	Disposed	Assigned Judge:	Miller, Edward W.		
Disposition:	Ended by Non Jury	Disposition Date:	07/14/2014	Disposition Judge:	Miller, Edward W.
Original Source Doc:		Original Case #:			
Judgment Number:		Court Roster:			

Case Parties Judgments Tax Map Information Associated Cases Actions Financials

Name	Description	Type	Motion Roster	Begin Date	Completion Date	Documents
Front Roe Restaurants Inc	Order/Denying Plt's Motion/Alter/Amend	Order		09/26/2013-09:10	07/14/2014-09:10	
Front Roe Restaurants Inc	Exhibit List #3122	Filing		09/11/2013-08:47	07/14/2014-08:47	
Front Roe Restaurants Inc	Order/Post Trial Motions	Order		09/10/2013-13:22	07/14/2014-13:22	
Front Roe Restaurants Inc	Motion/Motion Filing Fee	Filing		07/24/2013-12:23	07/14/2014-12:23	
Front Roe Restaurants Inc	Motion/Motion Filing Fee	Filing		07/22/2013-13:04	07/14/2014-13:04	
	Def's Motion/Alter /Amend/Court's Order of July 3, 2013	Motion		07/22/2013-16:13	09/10/2013-16:13	
Pertuis, Kyle	Motion/Motion Filing Fee	Filing		07/15/2013-10:53	07/14/2014-10:53	
	Plt's Motion/Alter /Amend	Motion		07/15/2013-11:27	09/10/2013-11:27	
	Order/Regarding Bench Trial	Order		07/03/2013-09:22	07/14/2014-09:22	
	Memo in Support pf Plt's Claims	Filing		06/18/2013-16:07	07/14/2014-16:07	

Front Roe Restaurants Inc	Motion/Motion Filing Fee	Filing		06/04/2013-14:25	07/14/2014-14:25	
	Defendants' Motion/Directed Verdict	Motion		06/04/2013-10:44	07/14/2014-10:44	
Pillsbury, Rodney F.	Notice of Case Roster Publication Sent	Action		05/07/2013-08:39	07/14/2014-08:39	
Stodghill, Curtis Warren	Notice of Case Roster Publication Sent	Action		05/07/2013-08:39	07/14/2014-08:39	
Wilson, Robert C. Jr.	Notice of Case Roster Publication Sent	Action		05/07/2013-08:39	07/14/2014-08:39	
Lloyd, David A	Notice of Case Roster Publication Sent	Action		05/07/2013-08:39	07/14/2014-08:39	
	Summons To Answer Counterclaims	Filing		10/09/2012-00:00	07/14/2014-00:00	
	Answer/Answer To Amend Comp & Counterclaims And Ser Of Defs	Filing		10/05/2012-00:00	07/14/2014-00:00	
	Consent Order/Amend Caption/Schedule Trial	Order		09/10/2012-12:54	07/14/2014-12:54	
	Amended/Amended Complaint	Filing		09/06/2012-00:00	07/14/2014-00:00	
	Service/Cert Of Ser Of Amended Complaint On Atty Pillsbury	Filing		09/06/2012-00:00	07/14/2014-00:00	
	Motion/Alter and/or Amend	Motion		05/11/2012-16:03	07/14/2014-16:03	
	Defendant's Motion/Dismiss	Motion		05/11/2012-16:02	07/14/2014-16:02	
Pertuis, Kyle	Motion/Motion Filing Fee	Filing		05/11/2012-11:05	07/14/2014-11:05	
Pertuis, Kyle	Motion/Motion Filing Fee	Filing		05/11/2012-11:04	07/14/2014-11:04	
	Defendant's Motion/Compel Discovery	Motion		05/11/2012-00:00	05/23/2012-00:00	
	Defendant's 2nd Motion/Amend	Motion		05/11/2012-00:00	05/23/2012-00:00	
Stodghill, Curtis Warren	Notice of Motions Roster Publication Sent	Action		02/09/2012-10:56	07/14/2014-10:56	
Pillsbury, Rodney F.	Notice of Motions Roster Publication Sent	Action		02/09/2012-10:56	07/14/2014-10:56	
Lloyd, David A	Notice of Motions Roster Publication Sent	Action		02/09/2012-10:56	07/14/2014-10:56	
Wilson, Robert C. Jr.	Notice of Motions Roster Publication Sent	Action		02/09/2012-10:56	07/14/2014-10:56	
Pillsbury, Rodney F.	Notice of Motions Roster Publication Sent	Action		02/09/2012-10:55	07/14/2014-10:55	
Lloyd, David A	Notice of Motions Roster Publication Sent	Action		02/09/2012-10:55	07/14/2014-10:55	
Wilson, Robert C. Jr.	Notice of Motions Roster Publication Sent	Action		02/09/2012-10:55	07/14/2014-10:55	
Stodghill, Curtis Warren	Notice of Motions Roster Publication Sent	Action		02/09/2012-10:55	07/14/2014-10:55	
Pertuis, Kyle	Motion/Motion Filing Fee	Filing		02/02/2012-13:10	07/14/2014-13:10	

