

69701-3

69701-3

No. 69701-3-I (consolidated with 70190-8)

**COURT OF APPEALS, DIVISION I
STATE OF WASHINGTON**

DOUGLAS M. DEWAR,

Respondent,

v.

KENNETH SMITH and JANE DOE SMITH, husband and wife, and their marital community composed thereof; TRANER SMITH & CO. PLLC, a Washington professional limited liability company,

Petitioners.

RESPONDENT'S BRIEF

Robert B. Gould, WSBA no. 4353
Attorney for Respondent
Law Office of Robert B. Gould
4100 194th Street SW, Suite 215
Lynnwood, WA 98036
(206) 633-4442
(206) 633-4443 fax

[Handwritten signature]
11/17/11

ORIGINAL

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. COUNTER STATEMENT OF THE CASE.....	4
III. SUMMARY OF ARGUMENT.....	11
IV. ARGUMENT.....	13
A. Petitioners Misstate The Law Relative To The Tax Returns In Question.....	13
B. The Petitioners – Professional CPAs – Failed As A Matter of Law To Comply With The Written Standards Of Care Of Certified Public Accountants...	15
C. Client Confidential Relationship Which Petitioners Rely And Use Defensively Is Belied By Their Actions And What In Fact Took Place.....	18
D. Blaming The Return On Dewar.....	19
E. Based Upon CPAs’ Own Actions And Inactions, The Trial Court Correctly Concluded That They Had Engaged In Negligent Misrepresentations To Hatch And Dewar.....	21
F. The Applicability Of <i>Trask v. Butler</i> , 123 Wn.2d 835, 872 P.2d 1080 (1994).....	24
V. CONCLUSION.....	26

TABLE OF AUTHORITIES

Washington Cases	<u>Page(s)</u>
<i>Donatelli v. D.R. Strong Consulting Engineers</i> , 163 Wn.App. 436, 231 P.3d 664 (2011).....	12, 23
<i>Eriks v. Denver</i> , 118 Wn.2d 451, 824 P.2d 1207 (1992).....	26
<i>ESCA Corporation, et al., v. KPMG Peat Marwick</i> , 135 Wn.2d 820, 959 P.2d 651 (1998).....	12, 22
<i>Roger Crane & Associates, Inc. v. Felice</i> , 74 Wash.App. 769, 875 P.2d 705 (1994).....	13
<i>Tegman v. Acc. & Med. Investigations Inc.</i> , 140 Wn.2d 102, 75 P.3d 497 (2003).....	26, 27, Footnote 3
<i>Trask v. Butler</i> , 123 Wn.2d 835, 872 P.2d 1080 (1994).....	4, 24, 25
 State Rules	
RAP 10.3(6).....	13
RCW 18.04.055.....	15
RCW 18.04.055(2).....	24
WAC 4-30.....	15
WAC 4-30-020.....	15
WAC 4-30-040.....	16
WAC 4-30-042.....	17

WAC 4-30-048.....	15
WPI 165.01.....	22, 23
WPI 165.02.....	22, 24
 Other Authority	
AICPA AR Section 80.47 through 80.52.....	16
AICPA ET Section 102-2.....	11
AICPA Rule 102 and Interpretation 102-2.....	27
26 C.F.R. §601.506.....	14, Footnote 1
31 C.F.R. §10.29.....	11
31 C.F.R. §240.17.....	13
Restatement (Second) of Torts §551 and §552.....	12, 22
Treasury Department Circular No. 230 §10.22.....	19, Footnote 2
Treasury Department Circular No. 230 §10.34.....	19
26 U.S.C. §6501.....	10, 21
26 U.S.C. §6501(a).....	10

APPENDIX..... A-1

Appendix A:	Property Settlement Agreement, effective dated 12/29/09
Appendix B:	E-mail trail between Smith and Dewar, beginning at 10:17am on 4/15/10 and ending at 2:54pm on 4/15/10
Appendix C:	E-mail from Smith to Dewar of 4:32pm on 6/7/10 with attached copy of the original filed tax return
Appendix D:	26 U.S.C. §6501(a)
Appendix E:	26 U.S.C. §6501
Appendix F:	31 C.F.R. §10.29
Appendix G:	AICPA ET Section 102-2
Appendix H:	31 C.F.R. §240.17
Appendix I:	26 C.F.R. §601.506
Appendix J:	AICPA AR Section 80.47 through 80.52
Appendix K:	Treasury Department Circular No. 230 §10.22
Appendix L:	Treasury Department Circular No. 230 §10.34

Appendix M:

AICPA Rule 102 and
Interpretation 102-2

I. INTRODUCTION

The Petitioners are professionals – Certified Public Accountants – and have woefully failed in their duties. The Petitioner CPAs (hereinafter “CPAs” or “Smith”) undertook this engagement knowing or in the exercise of reasonable care should have known that they ultimately had conflicts of interest when Brad Beddall asked in their presence to have the address to which the refunds were to be sent changed. They knew from the outset that the objective of this undertaking was to place tax refunds of Bradley E. Beddall’s in excess of one-million dollars into the hands of Beddall’s judgment creditor, the Respondent Douglas M. Dewar (hereinafter “Dewar”). They also knew that Beddall had granted irrevocable special powers of attorney to his attorney in fact Jonathan Hatch (WSBA No. 4641). Beddall knowingly and contractually gave (*See* App.A, Exhibit “C”, p. 21) (CP 1089):

“...Hatch full power and authority...to sign the Principal’s 2009 Federal Tax Return and to endorse and negotiate, only for the benefit of Douglas M. Dewar (“Dewar”)...any and all refund checks associated with the Principal’s 2009 tax return along with the power to receive said refunds and checks....The power of attorney granted hereby is a power coupled with an interest, is an irrevocable durable power of attorney that survives the Principal’s incompetency or death, and may be exercised by Hatch by a facsimile signature as the attorney in fact for the Principal. This

Special Power of Attorney is irrevocable and may not be terminated by the Principal or otherwise.

In this undertaking, CPAs assured Beddall's attorney Jonathan Hatch, that the approach taken to obtain the refund was legally supportable from a tax standpoint. Beddall's attorney, Jonathan Hatch, understandably relied upon that assurance. Beddall gave the irrevocable power of attorney to his attorney Hatch to allow Hatch to sign the tax return, receive the tax refunds, and turn the proceeds over to Dewar.

The CPA's raise the pretextual defense of the accountant-client confidential relationship. Such an argument bears no weight as they knowingly conferred with Jonathan Hatch, with Douglas Dewar, and, indeed, were aware that the tax returns, per the Property Settlement Agreement between Dewar and Beddall, had to be reviewed and approved in advance by Dewar. In fact, the tax returns were reviewed and approved with changes by Dewar on April 15, 2010.

The actions of the CPAs subsequent to the preparation and filing of the returns on April 15, 2010 represent conflicts of interest. Both state and federal law require that if a CPA has a conflict of interest they cannot proceed with an engagement without disclosing the nature of the conflict to all conflicted parties and receive prior written authorization from all conflicted parties to proceed with the engagement.

These CPAs engaged in negligent misrepresentations. There were a total of three such negligent misrepresentations.

The first negligent misrepresentation was by way of omission in May of 2010. At that time, Beddall called Smith, who in turn placed a call with both of them on the line to the IRS practitioner hotline. In that call, Beddall changed the address for the refunds from Hatch to the CPAs' office. Smith was silent as to the change and did not inform either Hatch or Dewar of that fact.

The second negligent misrepresentation by Smith was by commission to Respondent Douglas Dewar on June 7, 2010. At that time, in response to Dewar's inquiry regarding the status of the tax refunds, Smith forwarded to Dewar a copy of the original filed tax return knowing that the return had been amended and that the address shown on the return given to Dewar, that of Jonathan Hatch, had been previously changed from Hatch's address to the CPAs' address pursuant to the call to the IRS.

The third negligent misrepresentation by Smith, which was by omission, took place when the CPAs received the refunds on July 9, 2010 totaling \$1,206,703.32. Instead of informing the intended known recipients Hatch and Dewar that they had the refunds, they turned those refunds over to Beddall's son-in-law.

As will be shown, the CPAs' arguments with regard to violations of federal law to the effect that had they disclosed this information they would have engaged in an illegality is likewise pretextual. These CPAs' violations of the CPA's written standard of care is beyond dispute. This Court reviews the Snohomish County Superior Court's two grants of partial summary judgment *de novo*. Those grants of partial summary judgment are supported by Smith's own sworn testimony, his admitted actions and inactions, the undisputed facts below, Washington and federal law regarding CPAs' mandatory standard of care, and the Washington jurisprudence of negligent misrepresentation. Contrary to Petitioners' assertions, *Trask v. Butler*, 123 Wn.2d 835, 872 P.2d 1080 (1994), while not solely relied upon by the trial court, further supports the grants of partial summary judgment.

This Court should deny the Petitioners' request to overturn Judge Downes' two grants of appropriate partial summary judgment and remand the matter to the Snohomish County Superior Court for trial.

II. COUNTER STATEMENT OF THE CASE

Beddall was in debt to Dewar in an amount in excess of \$3,900,000.00. (CP 1071). Beddall did not have the means to satisfy this debt and Beddall and Dewar, each through their respective counsel, engaged in negotiations. (CP 1062-1063). Those negotiations resulted in

what ultimately became the Property Settlement Agreement between Beddall and Dewar. (CP 1069-1093). (*See* App. A). That Agreement provided in relevant part as follows (*See* App. A, p.3 ¶4, CP 1071):

Beddall...further agree[s] to...use the firm of Traner Smith of Edmonds, Washington...for the following: (ii) timely file (without extensions) a federal tax return for tax year 2009, to seek a refund in an amount no less than One Million Dollars (\$1,000,000) in the aggregate, subject to the review, evaluation, and approval thereof by the Lender [Dewar] in the **Lender's sole and absolute discretion**...irrevocably execute and/or cause to be executed and delivered to Lender simultaneously with the execution of this Agreement, IRS Forms 2848 (Rev. June 2008) and the Power of attorney....Hatch agrees to sign (on behalf of Beddall and BPI) and cause to be filed, no later than three (3) days following Lender's approval, the Tax Return and to email confirmation hereof along with a copy of the Tax Return to Lender's counsel at wong@lasher.com. Borrower, Beddall, and BPI hereby irrevocably and permanently assign **to Lender, as the sole beneficiary, all right, title, and interest in the Tax Refund**. Borrower, Beddall, and BPI [Beddall's corporation] hereby irrevocably authorize Jonathan C. Hatch, Attorney at Law (hereinafter "Hatch") as their representative to endorse and convert to good and available funds, in favor of Lender, each and every Tax Refund and to immediately disburse same to Lender upon the receipt thereof by Hatch. Hatch hereby agrees to punctually deliver to Lender in good and available funds, in the form designated by Lender...each Tax Refund received by Hatch. [Emphasis added.]

Dewar, pursuant to the Property Settlement Agreement, obtained a default Judgment against Beddall in April 2010 in the amount of

\$4,109,115.48. (CP 997-1004, 1062 ¶5). Smith was aware of that Judgment. (CP 950, 964, 992).

As part of this transaction, Jonathan Hatch (Beddall's attorney), sought income tax advice from Smith. (CP 1022-1025). Smith advised Hatch directly that the contemplated transaction was appropriate from a tax standpoint. (CP 1022-1025). This satisfied Hatch to the extent that he "green lighted" the transaction to go forward with the tax return being prepared by the Petitioner CPAs. (CP 1022-1025).

Hatch relied on the tax advice from the Petitioner professional CPAs. (CP 1022-1025). Smith further advised Hatch that it was appropriate that the deed be effective December 31, 2009 even though it was not executed until 2010. (CP 1022-1025).

Smith acknowledges that he was fully aware that the objective of the undertaking, pursuant to the Property Settlement Agreement, was to place a minimum of one million dollars or more in tax refunds into the hands of Respondent Dewar – Smith's client's judgment creditor. (CP 952, 956-963, 972-973, 982-983, 1042). Smith also acknowledges that he had a copy of the Agreement available to him during his preparation of Beddall's 2009 tax returns and before the tax returns were finalized. (CP 951, 974-976, 982-983, 1017).

As part of the undertaking, Smith also had a copy of the special powers of attorney (*See App. A, CP 1086, 1089*) irrevocably given by Beddall to Jonathan Hatch. (CP 952, 970-973, 975-976). This, together with IRS Form 2848 Power of Attorney (*See App. A, (CP 1090-1093)*), allowed Beddall's attorney Jonathan Hatch to sign the tax return on behalf of Beddall and to receive the anticipated IRS refunds and negotiate them for the benefit of Dewar. (CP 970-976).

Smith acknowledges, confirmed by Hatch, that Smith gave advice to Hatch that the transaction would pass IRS muster and was legal. (CP 1022-1025). Smith acknowledges that he had Hatch come to his office on April 15th on two occasions and review and sign the Beddall 2009 tax returns. (CP 1017-1018, 1021, 1032).

The first time Hatch came to Smith's office on April 15, 2010 was to sign the return, which had Beddall's address on it. (CP 1032). Smith also acknowledges that he sent on April 15, 2010 Beddall's proposed tax return electronically to Dewar for Dewar's inspection and approval. (CP 823-825, 1020). This was required by the Property Settlement Agreement. (*See App. A, p.3 ¶4, CP 1071*).

Dewar responded to Smith on April 15, 2010 pointing out three errors (*See App. B, CP 823-825*):

...[Dewar] I have the following initial comments: 1. Brad's address for his 1040 and his 1045 **should be care of Jonathan Hatch**. Since Shirley is not party to the settlement agreement, she is not bound to give the refund check(s) to Jon. [Smith] We changed the address to Jon Hatch's address. [Dewar] 2. I see that Brad answered on schedule B that he has no foreign bank accounts. I don't believe that answer is correct based on what he has told me...3. I see nothing that shows the sale of his apartment house at 588 Elm....[Dewar] **The only change I insist on is the address change**. [Emphasis added.]

Smith acknowledges that as a result of the foregoing Dewar e-mail and Smith's responses that the address in fact was changed from Beddall's address to Hatch's address. (CP 1007-1008, 1020-1021, 1032). Hatch came back to Smith's office for the second time on April 15, 2010 to sign the final return – which had Hatch's address and which was filed by Smith. (CP 1021, 1032).

Thereafter, Beddall contacted Smith in an attempt to ascertain the status of the returns and when the refunds would be received. (CP 1029, 1033). Smith, in response to Beddall's contact, placed a conference call between himself and Beddall and the IRS practitioner hotline. (CP 1029, 1033). With Smith on the line, Beddall had the IRS change the address to where the refund was to be sent from Beddall's attorney Hatch's address to that of the CPAs. (CP 1029, 1033). Smith remained silent about this change. (CP 1041, 1052, 1054-1055).

In response to Dewar's later inquiry about the status of the refunds and a request for a copy of Beddall's returns (CP 828), Smith forwarded to Dewar on June 7, 2010, after the conference call with the IRS practitioner hotline, and after an amended return had been prepared (CP 253-254, 1030, 1039), a copy of the **original** filed tax return with the address of Jonathan Hatch – even though Petitioner Smith knew that the address had been changed from that of Jonathan Hatch to his own address. (*See App. C*, CP 831, 834-932). He did not, in transmitting this tax return to Dewar, tell either Dewar or Hatch that the address had been changed or that an amended return had been prepared. (CP 253-254, 831, 1030, 1039, 1065-1066).

The IRS accepted the tax returns filed April 15, 2010 and sent four refund checks totaling \$1,206,703.32 to the offices of the Petitioner professionals on July 9, 2010. (CP 23-26). Upon receipt, Smith did not call Hatch – he did not call Dewar – rather, he called Beddall. (CP 60-61, 1058-1059). Beddall instructed Smith to contact Beddall's son-in-law and, contrary to the Property Settlement Agreement between Beddall and Dewar, give the four refund checks to Beddall's son-in-law. (CP 1059). Petitioner Smith did so. (CP 1059).

Smith was silent as to both Hatch and Dewar concerning Smith turning over the four refund checks to Beddall's son-in-law as opposed to the contractual recipient Hatch. (CP 1041, 1052, 1054-1055).

Beddall, on receiving the funds, wrote a letter to Dewar attempting to renegotiate Beddall's debt. (CP 935). Beddall also called Jonathan Hatch. (CP 1048). Hatch, in astonishment upon learning of these events, called Smith the next day. (CP 1048).

Upon Hatch calling Smith, Smith "resigned" the engagement. (CP 1044-1045). Smith also testified in his deposition that there was another reason for the resignation of the engagement with Beddall, "Q. Other than lack of payment of the \$800, was there any other reason for the termination of services? A. [Smith] Yes. Q. What was that? A. [Smith] Because we felt he [Beddall] didn't follow through **on his contract he had with Mr. Dewar.**" [Emphasis added.] (CP 955, p.46, lns.15-20).

The statute of limitations for the IRS to challenge the refunds is generally three years from the date of filing the last amendment. 26 U.S.C. §6501(a). (*See App. D*). Smith filed an amended return in July of 2010 reflecting Beddall's foreign bank accounts in Thailand. (CP 34, 254, 1031, 1039). The statute of limitations for the IRS to challenge the returns and refunds expired sometime in July of 2013. 26 U.S.C. §6501. (*See App. E*). There is no evidence of any sort in the record before this Court that the

IRS has in any way challenged these significant refunds arising from the 2009 returns.

III. SUMMARY OF ARGUMENT

The Petitioner CPAs had a conflict of interest in their undertaking to allow the address to be changed; to amend the returns; and to have themselves receive the refund checks. Federal law – contrary to the argument of Petitioners – allows the contractual purpose of the Property Settlement Agreement, and further allows Beddall’s attorney Hatch to hold an irrevocable power of attorney to negotiate the refund checks for the benefit of Dewar. The Petitioners’ silence upon Beddall’s changing the address was not mandated by federal law. In fact, federal law precludes CPAs from even undertaking an engagement if they have a conflict of interest unless they disclose the conflict and obtain written consent from all parties involved. 31 C.F.R. §10.29. (*See* App. F). In addition, CPA professional standards, which are incorporated by reference into state law, also do not allow a CPA with a conflict of interest to represent a client unless the CPA discloses the conflict and obtains consent from the affected parties. AICPA ET Section 102-2. (*See* App. G).

Additionally, the Petitioners, by their own testimony and actions, affirmatively negligently misrepresented to Respondent Dewar by commission (June 7, 2010 transmission of tax return, which Petitioners

knew had been amended and had a misleading address), and by omission by failing to tell Hatch and Dewar of the call to the Internal Revenue Service changing the address. Lastly, they further negligently misrepresented by omission in failing to inform both Hatch and Dewar that Smith was transmitting the refunds to Beddall's son-in-law when he knew that they were to go to Hatch and ultimately to Dewar.

The Petitioners' silence is condemned in Washington's adoption of the tort of negligent misrepresentation. This is to be found in §551 and §552 of the Restatement (Second) of Torts, *ESCA Corp. v. KPMG Peat Marwick*, 135 Wn.2d 820, 829-32, 959 P.2d 651 (1998), and the recent decision of our Supreme Court in *Donatelli v. D.R. Strong Consulting Engineers, Inc.*, 2013 WL 6022171 (November 14, 2013), pp. 12-16.

Moreover, even if the IRS had later successfully challenged the returns or refunds after Hatch delivered the refund proceeds to Dewar in fulfillment of Beddall's obligation to Dewar – such IRS challenge would have been against Beddall – not Dewar. Accordingly, even if the CPAs' argument of their own filing an incorrect return were later proven by the IRS, had the CPAs performed to the standard of care required, Dewar would still have obtained the benefit of his bargain, i.e. the fungible funds to which he was entitled.

Pursuant to RAP 10.3(6), the standard of review on each of these issues is *de novo* as this matter arises from two grants of partial summary judgment by the trial court on November 8, 2012 and March 20, 2013. ***Roger Crane & Associates, Inc. v. Felice***, 74 Wash.App. 769, 875 P.2d 705 (1994).

IV. ARGUMENT

A. **Petitioners Misstate The Law Relative To The Tax Returns In Question**

Petitioners argue to this Court (BA 23-26) that what they did was required and they give short shrift to the undeniable irrevocable powers of attorney and the concomitant IRS Form 2848 that Hatch held on behalf of his client Beddall.

Contrary to the Petitioners' argument, what transpired vis-à-vis the irrevocable power of attorney and IRS Form 2848 relative to Dewar, Beddall, and Hatch is totally supportable as a matter of law. 31 C.F.R. §240.17 – Powers of Attorney provides in (a), (b), and (d) (*See App. H*) that Beddall's actions in giving to Hatch the power to sign on his behalf and receive the funds is totally permissible pursuant to federal law.

Moreover, federal law specifically allows the delivery of the checks and the signing of the checks to be done as was intended by Hatch. This is addressed in 26 C.F.R. §601.506.¹ (*See App. I*).

The Petitioners argue at length that the refund could not be assigned to Dewar. (BA 39-43, 45-47). They, however, failed to speak specifically to the terms of the Property Settlement Agreement, its legal purpose, and the special power of attorney irrevocably given by Beddall to his attorney and attorney in fact – Hatch. (*See App. C*) (CP 1089).

Indeed, the facts of the case at bar are that not only did Beddall willingly, with advice of counsel, enter into such agreement with Dewar, but Beddall and his attorney Hatch were contractually obligated to achieve the result as addressed in paragraph 4 of Property Settlement Agreement. Smith said he had paragraph 4 and the entire Property Settlement Agreement in his possession, along with the irrevocable power of attorney (*See App. A*, CP 1089), and IRS Form 2848 (*See App. A*, CP1090-1093). (CP 951, 974). Furthermore, Smith had previously, upon request of advice from Hatch, provided assurance to Hatch that the entire transaction was appropriate. (CP 1022-1025).

¹ “Notices to be given to recognized representative; direct contact with taxpayer; delivery of a check drawn on the United States Treasury to recognized representative.” 26 C.F.R. §601.506. (*See App. I*).

Even assuming *arguendo* that Smith did not read the Property Settlement Agreement, the standard of care coupled with common sense in this unique circumstance required that he read it in order to competently prepare Beddall's returns. (*See* Declaration of John Clees, dated October 21, 2012, pp. 13-14, §VI, ¶2). (CP 1106-1107).

B. The Petitioners – Professional CPAs – Failed As A Matter Of Law To Comply With The Written Standards Of Care Of Certified Public Accountants

RCW 18.04.055 Board – Rules (2) provides that the Board of Accountancy:

...shall prescribe rules consistent with this chapter as necessary to implement this chapter. Included may be:...(2) Rules of professional conduct for all licensees...in order to establish and maintain high standards of competence and ethics including rules dealing with independence, integrity, objectivity, and freedom from conflicts of interest;....

Pursuant to that delegation of legislative authority, the Board of Accountancy has adopted WAC 4-30. The Board, pursuant to WAC 4-30-020, is authorized, "...to promulgate rules to carry out the purpose of the act, which include: Protecting the public interest;...Ethics and prohibited practices;...". The Board goes on to require in WAC 4-30-048 that CPAs:

...must comply with rules, regulations, and professional standards promulgated by the appropriate bodies for each service undertaken....Authoritative bodies include, but are not limited to,...the Internal Revenue Service (IRS); the American Institute of Certified Public Accountants (AICPA),....Such standards include:...(8) Statements on

Standards for Tax Services and Interpretation of Statement
on Standards for Tax Services issued by the AICPA;...(11)
Professional Code of Conduct issued by the AICPA
including interpretations and ethics rulings;...(16) IRS
Circular 230;....

WAC 4-30-040 requires of all certified public accountants integrity
and objectivity. The WAC goes on to say that:

When offering or performing services,...licensees,...must:
Remain honest and objective; **Not misrepresent facts**; Not
subordinate their judgment to others; and **Remain free of
conflicts of interest** unless such conflicts are specifically
permitted by board rule or professional standards listed in
WAC 4-30-048. [Emphasis added.]

AICPA standards which define CPAs' responsibilities when they
prepare financial statements (AR Section 80.47 through 80.52 (*See App.*
J)) provide guidance as to what accountants should do when they become
aware of subsequent facts after their work product has been provided to a
third party. In brief, this standard requires CPAs to inform third parties
directly of changes to financial statements. This particularly is true if the
client refuses to disclose the changes to third parties, as occurred in the
case at bar.

While the foregoing AICPA standards references financial
statements, the reasoning and logic to such a standard is equally applicable
to this case. It is equally applicable as Smith knew that both Hatch and
Dewar were relying on the tax returns that he prepared and transmitted to

Dewar and Hatch. When he knew that the tax returns had been changed to significantly modify the objective of the funds going not to Hatch but to his office he had an affirmative duty to speak. Concepts of professionalism, integrity, and honesty mandated that he inform Hatch and Dewar of that.

This is further borne out by the existence of WAC 4-30-042 requiring of CPAs, as it relates to financial statements that they:

...must evaluate and maintain their independence so that opinions, reports, conclusions, and judgments will be impartial and viewed as impartial by **parties expected to rely on** any report expressing assurance by such persons. Such persons are required: (1) To comply with all applicable independence rules, regulations, and the AICPA code of conduct....[Emphasis added.]

In the case at bar, the Petitioners knew that both Hatch and Dewar were, in the words of the above WAC, relying upon them to achieve the stated, express, intended, contractual objective, i.e. to place a refund in the hands of Respondent Dewar in excess of one million dollars. Petitioners had the contract; and knew its contractual objective. They were well aware of Dewar's contractual right emanating from paragraph 4 to review the proposed return and his absolute right to approve it before filing. Dewar did so, insisting upon, *inter alia*, the mandatory change of the address from that of Beddall to Jonathan Hatch. (CP 823-825, App. B).

C. Client Confidential Relationship Which Petitioners Rely And Use Defensively Is Belied By Their Actions And What In Fact Took Place

There is no CPA-client privilege in any way akin to the attorney-client privilege. Rather, there is a confidential relationship. The rubric of the confidential relationship between Beddall and Smith is belied by what Smith in fact did. Smith shared information; gave opinions; received information from Jonathan Hatch and Dewar; had Jonathan Hatch sign the tax return; transmitted the tax return to Dewar for prior approval and correction; made the changes requested by Dewar; and ultimately on June 7, 2010 forwarded a copy of the tax return to Dewar – even though he knew the return had been amended and the address had been changed. The reality of the matter is that the confidential relationship, which Smith tries to use offensively, did not exist as information was freely shared with Hatch and Dewar – including the tax return itself.

In essence, what the Petitioners are arguing to this Court is that they can waive the confidential relationship when they so desire and as contemplated by the contract and the actions of the parties, but they will wrap themselves around the flag of the confidential relationship – and use it as a sword in their defense of what they in fact did. They cannot and should not have it both ways.

D. Blaming The Return On Dewar

The Petitioners argue that the return was faulty allegedly based on information incorrectly provided by Dewar and his former firm. (BA 39-43, 45-46.) That, of course, is a circuitous argument of the first order, and is not borne out by the standard of care.

Treasury Department Circular No. 230 §10.22² (*See App. K*)

Diligence as to accuracy – Reliance on others states in (b) as follows:

Except as provided in §§ 10.34, 10.35 and 10.37, a practitioner will be presumed to have exercised due diligence for purposes of this section if the practitioner relies on the work product of another person and the practitioner used reasonable care in engaging, supervising, training, and evaluating the person, taking proper account of the nature of the relationship between the practitioner and the person.

Petitioners clearly did not engage, supervise and train Dewar (who retired as a CPA and employee of Dewar Meeks + Ekrem in 2006 (CP 1061)). Moreover, it would have been totally inappropriate if they had engaged Dewar since attorney Hatch and Beddall wanted an opinion independent of Dewar.

Treasury Department Circular No. 230 §10.34 (*See App. L*)

Standards with respect to tax returns and documents, affidavits, and other

² Also cited as Title 31 Code of Federal Regulations Subtitle A Part 10, published September 26, 2007.

papers states as it relates to information furnished by clients – and applicable to documents furnished by others – as follows::

....The practitioner **may not**, however, ignore the implications of information furnished to, or actually known by, the practitioner, and **must make reasonable inquiries** if the information as furnished appears to be incorrect, inconsistent with an important fact or another factual assumption, or incomplete. [Emphasis added.]

Not only do the Petitioners ignore this, but they also ignore an equally as salient and important point. Their argument is that Beddall was not entitled to the refund in the first instant. In essence, that astonishing argument is that the CPAs were in essence negligent and filed the return that should have not resulted in the refund of \$1,206,703.32. (BA 35-43, 45-47). In other words, they are saying that they themselves were negligent in the preparation of this return even though they signed the returns as preparers stating (CP 315):

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

The CPAs' argument is not supported by the facts before this Honorable Court. First and foremost is the fact that the Petitioners themselves signed the tax returns. Secondly, the IRS paid \$1,206,703.32 based on the returns filed and accepted by the IRS.

Lastly, this affirmative defense of the Petitioners, in essence claiming that they filed a faulty return, is contrary to the absence of any fact that the Internal Revenue Service has challenged the returns that were filed. The Internal Revenue Service generally has three years from the date of filing the amended return in July 2010 to bring an action to challenge the refunds. 26 U.S.C. §6501 – Limitations on Assessment and Collection. (*See* App. E). The party whom the IRS would have had to challenge within that three-year period is Beddall and his corporation. The IRS would have no right of any sort to challenge Dewar had the contractual intent of the parties, Dewar and Beddall, been carried forward. Indeed, Dewar would have received that which he bargained for and Beddall agreed to give. The risk of a challenge to the returns or refunds would be solely and exclusively between the IRS and Beddall. Moreover, there is not one scintilla of evidence in this record before this Court, nor before the Snohomish County Superior Court, that the IRS has ever challenged either return. For all the foregoing reasons, these pretextual arguments should also fail.

E. Based Upon CPAs' Own Actions And Inactions, The Trial Court Correctly Concluded That They Had Engaged In Negligent Misrepresentations To Hatch And Dewar

Washington has adopted §551 and §552 of the Restatement (Second) of Torts holding a party liable for negligent misrepresentation. Its applicability to certified public accountants has also been addressed in *ESCA Corp, supra*.

Recently, Washington Pattern Jury Instructions were promulgated as it relates to negligent misrepresentation. WPI 165.01 Negligent Misrepresentation – Affirmative Misstatement – Burden of Proof on the Issues and WPI 165.02 Negligent Misrepresentation – Failure to Disclose Information – Burden of Proof on the Issues. These WPI's are most instructive and helpful to the issues in this matter.

Undisputed evidence before the trial court and before this Court shows that Dewar has shown by clear, cogent, and convincing evidence that each element of negligent misrepresentation by the CPAs has been met. It has been met in the CPAs' affirmatively sending the tax return on June 7, 2010 when Petitioners knew that the return had been amended and the address on the return was incorrect and misleading. It likewise has been shown, by clear, cogent, and convincing evidence, that the Petitioners failed to disclose to either Hatch or Dewar the change of address, the receipt of the refunds by Petitioners, and the Petitioners knowingly and volitionally turning over those refunds to Beddall's son-in-law as opposed to the ultimate intended contractual recipient Dewar via

Hatch. Petitioners argue to this Court that they had no contractual privity with Dewar. This is true in a strict contractual sense, but ignores the facts of the case and the duty that the law places upon them.

In *Donatelli, supra.*, our Supreme Court has instructed us that under the Independent Duty Doctrine a duty can arise to a nonparty to a contract (Petitioner CPAs), "...because the duty to avoid misrepresentations that induce a party to enter into a contract arises independently of the contract." *Donatelli*, p. 12. "...D.R. Strong's duty to avoid misrepresentations arises independent of contract." *Donatelli*, p. 15.

An analysis of WPI 165.01 shows the negligent misrepresentation by affirmation done by the Petitioners. Petitioners supplied information for the guidance of others in their business transaction that was false; (June 7, 2010 transmittal of non-amended tax return with misleading address) Petitioners knew or should have known that the information supplied would guide Dewar in the transaction.

The Petitioners were not only negligent in communicating this false information, it is obvious that Dewar, in seeking the tax return, relied on it and that his reliance on the integrity of these professional CPAs was reasonable and that the transmittal of the false tax return ultimately caused damage to Dewar.

Likewise, when one squares the requirements stated in WPI 165.02 against the CPAs failure to disclose, the result is also clear. The Petitioners had a duty to disclose the change of address, the receipt of the funds, and the transmittal of the funds to Beddall's son-in-law. The Petitioners acknowledge that they did not disclose any of this to either Hatch or Dewar. Thus, they were negligent pursuant to the standards to which they are held by RCW 18.04.055(2) as well as Washington doctrines of negligent misrepresentation. Had the disclosure been made, it would have caused Hatch and Dewar to act differently. Likewise, Dewar has lost the refund in a precise, known, and undisputed amount by the Petitioners failure to disclose. (CP 15-18).

F. The Applicability Of *Trask v. Butler*, 123 Wn.2d 835, 872 P.2d 1080 (1994)

As addressed by Mr. Clees, the very uniqueness of this significant transaction and undertaking coupled with the Petitioners' knowledge of the intent of the parties creates liability as the trial court found for both their affirmative and silent negligent misrepresentations. *Trask, supra*, involved other professionals – lawyers. However, *Trask* dovetails with the outcome concluded as a matter of law by the trial court. There is no logical reason why the Supreme Court's holding in *Trask* should apply to lawyers but not to fellow professionals such as certified public accountants.

Moreover, the modified multifactor balancing test enunciated in *Trask*, when squared against this case, is an adjunct supporting the result reached by the trial court as a matter of law. *Trask, supra*, pp.842-843.

Those factors are as follows:

1. The whole purpose of the transaction was intended to benefit Dewar.

2. The foreseeability of harm to Dewar is demonstrated by the change of address and the CPAs' knowing affirmative actions in the turning over of the funds to Beddall's son-in-law as opposed to the intended recipient Hatch and ultimately Dewar.

3. The Court concluded as a matter of law, in light of the undisputed evidence, as to the amount of Dewar's damage, which has not been disputed by the CPAs.

4. There is closeness between the CPAs' conduct and the injury.

5. The policy of preventing future harm in upholding the trial court's decision is complementary and harmonious with the law regarding the standard of care of professional CPAs based on the facts of this case.

6. There can be no additional burden on the CPA profession as what the defendants/Petitioners were required to do as it is consistent and required

by the standard of care – and what they in fact did do and failed to do is contrary to the standard of care.³

Moreover, the trial court’s second grant of partial summary judgment (CP 15-18) correctly concluded that, “The Court concludes as a matter of law that there are no genuine issues of material fact as it relates to Plaintiff’s damages arising from Defendants’ negligent misrepresentation as earlier found by this Court.” (CP 17).

V. CONCLUSION

The Petitioners seeking relief from this Court are professionals. By their very nature, they owe duties to the public. Those duties are enunciated by written standards required by law even as equally clear as the RPC’s are law for lawyers. *Eriks v. Denver*, 118 Wn.2d 451, 457, 824 P.2d 1207 (1992).

The Petitioners chose, knowingly, to violate their standards of integrity; instead of avoiding conflicts of interest they engaged in conflicts of interest; instead of avoiding deception and misrepresentation they engaged in deception and misrepresentation. When Beddall and Smith were on the IRS practitioner hotline and Smith heard Beddall change the address, that instantly raised a conflict of interest for Smith.

³ Petitioners’ *Tegman v. Acc. & Med. Investigations Inc.*, 140 Wn.2d 102, 75 P.3d 497 (2003) argument is inappropriate as the trial court has not even considered that argument and it remains for further summary judgment proceedings or trial.

AICPA standards (AICPA Rule 102 and Interpretation 102-2 (*See* App. M)) required Smith to get written permission from Dewar and Hatch before proceeding with this new expanded engagement. Moreover, when Smith affirmatively on June 7, 2010 sent Dewar a tax return, which was filed with Hatch's address on April 15, 2010, but Smith knew that the return had been amended and the address had been changed is an affirmative negligent misrepresentation. Likewise, it is not and cannot be disputed that the Petitioners remained silent to Hatch and Dewar when the refunds were received on July 9, 2010 and they, contrary to the known objective of the parties, instead of seeing that Hatch received that \$1,206,703.32, turned it over to Beddall's agent, his son-in-law.

There are no genuine issues of material fact. The trial court was legally correct in concluding that there were negligent misrepresentations and the amount involved in those negligent misrepresentations is not in dispute.

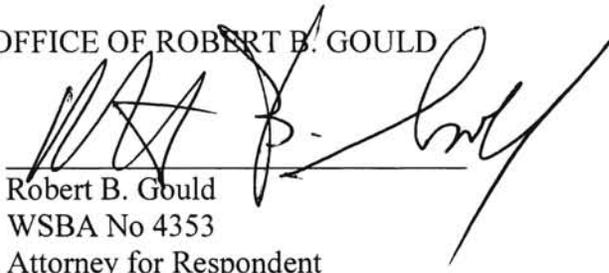
This Court should uphold the trial court's grants of its two partial summary judgment orders. This Court should deny Petitioners' appeal; return the matter to the Snohomish County Superior Court; and allow the matter to proceed to trial or summary judgment on the Petitioners' remaining issue of *Tegman, supra*.

DATED this 18 day of December, 2013

Respectfully Submitted,

LAW OFFICE OF ROBERT B. GOULD

By:


Robert B. Gould
WSBA No 4353
Attorney for Respondent

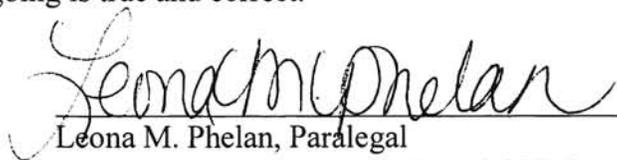
DECLARATION OF SERVICE

On December 18, 2013, I caused to be delivered via legal messenger a true and accurate copy of the attached document, to the following:

SAM B. FRANKLIN
TIMOTHY D. SHEA
Lee Smart, P.S.
1800 One Convention Place
701 Pike Street
Seattle, WA 98101
Counsel for Defendants/Petitioners

The original of this document was also sent via legal messenger to be filed in the Court of Appeals.

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.



Leona M. Phelan, Paralegal
LAW OFFICE OF ROBERT B. GOULD

Index To Appendices

Appendix A:	Property Settlement Agreement, effective dated 12/29/09
Appendix B:	E-mail trail between Smith and Dewar, beginning at 10:17am on 4/15/10 and ending at 2:54pm on 4/15/10
Appendix C:	E-mail from Smith to Dewar of 4:32pm on 6/7/10 with attached copy of the original filed tax return
Appendix D:	26 U.S.C. §6501(a)
Appendix E:	26 U.S.C. §6501
Appendix F:	31 C.F.R. §10.29
Appendix G:	AICPA ET Section 102-2
Appendix H:	31 C.F.R. §240.17
Appendix I:	26 C.F.R. §601.506
Appendix J:	AICPA AR Section 80.47 through 80.52
Appendix K:	Treasury Department Circular No. 230 §10.22
Appendix L:	Treasury Department Circular No. 230 §10.34
Appendix M:	AICPA Rule 102 and Interpretation 102-2

PROPERTY SETTLEMENT AGREEMENT

This PROPERTY SETTLEMENT AGREEMENT (the "Agreement") is entered into effective this 29th day of December, 2009, by and between DOUGLAS M. DEWAR ("Lender"), LEA LLC, a Washington limited liability company ("Borrower"), BRADLEY E. BEDDALL, an unmarried person ("Beddall"), and BEDDALL PROPERTIES INC., a Washington corporation ("BPI") (Lender, Borrower, Beddall, and BPI may each be referred to as a "party" and collectively as the "parties").

RECITALS

A. On or about December 6, 2006, Borrower executed a Promissory Note in favor of Lender in the initial principal amount of \$2,050,000 (the "Promissory Note").

B. Borrower also executed a Credit Agreement dated December 6, 2006 in favor of Lender for a loan in the initial amount of \$2,050,000 (the "Credit Agreement"). The Credit Agreement is personally guaranteed by Brad Beddall (aka Bradley E. Beddall) (the "Guarantee").

C. To secure payment and performance under the Promissory Note and Credit Agreement, Borrower executed a Deed of Trust dated December 6, 2006 (the "Deed of Trust"), in favor of Lender as beneficiary, which Deed of Trust was recorded with the Auditor of King County, Washington under Recording No. 20061207001057 and has not been subsequently amended.

D. The Deed of Trust encumbers portions of the property commonly known as Lea Hill, a condominium (formerly known as Carriage Square) (the "Condominium") created pursuant to an Amended and Restated Condominium Declaration recorded under King County Recording No. 20070503001134 (the "Declaration") and the Survey Map and Plans for Phases I, II, and III recorded in Volume 68 of Condominiums, Pages 60-88, as amended by Amendment thereto recorded under King County Recording No. 20070503001133. That portion of the Condominium encumbered by the Deed of Trust, as partially reconveyed from time to time, shall be collectively referred to herein as the "Property".

E. To further secure payment and performance under the Promissory Note and Credit Agreement, Beddall Properties Inc., a Washington corporation, executed a Collateral Assignment of Membership Interest for Security dated December 6, 2006 (the "Pledge Agreement") whereby one-hundred percent (100%) of the membership interests in the Borrower were pledged to Lender.

F. The Note, Credit Agreement, Deed of Trust, Pledge Agreement, and the other related loan documents are collectively referred to herein as the "Loan Documents".

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

G. Borrower and Beddall have defaulted in their performance of the terms of the Loan Documents, are unable to cure those defaults, and wish to convey the Property to Lender. Lender has agreed to accept such conveyance of the Property, subject to all of the provisions of the Agreement below.

NOW, THEREFORE, in consideration of the foregoing Recitals (which are hereby incorporated into and made part of the Agreement by this reference), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows.

AGREEMENT

1. Agreement to Convey to Lender. Borrower hereby agrees to satisfy all of the Conditions Precedent and to convey to Lender absolutely and free of any right of redemption and any other right or interest of Borrower, Beddall, BPI, or anyone claiming through or under them, all of Borrower's right, title and interest in the Property. This conveyance is to be an absolute conveyance of title in effect as well as in form, and is not intended as a mortgage, trust conveyance, or security of any kind. Except to the extent provided in Paragraph 6(a) hereof, Borrower shall have no further interest or claim in and to the Property or to the proceeds and profits which may be derived from the Property of any kind whatsoever.