Pertuis, Kyle	Motion/Motion Filing Fee	Filing		02/02/2012-13:09	07/14/2014-13:09	
	Def's Motion/Disqualify	Motion		02/01/2012-16:50	07/14/2014-16:50	
	Def's 2nd Motion/Amend	Motion		02/01/2012-16:49	07/14/2014-16:49	
Stodghill, Curtis Warren	Notice of Motions Roster Publication Sent	Action		01/23/2012-14:27	07/14/2014-14:27	
Lloyd, David A	Notice of Motions Roster Publication Sent	Action		01/23/2012-14:27	07/14/2014-14:27	
Wilson, Robert C. Jr.	Notice of Motions Roster Publication Sent	Action		01/23/2012-14:27	07/14/2014-14:27	
Pillsbury, Rodney F.	Notice of Motions Roster Publication Sent	Action		01/23/2012-14:27	07/14/2014-14:27	
Front Roe Restaurants Inc	Motion/Motion Filing Fee	Filing		01/17/2012-09:44	07/14/2014-09:44	
	Plt's 2nd Motion/Compel Discovery	Motion		01/12/2012-10:22	07/14/2014-10:22	
Front Roe Restaurants Inc	ADR/Proof of ADR	Filing		12/21/2011-13:28	12/07/2011-13:28	
	Service/Certificate Of Service/Atty Wilson	Filing		11/10/2011-09:08	07/14/2014-09:08	
	Beachfront/Answer/3rd Party Complaint	Filing		11/10/2011-09:07	07/14/2014-09:07	
	Lake Point Answer & Counterclaim 3rd Party Def	Filing		11/10/2011-09:06	07/14/2014-09:06	
Front Roe Restaurants Inc	Motion/Motion Filing Fee	Filing		08/25/2011-12:31	07/14/2014-12:31	
	Plaintiff's Motion/Compel	Motion		08/23/2011-10:33	07/14/2014-10:33	
Front Roe Restaurants Inc	Pertuis' Motion/Compel and Sanctions 3rd Party Defendant	Event		01/25/2011-10:30	01/03/2011-11:00	
Front Roe Restaurants Inc	Pertuis' Motion/Compel and Sanctions against Plaintiff	Event		01/25/2011-10:30	01/03/2011-11:00	
Pillsbury, Rodney F.	Notice of Motions Roster Publication Sent	Action		01/03/2011-08:19	07/14/2014-08:19	
Pillsbury, Rodney F.	Notice of Motions Roster Publication Sent	Action		01/03/2011-08:19	07/14/2014-08:19	
Lloyd, David A	Notice of Motions Roster Publication Sent	Action		01/03/2011-08:19	07/14/2014-08:19	
Lloyd, David A	Notice of Motions Roster Publication Sent	Action		01/03/2011-08:19	07/14/2014-08:19	
Stodghill, Curtis Warren	Notice of Motions Roster Publication Sent	Action		01/03/2011-08:19	07/14/2014-08:19	
Stodghill, Curtis Warren	Notice of Motions Roster Publication Sent	Action		01/03/2011-08:19	07/14/2014-08:19	
Wilson, Robert C. Jr.	Notice of Motions Roster Publication Sent	Action		01/03/2011-08:19	07/14/2014-08:19	
Wilson, Robert C. Jr.	Notice of Motions Roster Publication Sent	Action		01/03/2011-08:19	07/14/2014-08:19	

	Notice/Notice of Non-Jury Motions Hearings	Filing		11/24/2010-11:10	07/14/2014-11:10	
Pertuis, Kyle	Motion/Motion Filing Fee	Filing		11/23/2010-16:28	07/14/2014-16:28	
Pertuis, Kyle	Motion/Motion Filing Fee	Filing		11/23/2010-16:27	07/14/2014-16:27	
	Pertuis' Motion/Compel and Sanctions against Plaintiff	Motion		11/23/2010-19:46	01/25/2011-19:46	
	Pertuis' Motion/Compel and Sanctions 3rd Party Defendant	Motion		11/23/2010-19:45	01/26/2011-19:45	
	Affidavit/Attorney Charles L. Alford, III And Service	Filing		11/16/2010-00:00	07/14/2014-00:00	
	Stipulationr/Protective Order	Order		09/28/2010-13:53	07/14/2014-13:53	
Front Roe Restaurants Inc	Pertuis' Motion/Compel	Event		09/23/2010-14:30	09/23/2010-15:00	
Front Roe Restaurants Inc	Front Roe, Beachfront & Lake Point's Motion/Protective Order	Event		09/23/2010-14:30	09/23/2010-15:00	
	Affidavit/Affidavit Of Charles L. Alford, III And Service	Filing		09/17/2010-00:00	07/14/2014-00:00	
	CP Non-Jury Motion Notice Sent	Document		09/09/2010-00:00	07/14/2014-00:00	
Front Roe Restaurants Inc	Motion/Motion Filing Fee	Filing		09/09/2010-12:55	09/23/2010-12:55	
	Front Roe, Beachfront & Lake Point's Motion/Protective Order	Motion		09/08/2010-14:17	07/14/2014-14:17	
	CP Non-Jury Motion Notice Sent	Document		08/17/2010-00:00	07/14/2014-00:00	
	Order/Denying 3rd Party Defendants Motion to Dismiss	Order		08/16/2010-12:24	07/14/2014-12:24	
	Order/Granting Extension of Time for Discovery	Order		08/16/2010-12:23	07/14/2014-12:23	
Beachfront Foods Inc	Beach Front and Lake Point's Motion/Dismiss	Event		08/10/2010-11:00	07/07/2010-11:30	
Front Roe Restaurants Inc	Motion/Motion Filing Fee	Filing		08/09/2010-10:19	09/23/2010-10:19	
Front Roe Restaurants Inc	Motion/Motion Filing Fee	Filing		07/27/2010-09:41	09/23/2010-09:41	
	Pertuis' Motion/Compel	Motion		07/23/2010-18:04	07/14/2014-18:04	
	Order/Pro Hac Vice On Attorney David A. Lloyd	Order		07/16/2010-00:00	07/14/2014-00:00	
Front Roe Restaurants Inc	3 Motions Heard	Event		07/15/2010-11:00	07/15/2010-11:30	