2. Conveyance of Title by Quit Claim Deed. The Property shall be conveyed by Borrower to Lender, or any assignee of Lender, by a Non-Merger Quit Claim Deed, to be executed by Borrower and delivered to Lender at the same time as this Agreement or at any time thereafter at the request of Lender, in the form attached hereto as Exhibit "A" and made a part hereof (the "QCD"). The QCD shall transfer good and marketable title to the Property to Lender, and the Deed of Trust shall not merge into the QCD. At the request of Lender and until such time as the QCD is recorded or the Deed of Trust is foreclosed, whichever is earlier, Borrower agrees to execute a statutory warranty deed for any of the units in the Property and to cooperate in the sale and rental of the units, which cooperation shall include without limitation, punctually responding to and executing documentation in connection with each such transaction. In no event whatsoever shall Borrower, Beddall, or BPI be entitled to any portion of the proceeds of any such transaction.

3. Lender's Right of Foreclosure. Lender reserves all rights to foreclose the Deed of Trust and to exercise all other rights and remedies of Lender under the Deed of Trust, Pledge Agreement, and Loan Documents. Notwithstanding anything to the contrary and in the event Lender forecloses the Deed of Trust, Borrower, Beddall, and BPI agree: (i) to not reinstate, contest, or interfere with the foreclosure; (ii) to not cause any reinstatement, contesting of, or interference with the foreclosure; (iii) the minimum bid at the foreclosure sale is to be no less than \$3,000,000 plus any payments (principal or otherwise) on the loan secured by the Cascade Bank DOT (the "Cascade Bank Loan") made on and after the date of this Agreement; (iv) to remain jointly and severally liable to Lender for any deficiency at the foreclosure based upon the difference between the outstanding balance under the Loan (in an amount no less than as set forth in Section 7.7 below) and the successful bid at the foreclosure sale (the "Deficiency"); (v) to not contest or challenge the pursuit or collection of the Deficiency; and (iv) to allow and

facilitate the immediate entry of a judgment against Beddall, in the form attached hereto as Exhibit "D" and made a part hereof, in the amount of \$3,975,922.09.

4. Tax Refund. Borrower, Beddall, and BPI further agree to: (i) engage and use the firm of Traner Smith of Edmonds, Washington (hereinafter "Traner Smith") for the following; (ii) timely file (without extensions) a federal tax return for tax year 2009, to seek a refund in an amount no less than One Million Dollars (\$1,000,000) in the aggregate, subject to the review, evaluation, and approval thereof by the Lender in the Lender's sole and absolute discretion (the foregoing amount or actual refund(s) received hereinafter referred to as the "Tax Refund"); (iii) file no other tax return for 2009 other than the one contemplated under Section 4(ii) above to be prepared and filed by Traner Smith to obtain a refund for Lender (the "Tax Return"); and (iv) irrevocably execute and/or cause to be executed and delivered to Lender simultaneously with the execution of this Agreement, IRS Forms 2848 (Rev. June 2008) and the Power of Attorney, in the forms attached hereto as Exhibit "C" and made a part hereof. Hatch agrees to sign (on behalf of Beddall and BPI) and cause to be filed, no later than three (3) days following Lender's approval, the Tax Return and to email confirmation thereof along with a copy of the Tax Return to Lender's counsel at wong@lasher.com. Borrower, Beddall, and BPI hereby irrevocably and permanently assign to Lender, as the sole beneficiary, all right, title, and interest in the Tax Refund. Borrower, Beddall, and BPI hereby irrevocably authorize Jonathan C. Hatch, Attorney at Law (hereinafter "Hatch") as their representative to endorse and convert to good and available funds, in favor of Lender, each and every Tax Refund and to immediately disburse same to Lender upon the receipt thereof by Hatch. Hatch hereby agrees to punctually deliver to Lender in good and available funds, in the form designated by Lender (i.e., wire transfer, cashiers' check, etc.), each Tax Refund received by Hatch. Any Tax Refund received by Lender shall be applied to the Deficiency.

5. Assignment of Declarant's Rights. The Borrower, as Declarant under the Declaration, retains certain rights and powers with respect to the Condominium. In connection with the foregoing, Borrower hereby irrevocably assigns to Lender (and any successor and/or assigns designated by Lender) the rights of Borrower under Article 31 of the Declaration to assign, transfer, sell, lease, or rent all or a portion of property (i.e., Condominium) then owned by Lender. Upon Lender's request, Borrower further agrees to irrevocably assign to Lender any and all rights of Borrower under the Declaration, but only to the extent of the rights specifically requested by Lender (collectively, "Assigned Rights"). Borrower and Beddall hereby acknowledge that Lender has lawfully been, and may continue to exercise its rights, as a member of Borrower and to execute documents on behalf of the Borrower pursuant to Section 6 of the Pledge Agreement. Borrower and Beddall hereby appoint Lender as their attorney-in-fact to execute any and all documents to further the purposes of this Agreement and to assign certain rights to Lender, which rights include without limitation various rights of Borrower as Declarant under the Declaration. In furtherance of the foregoing, Borrower, Beddall, and BPI respectively agree to execute and deliver to Lender, contemporaneously with this Agreement, the following documents attached hereto as Exhibit "B" and made a part hereof: (a) Assignment of Rights By Declarant; (b) Consent by Manager of LEA LLC; (c) Special Power of Attorney; and (d) Resolution of BPI.

6. Assignment of Rents and Receivables and Other Assets. Unless specified otherwise, the Borrower, Beddall, and BPI hereby assign all right, title, and interest in the following to Lender as of the date of this Agreement (collectively, "Assigned Assets & Receivables"):

a. All right, title, and interest of Borrower, Beddall, and BPI in the receivables associated with the Property or Condominium except the right to be reimbursed for advances made to the initial working capital fund with respect to unsold Units (as defined in the Declaration) pursuant to Section 15.7 of the Declaration;

b. As of August 1, 2009, all rents and bank accounts associated with the Condominium;

c. Any and all refunds of property taxes, assessments, bonds, and otherwise associated with the Property or Condominium; and

d. All other assets of Borrower, Beddall, and BPI used in connection with the renovation, development, or construction of the Condominium, which assets shall include without limitation all model furniture, fixtures, furnishings, appliances, tools, parts, hardware, supplies, raw materials, and other personal property.

7. Representations and Warranties of Borrower and Beddall. Borrower, Beddall, and BPI represent and warrant to Lender as follows:

7.1 Since the execution and recording of the Deed of Trust and except for the conveyances provided for under this Agreement, neither Borrower, Beddall, or BPI have conveyed, assigned, or transferred the Property or any interest therein to any other person or entity that Lender has not received notice of, nor has Borrower, Beddall, or BPI created or suffered any lien or encumbrances against the Property, except for: (i) the senior Deed of Trust dated November 28, 2006 in favor of Cascade Bank and recorded under King County Auditor's File No. 200612069002257 (the "Senior DOT"); and (ii) the Deed of Trust.

7.2 There are no unpaid obligations owed by Borrower, Beddall, or BPI with respect to the Property, other than (i) amounts due to Lender under the Loan Documents; (ii) amounts due Cascade Bank under the Cascade Bank Loan; and (iii) customary and reasonable operational expenses and dues associated with Lea Hill Owners Association.

7.3 Borrower, Beddall, and BPI have had the opportunity to consult with their attorneys with regard to the provisions of this Agreement, and Borrower, Beddall, and BPI are entering into this Agreement and executing and delivering the QCD voluntarily, in good faith, without duress or undue influence from Lender, and Borrower, Beddall, and BPI have not perpetrated any fraud or made any misrepresentation in order to effect this conveyance.

7.4 Borrower, Beddall, and BPI have the full power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby do not violate, result

in a breach of, or constitute a default under any judgment, order or decree to which the Borrower, Beddall, or BPI is subject. The execution, delivery, and performance of this Agreement by the Borrower, Beddall, and BPI will not violate, with or without the giving of notice and/or the passage of time, any provision of law now applicable to Borrower, Beddall, or BPI. The transactions contemplated by this Agreement will not require the authorization, consent, or approval of any third party.

7.5 Except for the unfiled lawsuit against Borrower and Beddall initiated by Lender and served on Beddall on December 23, 2009 (the "Lawsuit"), pending litigation against Brad Beddall, personally, related to Hampton Harbor Pointe Condominium ("Hampton Litigation"), and the EPA investigation regarding asbestos (the "Investigation"), there is (i) no litigation, proceeding, arbitration action or governmental investigation pending or, as far as is known to the Borrower or Beddall, threatened against the Borrower, Beddall, or any of their assets except for the foreclosure of the Deed of Trust, (ii) no fact is known to Borrower, Beddall, or BPI that is expected to give rise to any such litigation, proceeding, or investigation, and (iii) no decree, injunction, or order of any court or governmental department or agency is outstanding against the Borrower, Beddall, or BPI.

7.6 Borrower, Beddall, and BPI represent to the Lender that Borrower, Beddall, and BPI have not knowingly used, generated, manufactured, produced, stored, released, discharged or disposed of on, under, above or about the Condominium (or off site of the Condominium that might affect the Condominium) or transported to or from the Condominium, any Hazardous Substance or knowingly allowed any other person or entity to do so. Neither Borrower, Beddall, or BPI have any knowledge or observed any questionable practice or conduct indicating that any Hazardous Substance has been used, generated, manufactured, produced, stored, released, discharged or disposed of on, under or above Condominium (or off site of the Condominium that might affect the Condominium) or transported to or from the Condominium by any entity, firm or person, or from any source whatsoever. The term "Hazardous Substance" includes without limitation: (a) those substances included within the definitions of "hazardous substances", "hazardous materials", "toxic substances", "hazardous wastes" or "solid waste" in any Environmental Law; (b) petroleum products and petroleum byproducts; (c) polychlorinated biphenyls; (d) chlorinated solvents; and (e) asbestos. The term "Environmental Law" includes any federal, state, municipal or local law, statute, ordinance, regulation, order or rule pertaining to health, industrial hygiene, environmental conditions or hazardous substances.

7.7 The outstanding balance due under the Loan Documents as of the effective date of this Agreement is \$6,975,922.09, which includes accrued interest, loan fees (pursuant to Section 2.3 of the Credit Agreement), and protective advances (i.e., payments pursuant to Section 9.4 of the Credit Agreement) by the Lender to preserve Lender's rights under the Loan Documents. Borrower and Beddall further acknowledge that any and all amounts paid by Lender to Cascade Bank with respect to the Cascade Bank Loan (whether made before, on, or after the date of this Agreement) are deemed to be protective advances and properly added to the outstanding balance due under the Loan Documents. Borrower, Beddall, and BPI accept and agree to the payment of \$266,282.80 in loan fees on the \$2,067,726.28 in protective advances made by Lender in 2009 with respect to the Loan and to the payment of \$1,022,744.01 in loan fees with respect to the Cascade Bank Loan (based upon a loan balance of \$7,941,762.19). Said

loan fees are authorized by Sections 2.3 and 2.4 of the Credit Agreement and are included in the outstanding balance under the Loan Documents as stated hereinabove.

7.8 All signatures on the Loan Documents are genuine; the Loan Documents are enforceable against Borrower, Beddall, and BPI respectively; the creation and priority of all security interests reflected in the Loan Documents have been perfected; and none of the makers, borrowers, or guarantors under the Promissory Note, Loan Documents, or Credit Agreement have any counter claims, set-off rights, or defenses to payment to Lender under the Loan Documents.

7.9 Except as otherwise provided under this Agreement, the indemnities by and obligations of Borrower and Beddall under the Loan Documents, including without limitation those under Sections 9.1 and 9.2 of the Credit Agreement, shall remain in full force and effect and survive any foreclosure of the Property by Lender, deed-in-lieu of the Property to Lender or otherwise, satisfaction of the Loan, and satisfaction of the Deficiency or judgment referenced in Section 3 of this Agreement.

8. Indemnification by Borrower, Beddall, and BPI. Borrower, Beddall, and BPI agree to indemnify and hold Lender harmless from and against any losses, damages, costs, or expenses, including reasonable attorneys' fees incurred by Lender as a direct or indirect result of (i) the breach of any representation or warranty of Borrower, Beddall, and BPI contained in Section 7 above, or (ii) any breach of any covenants or agreements by Borrower, Beddall, or BPI under this Agreement. If Lender shall discover after the execution and delivery of the QCD by Borrower that any of the representations or warranties of Borrower contained in Section 7 above and/or in this Agreement are not true and correct in all material respects, Lender may, in addition to any other remedy available to Lender at law or in equity, reinstate the obligations of Borrower, Beddall, and BPI to Lender under the Loan Documents, and Borrower, Beddall, and BPI hereby expressly consent to such reinstatement under the aforesaid circumstances.

9. Release by Borrower, Beddall, and BPI. In consideration of the covenants of Lender contained in this Agreement, Borrower, Beddall, and BPI hereby fully and unconditionally release and discharge Lender, and all of Lender's predecessors, successors, assigns, officers, directors, employees, agents and attorneys (collectively the "Released Parties") from all liability of any kind and nature, and causes of action and any other right of action, known or unknown, that Borrower, Beddall, or BPI presently has or may have in the future against the Released Parties, related directly or indirectly to any of the Released Parties' actions or inactions with regard to the Loan Documents, the Property, or any other matters related directly or indirectly to the loan evidenced by the Loan Documents. It is understood by Borrower, Beddall, and BPI that Lender would not have entered into this Agreement without the agreement by Borrower, Beddall, and BPI to fully release the Released Parties under the provisions of this paragraph.

10. Lender's Covenants. Only following the complete and full satisfaction of the conditions set forth below (i.e., Sections 10(a) through (e)) and there having been no default by Borrower, Beddall, BPI, or Hatch under this Agreement (collectively, "Conditions Precedent"), Lender covenants that: (i) the Lender will not sue or take any other action to enforce the

obligations evidenced by the Guaranty against Beddall, except insofar as it is necessary to enforce the terms and conditions of this Agreement; and (ii) not take any further action with respect to the Lawsuit:

- a. Lender, at Lender's election, receives the Property via QCD or a foreclosure of the Deed of Trust;
- b. Lender receives the entire Deficiency in accordance with Section 3 above;
- c. Lender receives the entire Tax Refund in an amount no less than \$1,000,000.00;
- d. Lender receives all of the Assigned Rights; and
- e. Lender receives all of the Assigned Assets & Receivables.

11. Transition and Further Assurances. Within five (5) days following its execution and delivery of the QCD and other documents required to be executed pursuant to the terms of this Agreement, Borrower, Beddall, and BPI shall cause to be delivered to Lender all keys to the Property, as well as copies of all books and records pertaining to the Property, in the possession of Borrower, Beddall, or BPI or in the possession of any agents or representatives thereof. Borrower shall promptly cause to be forwarded to Lender all mail and other communications, together with all billings and payments which it receives pertaining to the Property. Each Party agrees that it shall take all appropriate action and execute any documents, instruments, or conveyances of any kind which may be reasonably necessary or advisable to carry out any of the provisions of this Agreement.

12. Modifications, Waivers, Etc. No waiver, modification, amendment, or change in this Agreement shall be valid unless the same is in writing and signed by the party against which the enforcement of such modification, waiver, amendment or change is sought. This Agreement contains the entire agreement between the parties relating to the transaction contemplated hereby, and all prior or contemporaneous agreements, understandings, representations, and statements, oral or written, are merged herein.

13. Notices.

13.1 It is acknowledged and agreed that communications among the parties hereto will be done via electronic means, except where physical documents must be shared (e.g., where volume thereof reasonably make transmission via electronic means impractical or original documents required). For purposes of electronic communications, communications to Lender will be addressed to Doug Dewar at ddewar@dmecpa.com, with copy to Eugene Wong at wong@lasher.com and Kevin Hanchett at Hanchett@lasher.com; and communications to Borrower, Beddall, and BPI will be addressed to Brad Beddall at bradbeddall@gmail.com, with a copy to Jon Hatch at jhatch@edmondslaw.net, and/or to such other address(es) as each party may specify for itself by notice to the others. Notices sent under this section will be effective upon actual receipt.

13.2 Except as provided in Section 13.1 above or otherwise in this Agreement, any notice required to be given herein shall be in writing, and such notice and any document required to be delivered to any party under this Agreement shall be delivered or mailed by first class mail or courier to the parties at the following addresses and will be deemed given when received:

If to Lender: Douglas M. Dewar
110 James Street, Ste. 100
Edmonds, WA 98020

With a copy to: Kevin Hanchett
Eugene W. Wong
Lasher Holzapfel Sperry & Ebberson, PLLC
601 Union Street, #2600
Seattle, WA 98101-4000

If to Borrower,
Beddall, or BPI: Brad Beddall
P.O. Box 82703
Kenmore, WA 98028

With a copy to: Jonathan C. Hatch, Esq.
152 - 3rd Avenue S., Ste. 101
Edmonds, WA 98020

14. Future Insolvency Proceeding. Notwithstanding anything to the contrary in this Agreement, if and to the extent that any transfer agreed upon herein between Borrower, Beddall, or BPI and Lender is later determined to have been a voidable preferential transfer, a fraudulent transfer, or a fraudulent conveyance, under either state or Federal law, and as a result thereof either (1) additional consideration for the transfer and any additional amounts of fees, expenses, interest or other affirmative damages (the "Additional Payments") become due and owing to the estate from Lender, or (2) the transfer must be undone and all or a portion of the assets must be returned to the estate for any reason whatsoever, then notwithstanding anything to the contrary in this Agreement or otherwise; (i) any and all rights and/or obligations owed to Lender under the terms of the Loan Documents or in law or equity against Borrower, Beddall, BPI and/or the Property shall be automatically revived and reinstated; and (ii) Lender shall be entitled to file a proof of claim against the estate to recover either: (x) the amount of the Additional Payments or (y) if the transfer has been undone and the assets returned in whole or in part to the estate, the value of the consideration paid to or received by Borrower, Beddall, or BPI for the initial asset transfer, plus in each case any deferred interest from the date of the disgorgement to the date of distribution to Lender in any bankruptcy, insolvency, receivership or fraudulent conveyance or fraudulent transfer proceeding, and any costs and expenses due and owing. The parties acknowledge and agree that the provisions in this Section 14 shall be independent of the indemnification obligations contained in Section 8 of this Agreement.

{BALANCE OF PAGE INTENTIONALLY LEFT BLANK}

15. Survival of Representations and Warranties. All representations and warranties made under this Agreement and in any exhibits or documents delivered pursuant hereto shall be deemed to be material and to have been relied upon by the Lender and Borrower and shall survive any conveyance of the Property by QCD or foreclosure of the Deed of Trust.

16. Legal Expenses. If either party to this Agreement brings suit or becomes involved in any other legal proceeding to enforce its rights under this Agreement or to recover damages for the breach thereof, the prevailing party shall be entitled to recover from the other party all its costs and expenses, including but not limited to fees and disbursements of attorneys, incurred in connection with such suit or other proceeding, on appeal and in post-judgment collection proceedings.

17. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and together shall be deemed one instrument. Except with respect to documents for which originals are required as a matter of applicable law or procedure, this Agreement and any documents to be executed pursuant hereto may be executed by either an original signature or by signature transmitted by facsimile transmission, email attachment in portable document format (.pdf), or other similar process. Each copy so executed shall be deemed to be an original and all copies so executed shall constitute one and the same agreement.

18. Paragraph Headings. The paragraph headings contained in this Agreement are for convenience only and shall not be deemed to have modified, expanded or limited the provisions of this Agreement.

19. Successors and Assigns. This Agreement shall inure to the benefit of and shall be binding upon the respective successors and assigns of Lender and Borrower. The Lender may assign any of the benefits under this Agreement without the consent of the other party. Borrower, Beddall, and BPI may not assign any interest or obligation herein without the prior written consent of the Lender, which consent Lender may withhold at Lender's sole and absolute discretion.

20. Confidentiality. The parties agree to keep the terms of this Agreement confidential except as may otherwise be required by law or for dissemination to the accounting and legal advisors of the parties.

21. Authority. Each person executing this Agreement on behalf of an entity represents and warrants that he or she has full authority to do so as the lawful and binding act and deed of such entity.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

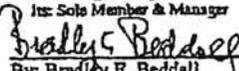
22. Applicable Law. This Agreement shall be construed in accordance with the internal laws of the State of Washington and venue for any action shall lie in King County, Washington.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first set forth above.

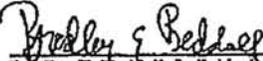
BORROWER:

LEA LLC
a Washington limited liability company

By: Beddall Properties Inc.
a Washington corporation
Its: Sole Member & Manager

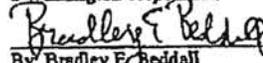

By: Bradley E. Beddall
Its: President

BEDDALL:

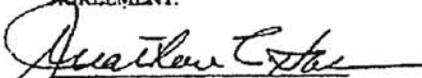

Bradley E. Beddall, Individually

BPI:

BEDDALL PROPERTIES INC.
a Washington corporation


By: Bradley E. Beddall
Its: President and Sole Shareholder

THE UNDERSIGNED APPROVES AND ACCEPTS THIS AGREEMENT AND AGREES TO BE BOUND THEREBY IN ALL RESPECTS, INCLUDING WITHOUT LIMITATION, THOSE OBLIGATIONS OF THE UNDERSIGNED UNDER SECTION 4 OF THIS AGREEMENT.


Jonathan C. Hatch, Esq.

LENDER:

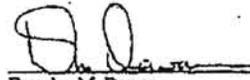

Douglas M. Dewar

EXHIBIT "A"
(Quit Claim Deed)

AFTER RECORDING MAIL TO:

Eugene W. Wong, Esq.
Lasher Holzapfel Sperry & Ebberson PLLC
601 Union Street, #2600
Seattle, WA 98101

QUIT CLAIM DEED

Reference No. N/A

Grantor: LEA LLC
 a Washington limited liability company

Grantee: LEA HOLDINGS LLC
 a Washington limited liability company

Abbr. Legal: Multiple Units, Lea Hill, Condo Dec. #20070503001134
 Vol. 68, Pgs. 60-69 (see Exhibit "B" for full legal description)

APNs: See following page

(1961)S929654 DCC1

11

1079

	423930-0010	423930-0020	423930-0030
423930-0040	423930-0050	423930-0060	423930-0070
423930-0080	423930-0090	423930-0100	423930-0110
423930-0120	423930-0130	423930-0140	423930-0150
423930-0160	423930-0170	423930-0180	423930-0190
	423930-0210	423930-0220	423930-0230
423930-0270	423930-0290	423930-0300	
423930-0390	423930-0410	423930-0420	423930-0450
423930-0460	423930-0470	423930-0500	423930-0530
423930-0540	423930-0550		423930-0580
423930-0600	423930-0610	423930-0620	423930-0630
423930-0660	423930-0670	423930-0680	423930-0690
423930-0700	423930-0710	423930-0720	423930-0730
423930-0740	423930-0780	423930-0790	423930-0800
423930-0810	423930-0830	423930-0840	423930-0880
423930-0890	423930-0900	423930-0910	
423930-0950	423930-0970	423930-0980	423930-0990
423930-1010	423930-1020	423930-1040	423930-1080
423930-1090	423930-1110	423930-1120	423930-1140
423930-1150	423930-1160		423930-1180
423930-1190	423930-1200	423930-1240	423930-1250
423930-1270	423930-1290	423930-1310	423930-1320

THE GRANTOR, LEA LLC, a Washington limited liability company, for and in consideration of Ten Dollars (\$10.00) in hand paid, conveys, and quit claims to LEA HOLDINGS LLC, a Washington limited liability company, the following described real estate, situated in the County of King, State of Washington, together with all after acquired title of the grantor therein (the "Property"):

DEVELOPMENT RIGHTS

UNITS 1 THROUGH 3, BUILDING A
UNITS 1 THROUGH 4, BUILDING B
UNITS 1 THROUGH 3, BUILDING C
UNITS 1 AND 2, BUILDING D
UNITS 1 THROUGH 3, BUILDING E
UNITS 1 THROUGH 4, BUILDING F
UNITS 2 THROUGH 4, BUILDING G
UNITS 1 AND 3, BUILDING I
UNIT 1, BUILDING J
UNIT 5, BUILDING L
UNITS 1 AND 2, BUILDING M
UNITS 2 AND 3, BUILDING N
UNIT 1, BUILDING O
UNIT 2, BUILDING P
UNITS 102 THROUGH 104, 107, 109 THROUGH 112, 203 THROUGH 211, UNITS 303
THROUGH 306, 308, 309, BUILDING R
UNITS 101 THROUGH 104, 108, 202 THROUGH 204, 206, 207, 301, 305, 306, 308,
BUILDING S
UNITS 101, 103 THROUGH 105, 107, 201, 202, 206, 207, 302, 304, 306, 307,
BUILDING T

LEA HILL (FORMERLY CARRIAGE SQUARE) A CONDOMINIUM, ACCORDING TO THE CONDOMINIUM DECLARATION RECORDED UNDER RECORDING NUMBER 20070503001134, AND AMENDMENTS THERETO, IF ANY, AND IN VOLUME 68 OF CONDOMINIUMS, PAGE(S) 60 THROUGH 69, INCLUSIVE, IN KING COUNTY, WASHINGTON.

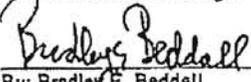
This Quit Claim Deed is an absolute conveyance of title, in effect and form. This Quit Claim Deed is not intended as a mortgage, trust, conveyance or security of any kind. This Quit Claim Deed is given in lieu of foreclosure of that certain Deed of Trust on the Property recorded under Auditor's File No. 20061207001057, which Deed of Trust shall remain as a valid lien on the Property and shall not be merged into this deed nor otherwise be extinguished by delivery, acceptance, or recording of this or any other deed to Grantee. Notwithstanding RCW 61.24.100(7), the Grantee's acceptance of this Quit Claim Deed does not exonerate Bradley E. Beddall from any liability as guarantor for the debt secured by the Deed of Trust. This Quit Claim Deed is intended to convey to Grantee any and all legal, equitable and other rights and interests of the Grantor of any and every nature whatsoever in and to the Property including, but not limited to, any rights Grantor may hereafter acquire and any rights of redemption now or hereafter held by or arising in favor of Grantor or any person or entity by, through or under Grantor. Without limiting the generality of the foregoing, Grantor hereby waives and forever releases and relinquishes any and all rights of redemption and similar rights of any nature whatsoever which it may have or which may accrue in the future in connection with the Property.

DATED Effective the 29th day of December, 2009.

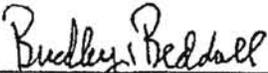
BORROWER:

LEA LLC
a Washington limited liability company

By: Beddall Properties Inc.
a Washington corporation
Its: Sole Member & Manager


By: Bradley E. Beddall
Its: President

GUARANTOR:


Bradley E. Beddall, Individually

[NOTARY BLOCK ON FOLLOWING PAGE]

STATE OF WASHINGTON)
County of Snohomish) ss.

I certify that I know or have satisfactory evidence that BRADLEY E. BEDDALL is the person who appeared before me, and said person acknowledged that he signed this instrument individually and as the President of Beddall Properties Inc. and acknowledged it to be the free and voluntary act of said company for the uses and purposes mentioned in this instrument.

DATED: This 6th day of January, 2010.



Jonathan C. Hatch
Name (typed or printed): JONATHAN C. HATCH
NOTARY PUBLIC in and for the State of Washington
Residing at MUKILTEO
My appointment expires: 8-14-2010

EXHIBIT "B"

RETURN RECORDED DOCUMENT TO:

Eugene W. Wong
Lasher Holzapfel Sperry & Ebberson PLLC
601 Union Street, #2600
Seattle, WA 98101

ASSIGNMENT OF RIGHTS BY DECLARANT

Reference No. 20070503001154

Grantor: LEA LLC
a Washington limited liability company

Grantee: LEA HOLDINGS LLC
a Washington limited liability company

Abbr. Legal Des.: Ptn. E. 1/4 of S.W. 1/4, Sec. 8, Twp. 21 N., Rge. 5 #, W.M.,
King County, Washington (full legal on Exhibit "A")

Tax Parcel No.: See following

423930-0040	423930-0010	423930-0020	423930-0030
423930-0080	423930-0050	423930-0060	423930-0070
423930-0120	423930-0090	423930-0100	423930-0110
423930-0160	423930-0130	423930-0140	423930-0150
	423930-0170	423930-0180	423930-0190
	423930-0210	423930-0220	423930-0230
423930-0270	423930-0290	423930-0300	
423930-0390	423930-0410	423930-0420	423930-0450
423930-0460	423930-0470	423930-0500	423930-0530
423930-0540	423930-0550		423930-0580
423930-0600	423930-0610	423930-0620	423930-0630
423930-0660	423930-0670	423930-0680	423930-0690
423930-0700	423930-0710	423930-0720	423930-0730
423930-0740	423930-0780	423930-0790	423930-0800
423930-0810	423930-0830	423930-0840	423930-0880
423930-0890	423930-0900	423930-0910	
423930-0950	423930-0970	423930-0980	423930-0990
423930-1010	423930-1020	423930-1040	423930-1080
423930-1090	423930-1110	423930-1120	423930-1140
423930-1150	423930-1160		423930-1180
423930-1190	423930-1200	423930-1240	423930-1250
423930-1270	423930-1290	423930-1310	423930-1320

The undersigned Declarant, pursuant to the Amended and Restated Condominium Declaration recorded under King County Auditor's File No. 20070503001134 (the "Declaration") for Lea Hill, a Condominium (formerly Carriage Square) per Condominium Declaration of Carriage Square, a condominium under King County Recording No. 8403140775, as amended and as shown on the Survey Maps and Plans for the Condominium recorded in Volume 68 of Condominiums, pages 60-69, pages 70-80, and pages 81-88, King County, Washington (the "Condominium"), hereby irrevocably assigns to Lea Holdings LLC, a Washington limited liability company ("Grantee"), the rights of Declarant under Article 31 of the Declaration to assign, transfer, sell, lease, or rent all or a portion of the Condominium then owned by Grantee. For purposes of clarification without limitation, the foregoing assignment is intended to ensure the Grantee can freely assign, transfer, sell, lease, or rent all or a portion of the Condominium then owned by Grantee as if the Grantee was the Declarant under the Declaration.

DATED Effective December 29, 2009

LEA LLC
a Washington limited liability company

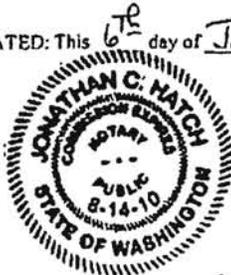
By: Beddall Properties Inc.
a Washington corporation
Its: Sole Member & Manager

Bradley E Beddall
By: Bradley E Beddall
Its: President

STATE OF WASHINGTON)
County of Snohomish) ss.

I certify that I know or have satisfactory evidence that BRADLEY E. BEDDALL is the person who appeared before me, and said person acknowledged that he signed this instrument as the President of Beddall Properties Inc. and acknowledged it to be the free and voluntary act of said company for the uses and purposes mentioned in this instrument.

DATED: This 6th day of January, 2010.



Jonathan C. Hatch
Name (typed or printed): JONATHAN C. HATCH
NOTARY PUBLIC in and for the State of Washington
Residing at MUKLETO
My appointment expires: 8-14-2010

Exhibit "A" to Assignment of Rights by Declarant

DEVELOPMENT RIGHTS

UNITS 1 THROUGH 3, BUILDING A
UNITS 1 THROUGH 4, BUILDING B
UNITS 1 THROUGH 3, BUILDING C
UNITS 1 AND 2, BUILDING D
UNITS 1 THROUGH 3, BUILDING E
UNITS 1 THROUGH 4, BUILDING F
UNITS 2 THROUGH 4, BUILDING G
UNITS 1 AND 3, BUILDING I
UNIT 1, BUILDING J
UNIT 5, BUILDING L
UNITS 1 AND 2, BUILDING M
UNITS 2 AND 3, BUILDING N
UNIT 1, BUILDING O
UNIT 2, BUILDING P
UNITS 102 THROUGH 104, 107, 109 THROUGH 112, 203 THROUGH 211, UNITS 303
THROUGH 306, 308, 309, BUILDING R
UNITS 101 THROUGH 104, 108, 202 THROUGH 204, 206, 207, 301, 305, 306, 308,
BUILDING S
UNITS 101, 103 THROUGH 105, 107, 201, 202, 206, 207, 302, 304, 306, 307,
BUILDING T

LEA HILL (FORMERLY CARRIAGE SQUARE) A CONDOMINIUM, ACCORDING TO
THE CONDOMINIUM DECLARATION RECORDED UNDER RECORDING NUMBER
20070503001134, AND AMENDMENTS THERETO, IF ANY, AND IN VOLUME 68 OF
CONDOMINIUMS, PAGE(S) 60 THROUGH 69, INCLUSIVE, IN KING COUNTY,
WASHINGTON.

SPECIAL POWER OF ATTORNEY

I, BRADLEY E. BEDDALL (the "Principal" or "Shareholder"), residing in King County, Washington, hereby appoint DOUGLAS M. DEWAR ("Dewar"), as my attorney in fact, and give Dewar full power and authority, in the place of the Principal, to sign and deliver any and all documents deemed advisable by Dewar to carry out the obligations of Principal as the sole shareholder of Beddall Properties Inc., a Washington corporation (the "Corporation"), as the sole member or with respect to Lea LLC, a Washington limited liability company. The power of attorney granted hereby is a power coupled with an interest, is an irrevocable, durable power of attorney that survives the Shareholder's incompetency or death, may be exercised by Dewar by a facsimile signature as the attorney in fact for the Shareholder, survives the assignment or attempted assignment of the Shareholder's shares, and empowers Dewar to act to the same extent for any successor shareholder to the Shareholder's shares in the Corporation.

This Special Power of Attorney will cease and be of no further effect one (1) year from the date hereof, but such automatic termination shall be without prejudice to any actions previously taken by the above named attorney in fact for and on behalf of the Principal.

DATED Effective December 29, 2009

Bradley E. Beddall
Bradley E. Beddall, Principal

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that BRADLEY E. BEDDALL signed this instrument and acknowledge it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

DATED: January 6, 2010

Jonathan C. Hatch
Printed Name: JONATHAN C. HATCH
NOTARY PUBLIC in and for the
State of Washington
Residing at MUKILTEO
My commission expires 8-14-2010



CONSENT BY MANAGER
OF
LEA LLC

The undersigned, being the Sole Member and Manager of LEA LLC, a Washington limited liability company (the "Company"), hereby consents in writing to adoption of the following resolution:

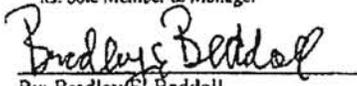
RESOLVED: That Douglas M. Dewar, as Special Manager of the Company, is hereby authorized to sign, on behalf of the Company and the undersigned Manager thereof, any and all instruments, agreements, deeds, and documents, including without limitation, documents providing for the conveyance or other disposition of the Company's real property, assignments, bills of sale, leases, and any other instruments, agreements, and documents necessary to modify, amend, and/or assign the rights of the Company under the Amended and Restated Condominium Declaration recorded under King County Auditor's File No. 20070503001134 (the "Declaration"), and to satisfy the obligations of the Company with respect to the foregoing.

FURTHER RESOLVED: That the power conferred upon the Special Manager hereunder will cease and be of no further effect one (1) year from the date hereof, but such termination or expiration shall be without prejudice to any actions previously taken by the above named Special Manager for and on behalf of the Company.

Dated Effective December 29, 2009.

LEA LLC
a Washington limited liability company

By: Beddall Properties Inc.
a Washington corporation
Its: Sole Member & Manager


By: Bradley Beddall
Its: President

CONSENT BY SHAREHOLDER AND DIRECTOR

OF

BEDDALL PROPERTIES INC.

The undersigned, being the sole shareholder and sole director of BEDDALL PROPERTIES INC., a Washington corporation (the "Corporation"), hereby consents in writing, pursuant to RCW 23B.07.040 and RCW 23B.08.210, to adoption of the following resolutions:

RESOLVED: That the Corporation's President, Bradley E. Beddall ("Beddall"), is hereby authorized and directed to sign, on behalf of the Corporation and as the sole member of LEA LLC, Washington limited liability company, the Property Settlement Agreement, a copy of which is attached hereto as Exhibit A, whereby LEA LLC agrees to convey to Douglas M. Dewar all of its right, title and interest in the property commonly known as LEA Hill, a condominium (formerly known as Carriage Square); and

FURTHER RESOLVED: That Beddall is further authorized and directed to do all things and sign all documents necessary to carry out the terms of the Property Settlement Agreement.

Dated effective December 29, 2009.

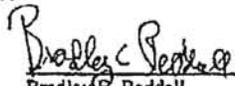

Bradley E. Beddall
Sole Shareholder & Sole Director

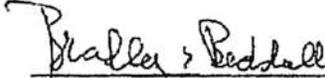
EXHIBIT "C"
(Power of Attorney and Forms 2848)

SPECIAL POWER OF ATTORNEY

I, BRADLEY E. BEDDALL (the "Principal"), resident of Snohomish County, Washington, hereby irrevocably appoint JONATHAN C. HATCH ("Hatch"), as my attorney in fact, and give Hatch full power and authority, in the place of the Principal, to sign the Principal's 2009 Federal Tax Return and to endorse and negotiate, only for the benefit of Douglas M. Dewar ("Dewar") and any successor and/or assigns of Dewar, any and all refund checks associated with the Principal's 2009 tax return along with the power to receive said refunds and checks. The powers granted hereby shall include without limitation the power of Hatch to execute, acknowledge, and deliver any other document or instrument Hatch or Dewar consider desirable to accomplish the purposes of this Special Power of Attorney and Dewar's receipt of all refunds associated with the Tax Return. The power of attorney granted hereby is a power coupled with an interest, is an irrevocable durable power of attorney that survives the Principal's incompetency or death, and may be exercised by Hatch by a facsimile signature as the attorney in fact for the Principal.

This Special Power of Attorney is irrevocable and may not be terminated by the Principal or otherwise.

DATED: December 29, 2009


Bradley E. Beddall, Principal

Country Kingdom of Thailand
Bangkok Metropolitan } 53
Embassy of the United States
Province of of America }

I certify that I know or have satisfactory evidence that BRADLEY E. BEDDALL is the person who appeared before me, and said person acknowledged that he signed this instrument individually and as the President of Beddall Properties Inc. and acknowledged it to be the free and voluntary act of said company for the uses and purposes mentioned in this instrument.

This ___ day of 15 MAR 2010, 2010.



Parichat P. Hines
Consular Associate of the
United States of America

(STAMP/SEAL)

Name (typed or printed):
NOTARY PUBLIC in and for US Embassy
Residing at Bangkok, Thailand
My appointment expires: Indefinite

Form **2848**

Rev. June 2000
Department of the Treasury
Internal Revenue Service

Power of Attorney and Declaration of Representative

Type or print. See the separate instructions.

OMB No. 1545-0046

For IRS Use Only

Received by:

Name _____

Telephone _____

Function _____

Date / /

CAUTION Power of Attorney
Caution: Form 2848 will not be honored for any purpose other than representation before the IRS.

1 Taxpayer information. Taxpayer(s) must sign and date this form on page 2, line 9.

Taxpayer name(s) and address Bradley E. Beddall c/o Jonathan C. Hatch, Esq. 152 - 3rd Avenue S., #101 Edmonds, WA 98020	Social security number(s) : : :	Employer identification number : : :
	Daytime telephone number (425) 771-4848	Plan number (if applicable)

hereby appoint(s) the following representativ(e) as attorney-in-fact:

2 Representative(s) must sign and date this form on page 2, Part II.

Name and address Jonathan C. Hatch, Esq. 152 - 3rd Avenue S., #101 Edmonds, WA 98020	CAF No. _____ Telephone No. <u>425-771-4848</u> Fax No. <u>425-774-9842</u> Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No. _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No. _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>

to represent the taxpayer(s) before the Internal Revenue Service for the following tax matters:

3 Tax matters	Tax Form Number (1040, 941, 720, etc.)	Year(s) or Period(s) (see the instructions for line 3)
Income Tax	1040	2009

4 Specific use not recorded on Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. See the instructions for Line 4, Specific Uses Not Recorded on CAF.

5 Acts authorized. The representatives are authorized to receive and inspect confidential tax information and to perform any and all acts that I/we can perform with respect to the tax matters described on this 3, for example, the authority to sign any agreements, contracts, or other documents. The authority does not include the power to receive refund checks (see line 6 below), the power to substitute another representative or add additional representatives, the power to sign certain returns, or the power to execute a request for disclosure of tax returns or return information to a third party. See the line 5 instructions for more information.

Exceptions. An unenrolled return preparer cannot sign any document for a taxpayer and may only represent taxpayers in limited situations. See Unenrolled Return Preparer on page 1 of the instructions. An enrolled actuary may only represent taxpayers to the extent provided in section 10.3(f) of Treasury Department Circular No. 730 (Circular 730). An enrolled retirement plan administrator may only represent taxpayers to the extent provided in section 10.3(e) of Circular 730. See the line 5 instructions for restrictions on tax matters partners. In most cases, the student practitioner's privilege and § authority is limited. For example, they may only practice under the supervision of another practitioner.

List any specific additions or deletions to the acts otherwise authorized in this power of attorney:
 Power to receive refunds checks, power to sign the taxpayer's tax return, and the power to execute a request for disclosure of tax returns or return information to a third party.

6 Receipt of refund checks. If you want to authorize a representative named on line 2 to receive, BUT NOT TO ENDORSE OR CASH, refund checks, initial here _____ and list the name of that representative below.