	Def's Memo in Opp to Mtn to Disms 3rd Pty Defs & Cert of Ser	Filing		07/13/2010-00:00	07/14/2014-00:00	
	Affidavit/Affidavit Of Kyle Pertuis And Service	Filing		07/12/2010-00:00	07/14/2014-00:00	
Front Roe Restaurants Inc	Motion/Motion Filing Fee	Filing		07/09/2010-11:03	07/15/2010-11:03	
	Letter/Letter From Supreme Court Office Of Bar Admissions	Filing		07/08/2010-00:00	07/14/2014-00:00	
	Defendant's Motion/Compel Discovery	Motion		07/07/2010-08:07	07/14/2014-08:07	
	Beach Front and Lake Point's Motion/Dismiss	Motion		07/06/2010-14:40	07/14/2014-14:40	
Pertuis, Kyle	Motion/Motion Filing Fee	Filing		07/06/2010-12:54	07/14/2014-12:54	
Front Roe Restaurants Inc	Motion/Motion Filing Fee	Filing		07/06/2010-12:51	07/15/2010-12:51	
	Third Party Defendants' Application And Motion/Pro Hac Vice	Motion		07/02/2010-00:00	07/14/2014-00:00	
	Affidavit/Attorney David A. Lloyd	Filing		07/02/2010-00:00	07/14/2014-00:00	
	Service/Certificate Of Service By Mail	Filing		07/02/2010-00:00	07/14/2014-00:00	
	Afdvt Of Ser S/N/Ans Cntrcl/3rd Pty C On Beachfront Foods	Filing		05/25/2010-00:00	07/14/2014-00:00	
	Affdvt Of Ser S/N/Ans Cntcl/3rd Pty C On Lake Point Rest,Bea	Filing		05/25/2010-00:00	07/14/2014-00:00	
	Third Party Summons	Filing		05/07/2010-00:00	07/14/2014-00:00	
	Answer/Ans, Cntercim & Third-Party Comp And Ser Of Pertuis	Filing		05/07/2010-00:00	07/14/2014-00:00	
	Plaintiff's Reply/Service To Counterclaim Of Kyle Pertuis	Filing		05/04/2010-00:00	07/14/2014-00:00	
	Certificate Of Service By Mail S/C On Mark Hammond	Filing		04/15/2010-00:00	07/14/2014-00:00	
	Order/Assignment to Business Court Pilot Program	Order		03/25/2010-14:40	07/14/2014-14:40	
Pertuis, Kyle	Motion/Motion Filing Fee	Filing		03/12/2010-13:22	07/14/2014-13:22	
	Acceptance Of Service S/C On B/H Of Kyle Petuis	Filing		03/09/2010-00:00	07/14/2014-00:00	
Front Roe Restaurants Inc	Summons & Complaint	Filing		03/01/2010-11:52	07/14/2014-11:52	
Front Roe Restaurants Inc	ADR/Alternative Dispute Resolution (Workflow)	Action		03/01/2010-11:52	10/19/2010-11:52	

CMSWeb 6.1
© 2011 South Carolina Judicial Department • All rights reserved

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM GREENVILLE COUNTY
Court of Common Pleas

Edward W. Miller, Circuit Court Judge

Case No. 2010-CP-23-1646

Kyle Pertuis, ... Respondent/Appellant,

v.

Front Roe Restaurants, Inc., Beachfront Foods, Inc., Lake Point Restaurants, Inc., Mark Hammond and Larkin Hammond, ... Appellants/Respondents.

CERTIFICATE OF COUNSEL

The undersigned hereby certifies that this Record on Appeal contains all material proposed to be included by any of the parties and not any other material.

John S. Nichols, SC Bar # 4210
BLUESTEIN, NICHOLS,
THOMPSON & DELGADO
Post Office Box 7965
Columbia, South Carolina 29202
(803) 779-7599
jsnichols@bntdlaw.com

Attorney for Appellants/Respondents Mark Hammond and Larkin Hammond

November 13, 2014