Name of representative to receive refund checks: Jonathan C. Hatch

For Privacy Act and Paperwork Reduction Act Notice, see page 4 of the instructions. CAF No. 11080J Form 2848 Rev. 6/2000

- 1 Notices and communications. Original notices and other written communications will be sent to you and a copy to the first representative listed on line 2.
 - a If you also want the second representative listed to receive a copy of notices and communications, check this box
 - b If you do not want any notices or communications sent to your representative(s), check this box
 - 2 Retention/revocation of prior power(s) of attorney. The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same tax matters and years or periods covered by this document. If you do not want to revoke a prior power of attorney, check here.
- YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.**

3 Signature of taxpayer(s). If a tax matter concerns a joint return, both husband and wife must sign if joint representation is requested, otherwise, see the instructions. If signed by a corporate officer, partner, guardian, tax matter partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the authority to execute this form on behalf of the taxpayer.

IF NOT SIGNED AND DATED, THIS POWER OF ATTORNEY WILL BE RETURNED.

Bradley E. Beddall _____ 3/15/2010 N/A
 Signature Date Title (if applicable)

Bradley E. Beddall N/A
 Print Name PIN Number Print name of taxpayer from line 1 if other than individual

 Signature Date Title (if applicable)

 Print Name PIN Number

Part II Declaration of Representative

Caution: Students with a special order to represent taxpayers in qualified Low Income Taxpayer Clinics or the Student Tax Clinic Program (parts 6 and 8, see the instructions for Part II, Under penalties of perjury, I declare that:

- I am not currently under suspension or disbarment from practice before the Internal Revenue Service;
- I am aware of regulations contained in Circular 230 (31 CFR Part 101, as amended), concerning the practice of attorneys, certified public accountants, enrolled agents, enrolled actuaries, and others;
- I am authorized to represent the taxpayer(s) identified in Part I for the tax matter(s) specified there; and
- I am one of the following:
 - a Attorney—a member in good standing of the bar of the highest court of the jurisdiction shown below.
 - b Certified Public Accountant—only qualified to practice as a certified public accountant in the jurisdiction shown below.
 - c Enrolled Agent—enrolled as an agent under the requirements of Circular 230.
 - d Officer—a bona fide officer of the taxpayer's organization.
 - e Full-Time Employee—a full-time employee of the taxpayer.
 - f Family Member—a member of the taxpayer's immediate family (for example, spouse, parent, child, brother, or sister).
 - g Enrolled Actuary—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the Internal Revenue Service is limited by section 10.3(g) of Circular 230).
 - h Unenrolled Return Preparer—the authority to practice before the Internal Revenue Service is limited by Circular 230, section 10.7(c)(1)(v)(g). You must have prepared the return in question and the return must be under examination by the IRS. See Unenrolled Return Preparer on page 1 of the instructions.
 - i Student Attorney—student who receives permission to practice before the IRS by virtue of their status as a law student under section 10.7(c) of Circular 230.
 - j Student CPA—student who receives permission to practice before the IRS by virtue of their status as a CPA student under section 10.7(c) of Circular 230.
 - k Enrolled Retirement Plan Agent—enrolled as a retirement plan agent under the requirements of Circular 230 (the authority to practice before the Internal Revenue Service is limited by section 10.3(i)).

IF THIS DECLARATION OF REPRESENTATIVE IS NOT SIGNED AND DATED, THE POWER OF ATTORNEY WILL BE RETURNED. See the Part II Instructions.

Designation—insert above letter (a–k)	Jurisdiction (state) or identification	Signature	Date
a	WA		

Form **2848**
 (Rev. June 2008)
 Department of the Treasury
 Internal Revenue Service

**Power of Attorney
 and Declaration of Representative**

OMB No. 1545-0047

For IRS Use Only

Requested by:

Name _____

Telephone _____

Function _____

Date _____

Type or print. See the separate instructions.

Part I Power of Attorney

Caution: Form 2848 will not be honored for any purpose other than representation before the IRS.

1. Taxpayer information. Taxpayer(s) must sign and date this form on page 2, line 9.

Taxpayer name(s) and address Beddar Properties Inc. c/o Jonathan C. Hatch, Esq. 152 - 3rd Avenue S., #101 Edmonds, WA 98020	Social security number(s) 	Employer identification number
	Daytime telephone number (425) 771-4848	Plan number (if applicable)

hereby appoint(s) the following representative(s) as attorney(s)-in-fact:

2. Representative(s) must sign and date this form on page 2, Part II.

Name and address Jonathan C. Hatch, Esq. 152 - 3rd Avenue S., #101 Edmonds, WA 98020	CAF No Telephone No. 425-771-4848 Fax No. 425-774-9842 Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No Telephone No. Fax No. Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No Telephone No. Fax No. Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>

to represent the taxpayer(s) before the Internal Revenue Service for the following tax matters:

3. Tax matters

Type of Tax (Income, Employment, Excise, etc.) or Civil Penalty (see the instructions for line 3)	Tax Form Number (1040, 941, 720, etc.)	Year(s) or Period(s) (see the instructions for line 3)
Income Tax	1040	2008

4. Specific use not recorded on Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. See the instructions for Line 4, Specific Uses Not Recorded on CAF.

5. Acts authorized. The representatives are authorized to receive and inspect confidential tax information and to perform any and all acts that I (we) can perform with respect to the tax matters described on line 3, for example, the authority to sign any agreements, consents, or other documents. The authority does not include the power to receive refund checks (see line 8 below), the power to substitute another representative or another representative, the power to sign certain returns, or the power to execute a request for disclosure of tax returns or return information to a third party. See the line 5 instructions for more information.

Exceptions. An enrolled return preparer cannot sign any document for a taxpayer and may only represent taxpayers in limited situations. See Unenrolled Return Preparer on page 1 of the instructions. An enrolled attorney may only represent taxpayers to the extent provided in section 10.3(d) of Treasury Department Circular No. 230 (Circular 230). An enrolled retirement plan administrator may only represent taxpayers to the extent provided in section 10.3(e) of Circular 230. See the line 5 instructions for restrictions on tax matters partners. In most cases, the student practitioner's levels 4 and 5 authority is limited (for example, they may only practice under the supervision of another practitioner).

List any specific additions or deletions to the acts otherwise authorized in this power of attorney:
 Power to receive refunds checks, power to sign the taxpayer's (or return) and the power to execute a request for disclosure of tax returns or return information to a third party.

8. Receipt of refund checks. If you want to authorize a representative named on line 2 to receive, BUT NOT TO ENDORSE OR CASH, refund checks, initial here _____ and list the name of that representative below.

Name of representative to receive refund checks: Jonathan C. Hatch

For Privacy Act and Paperwork Reduction Act Notice, see page 4 of the instructions. Cat No 11980J Form 2848 (Rev. 6-2008)

- 7 Notices and communications. Original notices and other written communications will be sent to you and a copy to the first representative listed on line 2.
- a If you also want the second representative listed to receive a copy of notices and communications, check this box
- b If you do not want any notices or communications sent to your representative(s), check this box
- 8 Retention/revocation of prior power(s) of attorney. The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same tax matters and years or periods covered by this document. If you do not want to revoke a prior power of attorney, check here.
- YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.**

9 Signature of taxpayer(s). If a tax matter concerns a joint return, both husband and wife must sign if joint representation is requested. Otherwise, see the instructions. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the authority to execute this form on behalf of the taxpayer.

IF NOT SIGNED AND DATED, THIS POWER OF ATTORNEY WILL BE RETURNED. **BRADLEY E. BODDALL**
 Signature: Bradley E. Boddall Date: 11/11/00 Title (if applicable): President
 Signature: Mark Boddall Date: _____ Title (if applicable): President

Print Name: Bradley E. Boddall PIN Number: N/A
 Print name of taxpayer from line 1 if other than individual

Signature: _____ Date: _____ Title (if applicable): _____

Print Name: _____ PIN Number:

PART III Declaration of Representative

Caution: Students with a special order to represent taxpayers in qualified Low Income Taxpayer Clinics or the Student Tax Clinic Program (events 1 and 2, see the instructions for Part II).

Under penalties of perjury, I declare that:

- I am not currently under suspension or disbarment from practice before the Internal Revenue Service;
- I am aware of regulations contained in Circular 230 (21 CFR, Part 101, as amended), concerning the practice of attorneys, certified public accountants, enrolled agents, enrolled actuaries, and others;
- I am authorized to represent the taxpayer(s) identified in Part I for the tax matter(s) specified there; and
- I am one of the following:
 - a Attorney—a member in good standing of the bar of the highest court of the jurisdiction shown below.
 - b Certified Public Accountant— duly qualified to practice as a certified public accountant in the jurisdiction shown below.
 - c Enrolled Agent—enrolled as an agent under the requirements of Circular 230
 - d Officer—a bona fide officer of the taxpayer's organization
 - e Full-Time Employee—a full-time employee of the taxpayer.
 - f Family Member—a member of the taxpayer's immediate family (for example, spouse, parent, child, brother, or sister).
 - g Enrolled Actuary—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the Internal Revenue Service is limited by section 10.310) of Circular 230.
 - h Unretired Return Preparer—the authority to practice before the Internal Revenue Service is limited by Circular 230, section 10.120(K)(2)(v). You must have prepared the return in question and the return must be under examination by the IRS. See Unretired Return Preparer on page 3 of the instructions.
 - i Student Attorney—student who receives permission to practice before the IRS by virtue of their status as a law student under section 10.710) of Circular 230
 - j Student CPA—student who receives permission to practice before the IRS by virtue of their status as a CPA student under section 10.710) of Circular 230
 - r Enrolled Retirement Plan Agent—enrolled as a retirement plan agent under the requirements of Circular 230 (the authority to practice before the Internal Revenue Service is limited by section 10.710)

IF THIS DECLARATION OF REPRESENTATIVE IS NOT SIGNED AND DATED, THE POWER OF ATTORNEY WILL BE RETURNED. See the Part II instructions.

Designation—insert above letter (a-r)	Jurisdiction (state) or identification	Signature	Date
a	WA		

Leona Phelan

From: Ken Smith (Traner Smith & Co., CPAs) <KSmith@tranersmith.com>
Sent: Thursday, April 15, 2010 2:54 PM
To: Doug Dewar
Subject: RE: Lea LLC

See below

Thanks Doug

Ken

~~~~~  
**TRANER SMITH & CO., PS**  
*Certified Public Accountants*  
Kenneth G. Smith CPA  
110 James Street, Suite 106  
Edmonds, WA 98020  
425.640.8650 Tel  
425.640.8655 Fax  
[KSmith@TranerSmith.com](mailto:KSmith@TranerSmith.com)  
<http://www.TranerSmith.com>  
~~~~~

CONFIDENTIALITY NOTICE: The information in this electronic mail transmission is legally privileged and confidential information intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of the transmission is strictly prohibited. If you have received this transmission in error, please delete the message and immediately notify us by E-mail or telephone at (425) 640-8650. Internet Communications are not secure and subject to possible data corruption, either accidentally or on purpose, and may contain viruses. Furthermore, e-mail is an informal method of communication and for these reasons, it will normally be inappropriate to rely on advice contained in an e-mail without obtaining written confirmation of it. It is now customary to send documents and other data via the Internet and we will consider that we have received your implicit permission to do so unless we receive specific instructions from you otherwise. If we receive a request from you via e-mail, we will treat that as authority to reply by e-mail.

To ensure compliance with requirements imposed by the IRS, Traner Smith & Co., P.S. informs you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

From: Doug Dewar [mailto:DDewar@DMECPA.com]
Sent: Thursday, April 15, 2010 2:16 PM
To: Ken Smith (Traner Smith & Co., CPAs)
Cc: Eugene W. Wong; Jonathan Hatch
Subject: RE: Lea LLC

Ken:

Thanks for getting everything done so quickly – I know you got a lot of information at the last minute.

I was just able to access Brad's returns on line and I have the following initial comments:

1. Brad's address for his 1040 and his 1045 should be care of Jonathan Hatch. Since Shirley is not a party to the settlement agreement, she is not bound to give the refund check(s) to Jon. We changed address to Jon Hatch's address
2. I see that Brad answered on schedule B that he has no foreign bank accounts. I don't believe that answer is correct based on what he has told me. I will check on this item and the highest account balance during the year and will file the FBR report if required.

1

823

3. I see nothing that shows the sale of his apartment house at 588 Elm. I believe he sold it to Mel Steinke in July 2009. Sold 1/12/2010

The only change I insist on is the address change.

If I find any further issues, I will advise you immediately.

Doug

From: Ken Smith (Traner Smith & Co., CPAs) [mailto:KSmith@tranersmith.com]
Sent: Thursday, April 15, 2010 11:15 AM
To: Doug Dewar
Subject: RE: Lea LLC

Doug

I was just meeting with John Hatch and he signed all the Beddall Properties Inc., Brad Beddall US Income Tax Return Form 1040, and Form 1045 Application for tentative refund.

Valerie Harrell from our office is setting up file share for you to review the returns.

We have the Form 1045 ready to registered mail, return receipt requested to the IRS.

The address we used was PO Box 82703, Kenmore, WA 98028. Shirley is to deliver the checks to Jon Hatch as they arrive. Shirley met with Jon and I this morning to discuss in detail.

Please let me know of your approval.

We intend to efile the personal tax return today.

See attached cover letter, the refund is \$1,196,433.

Thanks

Ken

TRANER SMITH & CO., PS
Certified Public Accountants
Kenneth G. Smith CPA
110 James Street, Suite 106
Edmonds, WA 98020
425.640.8650 Tel
425.640.8655 Fax
KSmith@TranerSmith.com
<http://www.TranerSmith.com>

CONFIDENTIALITY NOTICE: The information in this electronic mail transmission is legally privileged and confidential information intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of the transmission is strictly prohibited. If you have received this transmission in error, please delete the message and immediately notify us by E-mail or telephone at (425) 640-8650. Internet Communications are not secure and subject to possible data corruption, either accidentally or on purpose, and may contain viruses. Furthermore, e-mail is an informal method of communication and for these reasons, it will normally be inappropriate to rely on advice contained in an e-mail without obtaining written

confirmation of it. It is now customary to send documents and other data via the Internet and we will consider that we have received your implicit permission to do so unless we receive specific instructions from you otherwise. If we receive a request from you via e-mail, we will treat that as authority to reply by e-mail.

To ensure compliance with requirements imposed by the IRS, Traner Smith & Co., P.S. informs you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

From: Doug Dewar [mailto:DDewar@DMECPA.com]
Sent: Thursday, April 15, 2010 10:17 AM
To: Ken Smith (Traner Smith & Co., CPAs)
Subject: RE: Lea LLC

Ken:

How is Brad's return coming? Per the terms of the settlement I am supposed to approve it before it is filed.

Be sure to use Hatch's address.

Doug

Leona Phelan

From: Ken Smith (Traner Smith & Co., CPAs) <KSmith@tranersmith.com>
Sent: Monday, June 07, 2010 4:32 PM
To: Doug Dewar
Subject: FW: Form 1045 & Form 1040 Beddall
Attachments: 2009 Beddall 1040.PDF; 2009 Beddall 1045.PDF

Doug

Please find attached the filed tax returns 2009 Form 1040 and 2009 Form 1040 as requested for Brad Beddall. We were given permission by Brad Beddall to release the attached returns based on your request.

Please open the attached with the last four digits of your social security number.

Thanks

Ken

TRANER SMITH & CO., PS

Certified Public Accountants

Kenneth G. Smith CPA

110 James Street, Suite 106

Edmonds, WA 98020

425.640.8650 Tel

425.640.8655 Fax

KSmith@TranerSmith.com

<http://www.TranerSmith.com>

CONFIDENTIALITY NOTICE: The information in this electronic mail transmission is legally privileged and confidential information intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of the transmission is strictly prohibited. If you have received this transmission in error, please delete the message and immediately notify us by e-mail or telephone at (425) 640-8650. Internet Communications are not secure and subject to possible data corruption, either accidentally or on purpose, and may contain viruses. Furthermore, e-mail is an informal method of communication and for these reasons, it will normally be inappropriate to rely on advice contained in an e-mail without obtaining written confirmation of it. It is now customary to send documents and other data via the Internet and we will consider that we have received your implicit permission to do so unless we receive specific instructions from you otherwise. If we receive a request from you via e-mail, we will treat that as authority to reply by e-mail.

To ensure compliance with requirements imposed by the IRS, Traner Smith & Co., P.S. informs you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

Ryan Onosko

From: Ken Smith (Traner Smith & Co., CPAs) - KSmith@tranersmith.com
Sent: Monday, June 07, 2010 4:32 PM
To: Doug Dewar
Subject: FW: Form 1045 vs Form 1040 Beddall
Attachments: 2009 Beddall 1040 PDF; 2009 Beddall 1045 PDF

Doug

Please find attached the filed tax returns 2009 Form 1040 and 2009 Form 1045 as requested for Brad Beddall. We were given permission by Brad Beddall to release the attached returns based on your request.

Please open the attached with the last four digits of your social security number.

Thanks

Ken

TRANER SMITH & CO., PS
Certified Public Accountants
Kenneth G. Smith CPA
110 James Street, Suite 100
Edmonds, WA 98020
425.640.8650 Tel
425.640.8655 Fax
KSmith@TranerSmith.com
<http://www.TranerSmith.com>



CONFIDENTIALITY NOTICE: The information in this electronic mail transmission is legally privileged and confidential information intended only for the use of the individual or entity named above. If you are not the intended recipient, you are hereby notified that any dissemination, distribution or copy of the transmission is strictly prohibited. If you have received this transmission in error, please delete the message and immediately notify us by e-mail or telephone at 425-640-8650. Internet communications are not secure and subject to possible data corruption, either accidentally or on purpose, and may contain viruses. Furthermore, e-mail is an informal method of communication and for these reasons, it will normally be inappropriate to rely on advice contained in an e-mail without obtaining written confirmation from the person(s) named as sender(s) and other data on the Internet and we will consider that we have received your implied permission to do so unless we receive specific instructions to our contrary. If you receive a request from a person via e-mail, we will treat that as authentic to reply by e-mail.

Excessive compliance with regulations imposed by the IRS, U.S. Securities and Exchange Commission and any U.S. state that are not consistent with a communication, whether any and howsoever, may place you and your business in the position of being penalized under the Internal Revenue Code for non-compliance, including any and howsoever, with applicable state and federal laws and regulations.

TRANER SMITH & CO., P.S.
110 JAMES STREET, SUITE 106
EDMONDS, WASHINGTON 98020

BRAD BEDDALL
152 3RD AVENUE S. #101
EDMONDS, WA 98020

||.||.||.||||.||||.||||

15-11-20
04-11-20

Caution: Forms printed from within Adobe Acrobat products may not meet IRS or state taxing agency specifications. When using Acrobat 5.x products, uncheck the "Shrink oversized pages to paper size" and uncheck the "Expand small pages to paper size" options in the Adobe "Print" dialog. When using Acrobat 6.x and later products versions, select "None" in the "Page Scaling" selection box in the Adobe "Print" dialog.

CLIENT'S COPY

Two-Year Comparison Worksheet

2009

Name(s) as shown on return: **BRAD BEDDALL** Social Security number: _____
 2008 Filing Status: **SINGLE** 2009 Filing Status: **SINGLE**
 2008 Tax Bracket: **0.0%** 2009 Tax Bracket: **0.0%**

Description	Tax Year 2008	Tax Year 2009	Increase (Decrease)
SCHEDULE B TAXABLE INTEREST	15,551.	7,241.	-8,310.
SCH. C/C EZ (BUSINESS INCOME LOSS)	-82,286.	-17,728.	64,558.
TAXABLE IRA DISTRIBUTIONS	0.	52,827.	52,827.
SCHEDULE E (RENTAL AND PASSTHROUGH)	-253,522.	-4,190,153.	-3,936,631.
TOTAL INCOME	-320,257.	-4,147,813.	-3,827,556.
PENALTY ON WITHDRAWAL OF SAVINGS	4,172.	0.	-4,172.
TOTAL ADJUSTMENTS	4,172.	0.	4,172.
ADJUSTED GROSS INCOME	324,429.	4,147,813.	-3,823,384.
MEDICAL AND DENTAL EXPENSES	89,075.	18,220.	70,855.
TAXES	5,459.	5,578.	119.
INTEREST (DEDUCTIBLE)	12,191.	18,734.	6,543.
TOTAL ITEMIZED DEDUCTIONS	106,725.	42,532.	64,193.
INCOME BEFORE EXEMPTIONS	431,154.	-4,190,345.	-3,759,191.
PERSONAL EXEMPTIONS	7,000.	3,650.	-3,350.
TAXABLE INCOME	-438,154.	-4,193,995.	3,755,841.
ESTIMATED TAX PAYMENTS	12,950.	0.	-12,950.
TOTAL PAYMENTS	12,950.	0.	-12,950.
TAX OVERPAID	12,950.	0.	-12,950.
AMOUNT REFUNDED	12,950.	0.	-12,950.

TRANER SMITH & CO., P.S.
Certified Public Accountants
110 James Street, Suite 106, Edmonds, WA 98020
tel: 425.640.8650 fax: 425.640.8655

June 7, 2010

Brad Beddall
152 3rd Avenue S, #101
Edmonds, WA 98020

Dear Brad:

Enclosed is your 2009 income tax return.

Specific filing instructions are as follows.

FEDERAL INCOME TAX RETURN:

This return has been prepared for electronic filing and the practitioner PIN program has been elected. If you wish to have your return transmitted electronically to the IRS, please sign and return Form 8879 to our office. We will then submit your electronic return to the IRS. Do not mail the paper copy of the return to the IRS. Return federal Form 8879 to us by October 15, 2010.

No payment is required.

FORM 1045 APPLICATION FOR TENTATIVE REFUND:

Mail your application for tentative refund on or before December 31, 2010:

Mail to : Department of the Treasury
Internal Revenue Service Center
Fresno, CA 93888-0002

A refund of \$1,195,433 has been requested.

Form 1045 should be signed and dated by you.

Your copy of the return is enclosed for your files. We suggest that you retain this copy indefinitely.

Sincerely,

Kenneth G. Smith CPA

2009 TAX RETURN FILING INSTRUCTIONS

U.S. INDIVIDUAL INCOME TAX RETURN

FOR THE YEAR ENDING

December 31, 2009

Prepared for	Brad Beddall 152 3rd Avenue S, #101 Edmonds, WA 98020		
Prepared by	Traner Smith & Co., P.S. 110 James Street, Suite 106 Edmonds, Washington 98020		
Amount of tax	Total tax	\$	0
	Less: payments and credits	\$	0
	Plus: interest and penalties	\$	0
	No pmt required		
Overpayment	Disallowed Charitable	\$	0
	Credited to your estimated tax	\$	0
	Refunded to you	\$	0
Make check payable to	Not applicable		
Mail tax return and check (if applicable) to	This return has been prepared for electronic filing and the practitioner PIN program has been elected. To have it transmitted electronically, sign and return Form 8879 to our office. We will then submit your electronic return to the IRS.		
Return must be mailed on or before	Return federal Form 8879 to us by October 15, 2010.		
Special Instructions			

Form 1040-ES
2009

TAX RETURN FILING INSTRUCTIONS

FORM 1045 APPLICATION FOR TENTATIVE REFUND

FOR THE YEAR ENDING

December 31, 2009

Prepared for	Brad Beddall 152 3rd Avenue S. #101 Edmonds, WA 98020
Prepared by	Traner Smith & Co., P.S. 110 James Street, Suite 106 Edmonds, Washington 98020
Mail tax return to	Department of the Treasury Internal Revenue Service Center Fresno, CA 93888 0002
Return must be mailed on or before	December 31, 2010
Special Instructions	Form 1045 should be signed and dated by you. A refund of \$1,196,433 has been requested.

Form 1045
02/09

TRANER SMITH & CO., P.S.
Certified Public Accountants
110 James Street, Suite 106, Edmonds, WA 98020
tel: 425.640.8650 fax: 425.640.8655

PRIVACY POLICY

CPAs, like all providers of personal financial services, are now required by law to inform their clients of their policies regarding privacy of client information. CPAs have been and continue to be bound by professional standards of confidentiality that are even more stringent than those required by law. Therefore, we have always protected your right to privacy.

TYPES OF NONPUBLIC PERSONAL INFORMATION WE COLLECT

We collect nonpublic personal information about you that is either provided to us by you or obtained by us with your authorization.

PARTIES TO WHOM WE DISCLOSE INFORMATION

For current and former clients, we do not disclose any nonpublic personal information obtained in the course of our practice except as required or permitted by law. Permitted disclosures include, for instance, providing information to our employees and, in limited situations, to unrelated third parties who need to know that information to assist us in providing services to you. In all such situations, we stress the confidential nature of information being shared.

PROTECTING THE CONFIDENTIALITY AND SECURITY OF CURRENT AND FORMER CLIENTS' INFORMATION

We retain records relating to professional services that we provide so that we are better able to assist you with your professional needs and, in some cases, to comply with professional guidelines. In order to guard your nonpublic personal information, we maintain physical, electronic, and procedural safeguards that comply with our professional standards.

.....

Please call if you have any questions, because your privacy, our professional ethics, and the ability to provide you with quality financial services are very important to us.

Tax Year 2009 e-file Jurat/Disclosure
for Form 1040, 1040A, or 1040EZ
using Practitioner PIN method
(with or without Electronic Funds Withdrawal)

ERO Declaration

I declare that the information contained in this electronic tax return is the information furnished to me by the taxpayer. If the taxpayer furnished me a completed tax return, I declare that the information contained in this electronic tax return is identical to that contained in the return provided by the taxpayer. If this tax return is a duplicate of a paid preparer, I declare I have reviewed the preparer's identifying information and agree to file it with the electronic return. If I am the paid preparer under the penalty of perjury, I declare that I am a qualified tax preparer who is qualified to file tax returns in my knowledge and belief, and that I am not and cannot be an employee of the IRS or a preparer of the IRS.

ERO Signature

I am signing this Tax Return by entering my PIN below.

Practitioner PIN

XXXX-XXXX-XXXX-XXXX

Taxpayer Declarations

Perjury Statement

Under penalties of perjury, I declare that I have prepared this return including all applicable tax law provisions and schedules, and to the best of my knowledge and belief it is true, correct, and complete.

Consent to Disclosure

I consent to allow my Intermediate Service Provider (a provider of Electronic Return Origination (ERO)) to send my return to IRS and to receive the following information from IRS: 1) acknowledgment of receipt or reason for rejection of transmission; 2) refund offset; 3) reason for any delay in processing the return or refund; and 4) date of any refund.

I am signing this Tax Return and Electronic Funds Withdrawal Consent, if applicable, by entering my Self-Select PIN below.

Taxpayer's PIN

XXXX-XXXX-XXXX-XXXX

Signature PIN

4868

Application for Automatic Extension of Time
To File U.S. Individual Income Tax Return

2009

Part I Identification	Part II Individual Income Tax
BRAD BEDDALL 152 3RD AVENUE S. #101 EDMONDS, WA 98020	1. Estimate of total tax liability for 2009 \$ 0. 2. Total 2009 payments 0. 3. Balance due, Subtract line 2 from line 1 0. 4. Amount you are paying ▶ 0.
[REDACTED]	5. Check here if you are head of the household and a U.S. citizen or resident ▶ <input type="checkbox"/> 6. Check here if you are head of the household and a U.S. citizen or resident ▶ <input type="checkbox"/>

532403310 AA 6700 30 0 200912 670

**SECTION 172(B)(1)(H) ELECTION
UNDER REV PROC. 2009-52
Application for Tentative Refund**

1045

OMB No. 1545-0046

2009

▶ See separate instructions. ▶ Do not attach to your income tax return. Mail in a separate envelope. ▶ For use by individuals, estates, or trusts.

Name of filer or return preparer BRAD BEDDALL		Social security or EIN [REDACTED]
Address (street, apt. or box no., city, state, and ZIP code) 152 3RD AVENUE S., #101		Spouse's social security number
City, town or post office, state, and ZIP code (if a foreign address, see the instructions) EDMONDS, WA 98020		Daytime phone number 425-771-4846
The application is filed for tax year:	a. For calendar year 2009, or if not, for:	b. For calendar year ending:
	\$ 4,190,345.	\$

2. For the calendar year 2009, or if not, for:

beginning **2009**, and ending **2009**

3. If this application is for an amended return, check the appropriate box (check all that apply):
 I am filing a joint return for separate returns for the year ending on the date of this application.
 I am filing separate returns for the year ending on the date of this application.
 I am filing a return for a different tax year than a 501(c)(3) organization.
 I am filing a return for a different tax year than a 501(c)(3) organization.

7. Have you had a person in charge of the preparation of this return?
 Yes No

8. Is the head of the enterprise in charge of the preparation of this return?
 Yes No

9. If you are carrying back an NOL under Section 172A, have you had any other tax credits due to the release of this foreign tax credit? (See instructions.)
 Yes No

Computation of Decrease in Tax	Preceding tax year ended ▶		5TH preceding tax year ended ▶ 12/31/04		4TH preceding tax year ended ▶ 12/31/05	
	Before carryback	After carryback	Before carryback	After carryback	Before carryback	After carryback
Note: # 12 = 16. See instructions.						
10. NOL deduction after carryback (see 10)				1,297,345.		1,878,954.
11. Adjust gross income			655,123.	352,841.	1,479,157.	2,408,837.
12. Deductions			32,421.	41,490.	8,076.	41,823.
13. Subtract line 12 from line 11			622,702.	311,351.	1,467,081.	2,450,014.
14. Exemptions (see instructions)						3,200.
15. Variable income, line 13 minus line 14			622,702.	311,351.	1,462,081.	2,453,214.
16. Income tax (see instructions and attach explanation)			198,853.	90,035.	492,198.	0.
17. Alternative minimum tax			0.	0.	0.	0.
18. Add lines 16 and 17			198,853.	90,035.	492,198.	
19. General business credit (see instructions)						
20. Other credits (see instructions)						
21. Total credits (Add lines 19 and 20)						
22. Subtract line 21 from line 18			198,853.	90,035.	492,198.	
23. Self-employment tax			19,741.	19,741.		
24. Other taxes						
25. Total tax (Add lines 22 through 24)			218,594.	109,776.	492,198.	
26. Total tax computed for the "After carryback" column on line 25 for each year				129,776.		
27. Refund in tax (Line 25 minus line 26)				108,818.	492,198.	
28. Overpayment of tax due to a firm change (compute under Section 1341(b)(2) and compare)						

Sign Here

Preparer Other Than Taxpayer

Prepared by **TRAINER SMITH & CO., P.S.**
110 JAMES STREET, SUITE 106
EDMONDS, WASHINGTON 98020

Date: **06/07/10**

1310-108-01 For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see the instructions. Form 1045 (2009)

1045

Application for Tentative Refund

2009

See separate instructions Do not attach to your income tax return mail in a separate envelope For use by individuals, estates, or trusts

Name(s) shown on return: BRAD BEDDALL
Social security or EIN:
Number, street, and apt. or suite no. if applicable: 152 3RD AVENUE S. #101
City, town or post office, state, zip code: EDMONDS, WA 98020
Daytime telephone number: 425 771-4846

1 This application is filed to carry back: a Net operating loss (NOL) or Section 179 expense carryover b Unusual general business credit
2a For the calendar year 2009, enter the date you began: 2009
3 If this application is for an amended return, attach a copy of the amended return
4 If you filed a joint return for a separate return for the year, you must file this application with the amended return
5 If you claim a carryback year, enter the year:
6 If you claim a carryback year, enter the year:
7 How do you file a return in the year to which the carryback is to be applied?
8 Is the carryback for a loss or credit?
9 If you are carrying back an NOL, are you also carrying back other credits? (See instructions.)

Table with 3 columns: 3RD (ending 12/31/06), 2ND (ending 12/31/07), 1ST (ending 12/31/08). Rows include: 10 NOL deduction after carryback, 11 Adjusted gross income, 12 Deductions, 13 Subtract line 12 from line 11, 14 Exemptions - see instructions, 15 Taxable income - Line 13 minus line 14, 16 Income tax - See instructions and attach supporting info, 17 Alternative minimum tax, 18 And lines 16 and 17, 19 General business credit carryback, 20 Other credits carried, 21 Total tax - Add lines 16, 17, and 19, 22 Subtract line 21 from line 15, 23 Refundable credit tax, 24 Other taxes, 25 Total tax - Add lines 22, 23, and 24, 26 Enter the amount from the Alternative Minimum Tax credit carryback, 27 Refundable tax - Line 25 minus line 26, 28 Disposition of tax due to a form of credit.

Sign Here:
Preparer Other Than Taxpayer:
For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see the instructions.

Schedule B-NOL Carryover

Complete this column only if you are claiming a carryover	Year ended	5TH preceding year ended 12/31/04	4TH preceding year ended 12/31/05
1 NOL deduction (see instructions)		3,122,145.	3,122,145.
2 Available before carryover		622,702.	1,452,041.
3 Net capital loss carryover			
4 Section 1792 deduction			
5 Charitable contribution deduction			
6 Adjustments to taxable income			
7 Adjustments to taxable income			
8 Individual's share of net capital loss carryover			
9 Modified taxable income		311,351.	1,452,041.
10 NOL carryovers		3,812,294.	2,416,911.
Adjustment to Itemized Deductions (Individuals Only)			
11 Adjusted gross income			
12 Charitable contribution deduction			
13 Deductions for interest			
14 Deductions for state and local taxes			
15 Deductions for medical expenses			
16 Deductions for casualty losses			
17 Deductions for miscellaneous itemized deductions			
18 Deductions for state and local taxes			
19 Deductions for interest			
20 Deductions for medical expenses			
21 Deductions for miscellaneous itemized deductions			

Schedule B-NOL Carryover (Continued)

Complete the column before going to the next column. Start with the earliest carryback year.	2004	2003	2002	2001	2000	1999
22. Modified AGI (line 45) minus the total AGI (line 13) on page 3.						
23. Enter as a percentage number (0-100) carryback from a year before 2005 that was disallowed by having AGI (line 13) on page 3.						
24. Add lines 22 and 23.						
25. Enter the amount of the carryback from 2004 (line 24) multiplied by the percentage (line 23).						
26. Subtract the amount on line 25 from the amount on line 22.						
27. Subtract line 26 from line 22.						
28. Enter the amount on line 27 that is less than the amount on line 22.						
29. Enter the amount on line 27 that is more than the amount on line 22.						
30. Multiply line 22 by 10% (10).						
31. Subtract line 30 from line 29. If zero or less, enter 0.						
32. Subtract line 31 from line 28.						
33. Enter the amount on line 32 that is less than the amount on line 28. If zero or less, enter 0.						
34. Enter the amount on line 32 that is more than the amount on line 28.						
35. Subtract line 34 from line 32.						
36. Subtract line 35 from line 28. If zero or less, enter 0.						
37. Subtract line 36 from line 35.						
38. Complete the worksheet on the instructions if line 22 is more than the applicable amount shown below (more than one cell that a program of married filing separately for 2005, 2006, 2007, or 2008).						
<ul style="list-style-type: none"> • \$1,000 for 1999 • \$124,950 for 2000 • \$132,950 for 2001 • \$137,300 for 2002 • \$149,400 for 2003 • \$157,500 for 2004 • \$175,950 for 2005 • \$183,500 for 2006 • \$191,400 for 2007 • \$199,250 for 2008 						
Print or write lines 18, 19, 20, 21, 22, 23, and 27 on the right side and at the bottom of the page.						

Schedule B-NOL Carryover (see instructions)

Complete one column before going to the next column. Start on the column that affects your	3RD preceding tax year ended 12/31/06		2ND preceding tax year ended 12/31/07		1ST preceding tax year ended 12/31/08	
1 NOL deduction (see instructions). Enter as a positive number.		2416913.		764,016.		528,749.
2 Taxable income (line 2009 1045 carryback). Enter and then increase this amount by the sum of lines 3 through 7. Do not include a tax credit deduction.	1650697.		233,001.		438,154.	
3 Net capital loss deduction (see instructions)						
4 Section 1202 election (see instructions)						
5 Domestic production activities deduction						
6 Adjustment to net operating loss (see instructions)						
7 Adjustment to net production activities deduction						
8 Individual NOL deduction for exemption in any day amount on Form 9913, net of the 2008 line 7 for 2005 and 2006. Estates and trusts enter as a negative amount.	2,200.		2,266.		7,000.	
9 Modified taxable income. Combine lines 2 through 8. If zero or less, enter 0.		1652897.		235,267.		0.
10 NOL carryover (see instructions). Adjustment to Itemized Deductions (Individuals Only) Combine lines 1 through 9 for the 2007 check year. For each subsequent year, include only lines 2, 4, 6, 8, 9, and 10 from the prior year.		764,016.		528,749.		528,749.
11 Taxable income (line 2009 1045, line 2009 1045, line 2009)						
12 Subtotal line 11 from line 10						
13 Subtotal adjusted net operating loss (lines 3 and 4)						
14 Medical expenses from line 4 of Form 1045, line 4 (see instructions)						
15 Medical expenses from line 4 of Form 1045, line 1 (see instructions)						
16 Subtotal line 11 from line 10						
17 Subtotal line 15 from line 10. If zero or less, enter 0.						
18 Subtotal line 17 from line 10						
19 Charitable contributions (see instructions from line 11 of Form 1045, line 13) or previously adjusted						
20 Reliquished qualified mortgages (see instructions)						
21 Subtotal line 20 from line 10						

Schedule B-NOL Carryover (Continued)

Complete the column below going to the line of the table on the previous page. Calculate on	3RD preceding tax year ended ▶ 12/31/06		2ND preceding tax year ended ▶ 12/31/07		1ST preceding tax year ended ▶ 12/31/08	
	22. The total adjusted gross income for the tax year.					
23. Enter the business number and 100% ownership limit for the year ending 2009 that will be used to figure line 27. 60 (100)						
24. Addition: Section 213						
25. If you are a partner in a partnership, enter the amount of the partnership's loss for the year ending 2009 that is allocable to you.						
26. Enter the amount of the partnership's loss for the year ending 2009 that is allocable to you.						
27. Subtract line 26 from line 22.						
28. If you are a partner in a partnership, enter the amount of the partnership's loss for the year ending 2009 that is allocable to you.						
29. Enter the amount of the partnership's loss for the year ending 2009 that is allocable to you.						
30. Multiply line 29 by 10% (10)						
31. Subtract line 30 from line 29. If zero, enter -0.						
32. Subtract line 31 from line 28.						
33. If you are a partner in a partnership, enter the amount of the partnership's loss for the year ending 2009 that is allocable to you.						
34. If you are a partner in a partnership, enter the amount of the partnership's loss for the year ending 2009 that is allocable to you.						
35. Multiply line 32 by 2% (2)						
36. Subtract line 35 from line 32. If zero, enter -0.						
37. Subtract line 36 from line 32.						
38. Carry to the main sheet the amounts from line 22 if more than the applicable amount shown below, or zero if less than that amount. If amount less than zero, enter the amount separately for that year.						

- \$125,000 for 1998
- \$125,000 for 1999
- \$137,500 for 2000
- \$137,500 for 2001
- \$137,500 for 2002
- \$137,500 for 2003
- \$137,500 for 2004
- \$137,500 for 2005
- \$137,500 for 2006
- \$137,500 for 2007
- \$137,500 for 2008

Otherwise, enter on lines 48, 49, 50,
51, and 52, enter the respective amount on
line 7 (page 2).

Form **1040** U.S. Individual Income Tax Return **2009**

Label (See instructions on page 14.) Use the IRS label. Otherwise, please print in blue. Presidential Election Campaign	BRAD	BEDDALL	OMB No. 1545-0047
	152 3RD AVENUE S. #101		EDMONDS, WA 98020
	EDMONDS, WA 98020		

Filing Status

1 Single
 2 Married filing jointly (see instructions)
 3 Married filing separately (see instructions)
 4 Head of household with qualifying person (if the qualifying person is a child but not your dependent, enter this child's name)
 5 Getting a divorce with dependent child (see page 16)

Exemptions

61 Yourself (if you are blind or aged 65 or older, see instructions)
 62 Spouse
 63 Dependents

64	65	66	67

Income

7 Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

8a **Taxable interest** (attach Form(s) 1099-INT) **7,241.**

9a **Dividend distributions** (attach Form(s) 1099-DIV) **0.**

10 **Capital gains distributions** (attach Form(s) 1099-DIV) **0.**

11 **Ordinary dividends** (attach Form(s) 1099-DIV) **0.**

12 **Business income** (attach Schedule C or C-E) **-17,728.**

13 **Capital gain or loss** (attach Schedule E if required. If not required, check here) **0.**

14 **Other income** (attach Form(s) 1099) **0.**

15a **IRA distributions** (attach Form(s) 1099-R) **0.**

15b **Taxable amount** **52,827.**

16a **Employer's share of Social Security tax** (attach Form(s) 1099-R) **0.**

16b **Taxable amount** **-4,190,353.**

17 **Employer's share of Medicare tax** (attach Form(s) 1099-R) **0.**

18 **Other taxes** (attach Form(s) 1099) **0.**

19 **State and local taxes** (attach Form(s) 1099) **0.**

20a **State and local taxes** (attach Form(s) 1099) **35,481.**

20b **Taxable amount** (see page 27) **0.**

21 **Other taxes** (attach Form(s) 1099) **0.**

Adjusted Gross Income

22 **Adjusted gross income** **4,147,813.**

23 **Charitable contributions** (see page 28) **0.**

24 **State and local taxes** (see page 28) **0.**

25 **Employer's share of Social Security tax** (see page 28) **0.**

26 **Employer's share of Medicare tax** (see page 28) **0.**

27 **Other taxes** (see page 28) **0.**

28 **Capital gain or loss** (see page 28) **0.**

29 **Dividend distributions** (see page 28) **0.**

30 **Ordinary dividends** (see page 28) **0.**

31 **Interest** (see page 28) **0.**

32 **IRA distributions** (see page 28) **0.**

33 **Other income** (see page 28) **0.**

34 **Business income** (see page 28) **0.**

35 **Other taxes** (see page 28) **0.**

36 **Adjusted gross income** **4,147,813.**

37 **Adjusted gross income** **4,147,813.**

Form 1040-ES
BRAD BEDDALL Page 2

Tax and Credits	38	Amount from line 37 (adjusted gross income)	38	4,147,813.
	39a	<input checked="" type="checkbox"/> You are filing a joint return with your spouse. Total amount checked <input type="checkbox"/> 39a <input type="checkbox"/> 39b <input type="checkbox"/> Spouse is an estate, trust, or estate of a decedent. <input type="checkbox"/> 39a <input type="checkbox"/> 39b		
	40a	Itemized deductions (see Schedule A) or your standard deduction (see instructions)	40a	42,532.
	41	Subtotal from lines 38 and 40a	41	4,190,345.
	42	Exemptions (line 41 × \$25,000) and qualified plan, IRA, and 529 plan distributions (see instructions)	42	3,650.
	43	Taxable income. Subtract line 42 from line 41	43	0.
	44	Tax. Check the filing status on page 1. Form 1040-ES (2010)	44	0.
	45	Alternative minimum tax (see instructions)	45	
	46	Add lines 44 and 45	46	0.
	47	Foreign tax credit (see Form 1118, if required)	47	
	48	Credit for tax on foreign income (see instructions)	48	
	49	Other taxes (see instructions)	49	
	50	Refundable tax credits (see instructions)	50	
	51	Other tax credits (see instructions)	51	
	52	Carryover from 2009 (see instructions)	52	
	53	Other carryovers (see instructions)	53	
	54	Add lines 47 through 53. Total credits	54	
	55	Subtract line 54 from line 46. If line 54 is more than line 46, enter 0	55	0.
Other Taxes	56	Self-employment tax (see Schedule SE)	56	
	57	Unemployment, Social Security, and Medicare taxes from Form 941 (line 5) × 50%	57	
	58	Additional tax on IRAs, other qualified retirement plans, and 529 plans (see instructions)	58	
	59	Additional taxes (see instructions)	59	
	60	Add lines 56 through 59. This is your total tax	60	0.
Payments	61	Federal income tax withheld from Forms W-2 and 1099	61	
	62	2009 estimated tax payments and amount applied from 2009 return	62	
	63	Making unit pay and government rebate credits (see instructions)	63	
	64a	Earned income credit (EIC)	64a	
	64b	Nonrefundable (child tax credit, etc.) tax	64b	
	65	Additional child tax credit (see Form 8812, line 12)	65	
	66	Refundable education credit from Form 8863, line 16	66	
	67	First-time homebuyer credit (see Form 8832)	67	
	68	Amount paid with respect to overpayment in 2009 (see instructions)	68	
	69	Excess of 2009 overpayment over 2009 tax liability (see instructions)	69	
	70	Carryover from Form 1040-ES (2009) (see instructions)	70	
	71	Add lines 61, 62, 63, 64a, 64b, 65, 66, 67, 68, 69, and 70. Total payments	71	
Refund	72	If line 71 is more than line 60, subtract line 60 from line 71. Enter the amount as a refund	72	0.
	73a	Amount of line 72 that is refunded to you in Form 1040-ES (see instructions)	73a	
	73b	Amount of line 72 that is applied to your 2010 estimated tax	73b	0.
Amount you owe	74	Amount you owe. Subtract line 73b from line 60. For details on the 2010 payment due date	74	0.
	75	Estimated tax penalty (see page 74)	75	
Third Party Designee	Do you want to allow another person to receive notices and correspondence from the IRS? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
	Name (print) KENNETH G. SMITH CPA		Taxpayer's identification number (if any) 66414	
	Address (print) DEVELOPER		Phone number (include area code) 425 771 4846	
Sign Here	Preparer's name (print) KENNETH G. SMITH CPA		Preparer's signature [Redacted]	
	Preparer's title (print) TRAINER SMITH & CO., P.S.		Preparer's address (print) [Redacted]	
	Preparer's address (print) 110 JAMES STREET, SUITE 106		Preparer's phone number (include area code) (425) 640 8650	
	Preparer's city, state, and ZIP code EDMONDS, WASHINGTON 98020			

SCHEDULE A
(Form 1040)

Itemized Deductions

OMB No. 1545-0047

2009

REVISED 07

▶ Attach to Form 1040 ▶ See Instructions for Schedule A (Form 1040)

BRAD BEDDALL

Medical and Dental Expenses		Caution: Do not include expenses reimbursed or otherwise excluded.			
1	Medical and dental expenses (See page A-1)	SEE STATEMENT 6	1	18,220.	
2	Enter amount from Form 1040 line 38		2	4,117.	
3	Multiply line 2 by 7.5% (.075)		3	0.	
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter 0		4	18,220.	
Taxes You Paid		State and local (check only one box):			
(See page A-2)		A <input type="checkbox"/> Property taxes or		5	
		B <input type="checkbox"/> General sales taxes		6	4,445.
6	Real estate taxes (See page A-2)		6		
7	State and local taxes from line 11 of the work sheet on page 2. Skip the final row checked box on		7		
8	Other taxes. List type and amount. ▶	SEE STATEMENT 4	8	1,133.	
9	Add lines 5 through 8		9	5,578.	
Interest You Paid		Home mortgage interest and points reported to lender on Form 1098		10	16,948.
(See page A-1)		Home mortgage interest not reported to you on Form 1098. If paid to the lender from whom you bought the home, see page A-7, and enter that person's name, identifying no., and address. ▶		11	
Note: Personal interest is not deductible.		Points not reported to you on Form 1098		12	1,786.
		Deductible mortgage insurance premiums (See page A-2)		13	
		Investment interest. Attach Form 4952 if required. (See page A-1)		14	
		Add lines 10 through 14		15	18,734.
Gifts to Charity		Gifts by cash or check		16	
If you make a gift and get a benefit for it, see page A-8.		Other than by cash or check. If any gift of \$250 or more, see page A-8. You must attach Form 8283 if over \$500.		17	
		Carryover from prior year		18	
		Add lines 16 through 18		19	
Casualty and Theft Losses		Casualty or theft losses. Attach Form 4681. (See page A-10.)		20	
Job Expenses and Certain Miscellaneous Deductions		Unreimbursed employee expenses: job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-10.)		21	
(See page A-10)		Tax preparation fees		22	
		Other expenses: see attached schedule for details, type and amount. ▶		23	
		Add lines 21 through 23		24	
		Excess amount from Form 2106-EZ		25	
		Multiply line 25 by 2% (.02)		26	
		Subtract line 26 from line 24. If line 26 is more than line 24, enter 0		27	
Other Miscellaneous Deductions		Other: from box on page A-11. List type and amount. ▶		28	
Total Itemized Deductions		If Form 1040, line 38, over \$100,000 over \$40,000 if married filing separately, your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter the amount on Form 1040, line 40a.		29	42,532.
		If you elect to reduce total deductions through 2011 by 50%, that amount should be entered on line 29.		30	

Worksheet **Retiree you begin** You cannot take this deduction if the amount on Form 1040, line 28, is equal to or greater than \$125,000.
for Line 7 - \$260,000 (maximum limit)
New motor vehicle See the instructions for line 7 on page 6.

<p>taxes</p>	<p>1 Enter the state or local sales or excise taxes less than 25% of the purchase price (before taxes) of the vehicle after February 28, 2001. See page 6.</p>	<p>1</p>	
<p>Use this worksheet to figure the amount to enter on line 7.</p>	<p>2 Enter the purchase price (before taxes) of the vehicle.</p>	<p>2</p>	
<p>plus a cap for your region.</p>	<p>3 Is the amount on line 2 more than \$49,000? <input type="checkbox"/> No. Enter the amount from line 1. <input type="checkbox"/> Yes. Figure the portion of the tax from line 2 that is attributable to the first \$49,000 of the purchase price. See instructions.</p>		<p>3</p>
	<p>4 Enter the amount on line 3.</p>	<p>4</p>	
	<p>5 Enter the total of any: • Amount from Form 2555, lines 12 and 13. Form 562, E, line 1B, and Form 567, line 12, and • Exclusion of income from Puerto Rico.</p>	<p>5</p>	
	<p>6 Add lines 4 and 5.</p>	<p>6</p>	
	<p>7 Enter \$125,000 (or \$250,000 if married filing jointly).</p>	<p>7</p>	
	<p>8 Is the amount on line 6 more than the amount on line 7? <input type="checkbox"/> No. Enter the amount from line 3 above on Schedule A, line 7. Do not complete the rest of this worksheet. <input type="checkbox"/> Yes. Subtract line 7 from line 6.</p>	<p>8</p>	
	<p>9 Check the amount on line 8 is \$10,000. Enter the result as reported (rounded to at least three places) if the result is 1.000 to 9.999. Enter 1.000.</p>	<p>9</p>	
	<p>10 Multiply line 8 by 2.</p>	<p>10</p>	
	<p>11 Deduction for new motor vehicle taxes and excise taxes. Enter the smaller amount of lines 10 and 9.</p>	<p>11</p>	

SCHEDULE B
 (Form 1040A or 1040)

Interest and Ordinary Dividends

2009
 (2009)

▶ Attach to Form 1040A or 1040.

▶ See instructions.

BRAD BEDDALL

Part I
Interest

1 List name of payor. If the interest is from a bank, credit union, mortgage lender, or other financial institution, do not check the box. If the interest is from a mutual fund, check the box. If the interest is from a trust, check the box. If the interest is from a partnership, check the box. If the interest is from a trust, check the box. If the interest is from a partnership, check the box. If the interest is from a trust, check the box.

FRONTIER BANK

Amount

3,513.

KEY BANK NATIONAL ASSOCIATION

514.

WASHINGTON FEDERAL SAVINGS

500.

IRS

1,952.

BANK OF WASHINGTON

762.

Note: If you received a Form 1099-INT, Form 1099-DIV, or substitute statement from a broker, you must list the payor's name as the payor and enter the amount shown on that form.

2 Add the amounts on line 1

7,241.

3 Exclude any interest on Series EE and U.S. Savings Bonds issued after 1989. Attach Form 8871.

4 Subtract line 3 from line 2. Enter the result here and on Form 1040A or Form 1040, line 18.

7,241.

Note: If line 4 is over \$1,000, you must complete Part III.

Part II
Ordinary Dividends

5 List name of payor

Note: If you received a Form 1099-DIV or substitute statement from a broker, you must list the payor's name as the payor and enter the amount shown on that form.

6 Add the net amount on line 5. Enter the total here and on Form 1040A or Form 1040, line 19.

Note: If line 6 is over \$1,000, you must complete Part III.

Part III
Foreign Accounts and Trusts

7 If you received a Form 1099-INT or 1099-DIV from a foreign payor, check the box. If you received a Form 1099-INT or 1099-DIV from a foreign payor, check the box. If you received a Form 1099-INT or 1099-DIV from a foreign payor, check the box.

Yes

No

8a If you have a foreign bank, financial institution, or other foreign account, check the box. If you have a foreign bank, financial institution, or other foreign account, check the box. If you have a foreign bank, financial institution, or other foreign account, check the box.

X

8b If you have a foreign trust, check the box. If you have a foreign trust, check the box. If you have a foreign trust, check the box.

X

▶ For Paperwork Reduction Act Notice, see Form 1040A or 1040 instructions.

Schedule B (Form 1040A or 1040) 2009

SCHEDULE C
(Form 1040)

Profit or Loss From Business
(Sole Proprietorship)

2009

Department of the Treasury
Internal Revenue Service

Partnerships, joint ventures, etc. generally must file Form 1065 or 1065-B
Attach to Form 1040, 1040NR, or 1041 See instructions for Schedule C (Form 1040)

OMB No. 1545-0047
Schedule C (Form 1040) 09

BRAD BEDDALL

A Principal business or profession (multiple forms may be attached) 2

8 Social Security number 0000000000

REAL ESTATE DEVELOPER

9 Gross receipts or sales 531,390

C Business name (if not separate business must be attached)

BRADLEY E. BEDDALL

10 Net profit or loss 17,728

E Business address (including suite or room no.) 610 ELM PLACE
City, town or post office, state, and ZIP+4[®] EDMONDS, WA 98020

F Accounting method (1) X Cash (2) Accrual (3) Other

G Did you materially participate in the operation of the business during 2009? Yes No

H If you started or acquired the business during 2009, check this

Part I Income

1	Gross receipts or sales. Caution: See page 1 of the instructions for details. * This amount has been reduced by the following: - Deductions for returns and allowances - Discounts and other similar reductions - Returns and allowances - Sales tax	1	531,390
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold from line 42 of Schedule D	4	
5	Gross profit. Subtract line 4 from line 3	5	
6	Other income, including federal and state payments of lottery, sweepstakes, and other prizes (page 12)	6	
7	Gross income. Add lines 5 and 6	7	

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

8	Advertising	8		18	Office expense	18	299
9	Car and truck expenses (see page C-4)	9		19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see page C-4)	20a	
11	Contract labor (see page C-4)	11		20b	Utilities, machinery, and equipment	20b	
12	Depreciation	12		21	Other business property	21	
13	Depreciation and Section 179 expense deduction (see instructions Part III) (see page C-5)	13		21	Person's and maintenance	21	
14	Employee benefit programs (other than for line 15)	14		22	Signs or rent included in Part III	22	
15	Insurance (see line 14)	15		23	Travel and travel	23	59
16	Interest	16a	5,987	23a	Total meals and entertainment	23a	
		16b		24	Gifts (see instructions)	24	
17	Transportation	17	4,958	25	Charitable contributions (see page C-5)	25	
				26	Bad debt	26	
				27	Charitable contributions (see page C-5)	27	6,425
28	Total expenses. Enter on page 1 of Form 1040, 1040NR, or 1041	28	17,728				
29	Total amount of losses. Subtract line 28 from line 7	29	17,728				

30	Expenses for business use of your home (see page C-5)	30	
31	Net profit or (loss). Subtract line 30 from line 29 * If a profit, enter on both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 13 (if you are a partner on line 1, see page C-7). Studies and trust income on Form 1041, line 3. * If a loss, you must file line 32.	31	17,728

32 If you have a loss, enter the loss (Part III) on line 32 of Form 1040, line 12, or on Form 1040NR, line 13 (if you are a partner on line 1, see page C-7). Studies and trust income on Form 1041, line 3.
* If you checked 32b, you must attach Form 6198 and file with Form 1041.

For Paperwork Reduction Act Notice, see page C-9 of the instructions.

Part III Cost of Goods Sold (See page C-8)

33. Method used to value closing inventory: a. Cost b. Lower of cost or market c. Other (attach explanation)

34. Was there any change in determining quantities, basis, or valuation adjustments and closing inventory? Yes No

35. Inventory at beginning of year (amount from last year's closing inventory) (attach explanation)	35
36. Purchases less cost of labor in work in process	36
37. Change from beginning to ending inventory (attach explanation)	37
38. Materials and supplies	38
39. Fuel and oil	39
40. All other COGS adjustments	40
41. Inventory at end of year	41
42. Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on page 1, line 4	42

Part IV Information on Your Vehicle. Complete this part only if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 on page C-5 to find out if you must file Form 4562.

43. When do you place your vehicle in service for business purposes? (month, day, year)

44. Of the total number of miles you drove your vehicle during 2009, enter the number of miles you used your vehicle for:
 a. Business b. Commuting c. Other

45. Was your vehicle available for personal use during all busy hours? Yes No

46. Do you or your spouse have another vehicle available for personal use? Yes No

47. a. Do you have evidence to support your deduction? Yes No
 b. If Yes, is the evidence written? Yes No

Part V Other Expenses. List below business expenses not included on lines 8-16 or line 30.

BOOKKEEPING	5,301.
COMMUNICATIONS	303.
INTERNET	267.
COMPUTER EXPENSE	225.
POSTAGE	124.
PROJECT COSTS	205.
48. Total other expenses. Enter on page 1, line 27.	6,425.

SCHEDULE E
(Form 1040)

Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

GMB file 1515-0074

2009

Attachment
Sequence No. **13**

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1040, 1040NR, or Form 1041

▶ See instructions for Schedule E (Form 1040)

OMB No. 1545-0047

Your social security number

BRAD BEDDALL

Part 1 **Income or Loss From Rental Real Estate and Royalties** (Do not check the business if renting personal property. Use Schedule C or C-EZ, see page 1-3. If you are an individual reporting a rental activity, see Form 4835 on page 2, line 40)

1 List the type and address of each rental real estate property:		2 For each rental real estate property, indicate whether you or your family use it for more than 14 days for personal purposes more than the number of days in 2009:		Yes	No
A	B	A	B		
RESIDENTIAL RENTAL-VIEW RIDGE 330 ELM ST #202 EVER, WA					X
RESIDENTIAL RENTAL 588 ELM 588 ELM ST EDMONDS, WA					X
C					

INCOME:	Properties			Totals
	A	B	C	(Sum columns A, B, and C.)
3 Net rental income	6,600.	30,120.		36,720.
4 Depreciation				
Expenses:				
5 Repairs and maintenance				
6 Advertising and promotion				
7 Cleaning and maintenance				
8 Commissions				
9 Insurance		1,059.		
10 Legal and other professional fees				
11 Management fees				
12 Mortgage interest paid to banks, etc. (See page E-3.)	4,207.	13,981.		18,188.
13 Other interest				
14 Repairs	168.	12,053.		
15 Supplies				
16 Taxes	1,162.	4,867.		
17 Utilities		2,252.		
18 Other (see ▶)	2,752.	463.		
SEE STATEMENT 7				
SEE STATEMENT 8				
19 Add line 3 plus minus line 4	8,289.	34,675.		42,964.
20 Deduct column 4 plus or minus columns 5 through 18	2,568.	4,555.		7,123.
21 Total expenses (Add lines 5 through 18)	10,857.	39,230.		
22 Income or loss from rental real estate for taxable purposes. See Part III-B in the instructions for Form 990-B. If the taxpayer is a partner in a partnership, do not include this amount on this Form 990-B.	4,257.	9,110.		
23 Unallocated rental real estate loss. Caution: Your rental real estate loss on line 23 may be limited. See page E-5 in the instructions for Form 990-B. Real estate professionals must complete line 43 on page 2.	4,257.	9,110.		
24 Income. Add positive amounts shown on line 22. Do not enter loss on this line.				13,367.
25 Losses. Add rental losses from line 22. Do not enter loss on this line.				
26 Total rental real estate and royalty income or (loss). Enter the amount on line 24 plus or minus the amount on line 25. If you are a partner in a partnership, do not include this amount on this Form 990-B. If you are a partner in a partnership, do not include this amount on this Form 990-B. If you are a partner in a partnership, do not include this amount on this Form 990-B.				13,367.

For Paperwork Reduction Act Notice, see instructions.

Schedule E (Form 1040) 2009

SCHEDULE E
 Name **BRAD BECDAL**
 Pastthrough **BECDAL PROPERTIES, INC.**
 SSN/EIN **██████████**
 ID **20-2181572**
 Taxpayer **██████████**

NONPASSIVE	K-1 Input	Prior Year Unallowed Basis Loss	Disallowed Due to Basis Limitation	Prior Year Unallowed At-Risk Loss	Disallowed Due to At-Risk	Prior Year Passive Loss	Disallowed Passive Loss	YTD Return
SCHEDULE E, PAGE 2	4,176,786							
Ordinary business income (loss)								
Rents real estate income (loss)								
Other real estate income (loss)								
Intangible (debt) contracts/flow funds								
Self-liquidated passive site cost expense								
Guaranteed payments								
Section 179 and carryover								
Disallowed section 179 expense	4,176,786							4,176,786
Net income (loss)								
First pass-through								
Second pass-through								
Loss depletion								
Percentage depletion								
Depletion carryover								
Disallowed due to basis limitation								
Unreimbursed expenses (nonpassive)								
Nonpassive other								
Total Schedule E (page 2, FORM 4797)	4,176,786							4,176,786
Section 1231 gain (loss)								
Section 179 recapture on disposition								
SCHEDULE D								
Net short-term cap gain (loss)								
Net long-term cap gain (loss)								
Section 1256 contracts & straddles								
FORM 9962								
Investment interest expense - Sch. A								
Other net investment income								
ITEMIZED DEDUCTIONS								
Charitable contributions								
Deductions related to portfolio income								
Other								

2009
 SSWWEIN
 TAXPAYER

SCHEDULE E
 Name: BRAD BEDALL
 Passthrough BEDALL PROPERTIES, INC.
 S CORPORATION
 ID: 20-2182572

DISPOSITIVE	Net Income	Disallowed Due to Basis Limitation	Prior Year Unallowed At-Risk Loss	Disallowed (Net At Risk)	Prior Year Positive (or Allowed) Loss	Net Positive (or Allowed) Loss	Tax Return
INTEREST AND DIVIDENDS							
Interest income							
Interest from U.S. banks							
Corporate dividends							
Qualified dividends							
Tax exempt interest income							
FORM 6251							
Depreciation adjustment after 12/31/85							
Adjusted gain/loss							
Beneficiary's AMT adjustment							
Capital gain/loss (other than 0)							
Other							
MISCELLANEOUS							
Self-employment earnings: Wages							
Gain: business & holding co.							
Royalties							
Revolving credit: real estate							
Undistributed capital gains credit							
Backup withholding							
Credit for estimated tax							
Charitable deduction							
Medical expenses: 114D							
Expenditure care benefits							
Retirement plans							
Qualifying dividends: 114D							
Special dividend adjustment: 114D							
Penalty on early withdrawal of savings							
NOI							
After taxes recapture of credits							
Credits							
Casualty and theft loss							

2009

PASSTHROUGH RECAP - BASIC INFORMATION

Schedule E
BRAD BEDDALL

Schedule K-1 Line Reference: (1065 11205/0411)

File No.	Section 512(c)(13) Entity No.	Entity Name	1-16 Ordin. Income (L655)	2-27 Rental Real Estate (L655)	3-26 Other Rental Income (L655)	Passive Activity Losses (L655 C/D)	JMT Passive Activity (L655)	5-43 US Treasury Pubs. (MFRS)	6a-7c Synthetic Minority Int'l (MFRS)	8-73 Residuals	9a-9c Synthetic Minority Int'l (MFRS)
75	1	BEDDALL PROPERTIES, INC.	417,500								
Totals											

File No.	Section 512(c)(13) Entity No.	Entity Name	1-16 Ordin. Income (L655)	2-27 Rental Real Estate (L655)	3-26 Other Rental Income (L655)	Passive Activity Losses (L655 C/D)	JMT Passive Activity (L655)	5-43 US Treasury Pubs. (MFRS)	6a-7c Synthetic Minority Int'l (MFRS)	8-73 Residuals	9a-9c Synthetic Minority Int'l (MFRS)
Totals											
Component of											

Mr. Specific, Schedule K-1 line reference for these amounts.

2008 DEPRECIATION AND AMORTIZATION REPORT

RESIDENTIAL RENTAL ITEM RIDGE 330 EL

SCHEDULE E

Item No.	Description	Date Acquired	Method	Life	Unadjusted Cost Or Basis	Bus Expn	Section 179 Expn	Revalued In Base	Excess In Depreciation	Regulatory Accumulation Depreciation	Current Year Depreciation	Ending Accumulated Depreciation
101	LAND	01/01/92	L		19,640						0	
102	CONDOMINIUM	01/31/00	SL	27.5	67,500					21,981	4,450	42,164
103	CONDOMINIUM	01/31/00	SL	27.5	1,215					402	11	1,162
104	LOAN FEE	01/01/00	SL	27.5	1,705					555	52	51
105	LOAN FEE	05/11/99	SL	27.5	412					31	31	31
	TOTAL 2008 DEPR. & AMORTIZATION				41,772					23,001	1,064	25,571
	CURRENT YEAR ACTIVITY											
	BEGINNING BALANCE				58,630		0	0	80,630	23,001		25,571
	ACQUISITIONS				1,113		0	0	1,113	0		1,113
	DISPOSITIONS				0		0	0	0	0		0
	ENDING BALANCE				61,733		0	0	81,733	23,001		26,684

(0) - Asset disposed

ATC, Savage, Bonus, Commercial Revitalization Deduction, 60 Zone

25.2

2008 DEPRECIATION AND AMORTIZATION REPORT

RESIDENTIAL RENTAL 588 ELM 588 ELM S

SCHEDULE E

Asset No.	Description	Date Acquired	Life	Cost Or Basis	Section 179 Expense	Restoration in Basis	Base For Depreciation	Depreciable Asset Basis (Disposition)	Current Year Depreciation	Excess Sec. 179 Expense	Excess Accumulated Depreciation
201	LAND	08/10/02	RM	130,000			130,000				
202	BUILDING	08/30/02	SL	185,266			185,266	39,038	1,558		11,511
203	REPAIRS/RENTAL	08/10/02	RM	1,000			1,000	1,000			
204	LOAN FEE	02/23/05	RM	1,890			1,890		215		215
	TOTAL SCH E DEPR. & AMORTIZATION			316,816			316,816	39,038	5,018		35,399
	CURRENT YEAR ACTIVITY										
	BEGINNING BALANCE			218,324			218,324	21,264			
	ACQUISITIONS			1,890			1,890	0			1,890
	DISPOSITIONS			0			0	0			
	ENDING BALANCE			216,816			216,816	21,264			11,364

2008-09-14-08 (D: Asset disposed) (E: Salvage, Bonus, Commercial Realization, Deprecion, GO Zone)

ALTERNATIVE MINIMUM TAX DEPRECIATION REPORT

Line No.	Description	Date Acquired	AMT Method	AMT Life	AMT Cost or Basis	AMT Accumulated Depreciation	Regular Depreciation	AMT Adjustment	AMT Adjustment
	RESIDENTIAL RENTAL-VIEW RIDGE - 330 ELM ST #20								
102	CONDOMINIUM	01/01/00	SL	27.50	57,500.	21,991.	2,455.	2,455.	0.
103	CLOSING COSTS TO PURCHASE	01/01/00	SL	27.50	1,415.	457.	51.	51.	0.
104	LOAN FEES	01/01/00	SL	27.50	1,705.	555.	62.	62.	0.
	** SUBTOTAL **				70,620.	23,003.	2,568.	2,568.	0.
	RESIDENTIAL RENTAL-588 ELM 588 ELM ST EDMOND								
202	BUILDING	08/30/02	SL	27.50	125,266.	29,038.	4,555.	4,555.	0.
	** SUBTOTAL **				125,266.	29,038.	4,555.	4,555.	0.
	*** GRAND TOTAL ***				195,886.	52,041.	7,123.	7,123.	0.

App. C-36

4562

SCHEDULE E 1
Depreciation and Amortization
(Including Information on Listed Property)

2009

See separate instructions Attach to your tax return.

BRAD BEDALL

RESIDENTIAL RENTAL VIEW
RIDGE - 330 ELM ST #202

Part I Election To Expense Certain Property Under Section 179. 1 Maximum amount 250,000. 2 Total cost of section 179 property placed in service 800,000. 3 Unadjusted cost basis 800,000. 4 Business income limitation. 5 Section 179 expense deduction. 6 Table with columns for Description, Depreciable cost, and Section 179 expense. 7-13 Summary lines for Section 179 election.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property). 14 Special depreciation allowance. 15 Property subject to section 168(k) election. 16 Other depreciation including ACRS.

Part III MACRS Depreciation (Do not include listed property). Section A: 17 MACRS deductions for assets placed in service in 2009. 18 Summary line for Section A: 2,568.

Section B - Assets Placed in Service During 2009 Tax Year Using the General Depreciation System. Table with columns: Description, Class life, Recovery period, Convention, and Depreciation method. Rows include 19a-f (General property) and 19g-h (Residential rental property).

Section C - Assets Placed in Service During 2009 Tax Year Using the Alternative Depreciation System. Table with columns: Description, Class life, Recovery period, Convention, and Depreciation method. Rows include 20a-c (Class life).

Part IV Summary (See instructions). 21 Listed property. 22 Total. 23 For assets shown above and placed in service during 2009, the portion of the basis attributable to section 263A costs.

Part V Listed Property (Include and identify in Part III vehicles, qualified nonexempt computers, and property used for entertainment, education, or improvement.)
 Note: Listed property for which you are using the optional method for deducting depreciation completely 24a-24b columns (a) through (f) of Section A and Section 5, and Section 179(b)(4)(B).

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

24a	Do you use the optional method?					24b If "Yes," is the evidence written?				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
Cost of property that relates back to 2008	Business use percentage	Business use percentage for 2008	Business use percentage for 2009	Business use percentage for 2010	Business use percentage for 2011	Depreciation method	Adjusted Depreciation	Depreciation deduction	First Section 179 cost	
25	Special depreciation allowance for qualified property, property services during the tax year and used more than 50% in a qualified business use					25				
26	Property used more than 50% in a qualified business use									
27	Property used 50% or less and qualifies for special use									
28	Additional depreciation for property placed in service in 2008									28
29	Additional depreciation for property placed in service in 2009									29

Section B - Information on Use of Vehicles

Complete this section for vehicles used in 2009 for which neither method is other than that 5% or more in related person. If you are not subject to any limitation that one of the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Truck		(b) Vehicle		(c) Vehicle		(d) Vehicle		(e) Vehicle		(f) Vehicle	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
30	Total business-related driving during the year (do not include commuting miles)											
31	Total commuting miles driven during the year											
32	Total other personal noncommuting miles driven											
33	Total miles driven during the year (do not include 30 through 32)											
34	Was the vehicle available for rental or lease during the year?											
35	Was the vehicle used primarily for non-business purposes during the year?											
36	Is another person entitled to use the vehicle?											

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

Answer these questions to determine if you are subject to the rules in Section B for vehicles used by employees who are not more than 5% owners or related persons.

	Yes	No
37	Do you maintain a written policy that prohibits all personal use of vehicles including commuting by your employees?	
38	Do you maintain a written policy that prohibits personal use of vehicles except commuting by your employees? Note that written policies for vehicles used by corporate officers, directors, or 1% or more owners.	
39	Do you have a record of each vehicle's use for each day during the year?	
40	Do you prohibit personal use of vehicles by employees who are not more than 5% owners or related persons?	
41	Do you use the requirements concerning qualified automobiles that apply to you?	

Note: If you answer to 37, 38, 39, or 41 is "yes," do not complete Section B for the covered vehicles.

Part VI Amortization

	(a)	(b)	(c)	(d)	(e)	(f)	
	Cost of property	Business use percentage	Business use percentage for 2009	Business use percentage for 2010	Business use percentage for 2011	Amortization deduction	
42	Amortization of costs that began in 2009 (tax year)						
	LOAN FEES		0.31109	1.113		360M 31.	
43	Amortization of costs that began before your 2009 tax year						
44	Total amortization deduction (See the instructions for carry-over)						31.

4562

SCHEDULE E 2
Depreciation and Amortization
(Including Information on Listed Property)

OMB No. 1545-0047

2009

OMB No. 1545-0047

See separate instructions. Attach to your tax return.

BRAD BEDDALL

RESIDENTIAL RENTAL-588
ELM 588 ELM ST EDMONDS

Part I Election To Expense Certain Property Under Section 179 Note: See instructions for details regarding this election. Complete Part I before you complete Part II.

Table with 5 columns: Line number, Description, and Amount. Includes rows for maximum amount (250,000), total cost of section 179 property (800,000), and carryover of disallowed deduction to 2010.

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

Table with 2 columns: Line number and Amount. Includes rows for special depreciation allowance (14), property subject to section 168(f)(1) election (15), and other depreciation including ACRS (16).

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

Section A

Table with 2 columns: Line number and Amount. Row 17: MACRS deductions for assets placed in service in tax years beginning before 2009 (4,555).

Section B - Assets Placed in Service During 2009 Tax Year Using the General Depreciation System

Table with 7 columns: Description, Convention, Recovery period, Method, and System. Rows include 3-year, 5-year, 7-year, 10-year, 15-year, 20-year, and 25-year property, as well as residential rental and nonresidential real property.

Section C - Assets Placed in Service During 2009 Tax Year Using the Alternative Depreciation System

Table with 5 columns: Class life, Recovery period, Method, and System. Rows include 12-year and 40-year property.

Part IV Summary (See instructions.)

Table with 2 columns: Line number and Amount. Includes rows for listed property (21), total ACRS amounts (22, 4,555), and carryover of disallowed deduction to 2010 (23).

LHA For Paperwork Reduction Act Notice, see separate instructions.

Form 4562 (2009)

Part V Listed Property includes automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.
 Note: For any vehicle to which you are using the standard mileage rate or Jeopardy asset expense, complete only 24a, 24b, column (a) through (c) of Section A, and Section B and Section C, if applicable.

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

24a Do you have evidence to support the business use claim? Yes No 24b If "Yes," is the evidence written? Yes No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business purpose and description	(d) Cost or other basis	(e) Estimated depreciation allowed	(f) Estimated depreciation allowed	(g) Method of convention	(h) Depreciation deduction	(i) First year in class
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use								
26 Property used more than 50% in a qualified business use								
27 Property used 50% or less in a qualified business use								
28 Add amounts in column (h) lines 25 through 27. Enter here and on line 21, page 1								
29 Add amounts in column (h) line 27. Enter here and on line 7, page 1								

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or owner more than 50% owner, or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this part on these vehicles.

	(a) Vehicle		(b) Vehicle		(c) Vehicle		(d) Vehicle		(e) Vehicle		(f) Vehicle	
	Yes	No										
30 Total business-related miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (non-commuting) miles driven												
33 Total miles driven during the year Add lines 30 through 32												
34 Was the vehicle available for personal use during all duty hours?												
35 Was the vehicle used primarily by a minor than 5% owned or related person?												
36 Is another vehicle available for personal use?												

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

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by an employee who is not over 50% owner or related person.

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners.		
39 Do you limit all use of vehicles by employees to business purposes?		
40 Do you provide more than two vehicles to your employees? Obtain information from your employees about the use of the vehicles, and file the information received.		
41 Do you meet the requirements concerning qualified automobile compensation use?		

Note: If you answer to 37, 38, 39, or 41 is "yes," do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of asset	(b) Depreciation allowed	(c) Depreciation allowed	(d) Depreciation allowed	(e) Depreciation allowed	(f) Depreciation allowed
42 Amortization of costs that began during your 2009 tax year LOAN FEES	022409	7,890		360M	219
43 Amortization of costs that began before your 2009 tax year				43	244
44 Total. Add amounts in column (f). See the instructions for where to report.				44	463

Schedule A - Net Operating Loss (NOL)

2009

Name

Social Security Number

BRAD BEDDALL

1	Enter the amount from your 2009 Form 1040 line 21 or Form 1040PR line 18 (includes any amount with Form 1041 and 9. Estates and trusts enter 10 code in column 17) or the total of the charitable deduction, income deferral deduction, and exemption amount			1	4,190,345.
2	Nonbusiness capital losses before limitation. Enter as a positive number	2			
3	Nonbusiness capital gains without regard to the Section 1212 exclusion	3			
4	If line 2 is more than line 3, enter the difference (enter zero if zero)	4	0.		
5	If line 3 is more than line 2, enter the difference (enter zero if zero)	5	0.		
6	Nonbusiness deductions (see instructions)	6	42,532.		
7	Nonbusiness income other than capital gains (see instructions)	7	60,068.		
8	Add lines 4 and 7	8	60,068.		
9	If line 8 is more than line 4, enter the difference (enter zero if zero)	9		0.	
10	If line 8 is more than line 7, enter the difference (enter zero if zero). But do not enter more than line 5	10	0.		
11	Business capital losses before limitation. Enter as a positive number	11			
12	Business capital gains without regard to the Section 1202 exclusion	12			
13	Add lines 10 and 12	13			
14	Subtract line 13 from line 11. If zero or less, enter 0	14	0.		
15	Add lines 4 and 14	15			
16	Enter the loss, if any, from line 16 of Schedule D (Form 1040) (Estates and trusts enter the loss, if any, from line 15, column (2) of Schedule D (Form 1041)). Enter as a positive number. If you do not have a loss on that line (and do not have a Section 1202 exclusion), skip lines 15 through 21 and enter on line 22 the amount from line 15	16			
17	Section 1202 exclusion. Enter as a positive number	17			
18	Subtract line 17 from line 16. If zero or less, enter 0	18			
19	Enter the loss, if any, from line 21 of Schedule D (Form 1040) (Estates and trusts enter the loss, if any, from line 19 of Schedule D (Form 1041)) as a positive number	19			
20	If line 19 is more than line 18, enter the difference (enter zero if zero)	20			
21	If line 19 is more than line 18, enter the difference (enter zero if zero)	21			
22	Subtract line 20 from line 15. If zero or less, enter 0	22			
23	Corporate dividend income (except for non-Form 1099 dividends) and Form 1041 line 10a	23			
24	NOL rights for the losses from other years. Enter as a positive number	24			
25	NOL. Combine lines 1 through 24. If the result is less than zero, the loss is your current year NOL. If the result is zero or more, you do not have an NOL	25			4,190,345.

Alternative Tax Net Operating Loss Worksheet

2009

NAME OF TAXPAYER
BRAD BEDDALL

Social Security Number

1. Loss for the current year			4,193,995.
2. Personal exemption		3,650.	
3. Depreciation for July 2009			
4. Excess of depreciation for July 2009 over nonbusiness use for 2009			
(A) Add the amount of excess depreciation		36,954.	
(B) Add business use for 2009		60,068.	
(C) Subtract the amount of excess depreciation for 2009			
(D) Total for July 2009		60,068.	
(E) Difference for July 2009 over nonbusiness use			0.
5. Adjusted depletion for personal capital loss			
(A) Business capital loss			
(B) Line 4(D) minus 4(A), but less than zero. Normal entry cannot be made.	0.		
(C) Business capital loss without regard to any section 1202 exclusion			
(D) Total for July 2009			
(E) Difference for July 2009 over nonbusiness use			
6. Loss for the current year for the 2009 year			
7. Excess of nonbusiness use for 2009 over 2009			
8. Total for the 2009 year		5,578.	
9. Total for the 2009 year			
10. Total for the 2009 year			9,228.
11. Total for the 2009 year			4,184,767.

AMT NOL		Detail AMT NOL Carryover Worksheet										2009
Name(s)		Social Security #										
Year Carried From	Amount Available for Carryover	Amount Used in 2004	Amount Used in	Amount Available								
2009	4184767.											
Totals		4184767.	0.									
Total amount available for carryover												4184767.
Less total amounts used												0.
Less total amounts allowed												0.
Remaining carryover												4184767.

Election to Carryback Net Operating Loss

Brad Beddall
152 3rd Avenue S, #101
Edmonds, WA 98020

Taxpayer Identification Number: [REDACTED]

For the Year Ending December 31, 2009

Brad Beddall hereby elects to apply Sec. 172(b)(1)(H) under Revenue Procedure 2009-52 to carryback any NOL incurred for the tax year ended December 31, 2009. The taxpayer is not a TARP recipient nor, in 2008 or 2009, an affiliate of a TARP recipient. The NOL carryback period selected is 5 preceding years.

Election to Combine Rental Real Estate Interests Into One
Activity Pursuant to IRC Sec. 469(c)(7)(A)

Brad Beddall
152 3rd Avenue S. #101
Edmonds, WA 98020

Taxpayer Identification Number: [REDACTED]

For the Year Ending December 31, 2009

Brad Beddall hereby elects, pursuant to IRC Sec. 469(c)(7)(A), to combine all rental real estate interests into one activity. For the tax year ending December 31, 2009, Brad Beddall was a qualifying taxpayer as defined by IRC Sec. 469(c)(7)(B).

BRAD BEDDALL



FOOTNOTES

STATEMENT 1

TAXPAYER IS ELECTING TO APPLY SECTION 172(B)(1)(H)
UNDER REV. PROC. 2009 52.

TAXPAYER IS NOT A TARP RECIPIENT NOR, IN 2008 OR 2009, AN
AFFILIATE OF A TARP RECIPIENT.

TAXPAYER IS ELECTING AN NOL CARRYBACK PERIOD OF 5 YEARS.

BRAD BEDDALL



FORM 1040 IRA DISTRIBUTIONS STATEMENT 3

NAME OF PAYER	GROSS DISTRIBUTION	TAXABLE AMOUNT
FRONTIER BANK	52,827.	52,827.
TOTAL TO FORM 1040, LINE 15	52,827.	52,827.

SCHEDULE A OTHER TAXES STATEMENT 4

DESCRIPTION	AMOUNT
AUTO LICENSE	235.
BOAT LICENSE	898.
TOTAL TO SCHEDULE A, LINE 8	1,133.

SCHEDULE A POINTS NOT REPORTED ON FORM 1098 STATEMENT 5

DESCRIPTION	DATE RE-FINANCED	TOTAL POINTS	AMORT. PERIOD /MOS.	AMORTIZATION THIS YEAR
REFINANCE POINTS	11/01/98	2,500.	360	1,656.
REFINANCE	03/27/09	5,213.	360	130.
TOTAL TO SCHEDULE A, LINE 12				1,786.

SCHEDULE A MEDICAL AND DENTAL EXPENSES STATEMENT 6

DESCRIPTION	AMOUNT
PRESCRIPTION MEDICINES AND DRUGS	9,847.
EYEGASSES AND CONTACTS	31.
DOCTORS, DENTISTS, ETC.	1,972.
MEDICARE PREMIUMS WITHHELD	2,852.
SELF EMPLOYED HEALTH INSURANCE	3,518.
TOTAL TO SCHEDULE A, LINE 1	18,220.

BRAD BEDDALL



SCHEDULE E OTHER EXPENSES STATEMENT 7

RESIDENTIAL RENTAL VIEW RIDGE 330 ELM ST #202 EVER, WA

DESCRIPTION	AMOUNT
HOME OWNERS DUES	2,721.
AMORTIZATION	31.
TOTAL TO SCHEDULE E, PAGE 1, LINE 18	2,752.

SCHEDULE E OTHER EXPENSES STATEMENT 8

RESIDENTIAL RENTAL 588 ELM - 588 ELM ST EDMONDS, WA

DESCRIPTION	AMOUNT
AMORTIZATION	463.
TOTAL TO SCHEDULE E, PAGE 1, LINE 18	463.

SCHEDULE E RECONCILIATION FOR REAL ESTATE PROFESSIONALS STATEMENT 9

FORM	DESCRIPTION	AMOUNT
SCH E P1	RESIDENTIAL RENTAL-VIEW RIDGE 330 ELM ST #202 EVER, WA	-4,257.
SCH E P1	RESIDENTIAL RENTAL 588 ELM 588 ELM ST EDMONDS, WA	-9,110.
TOTAL TO SCHEDULE E, LINE 43		-13,367.

TRANER SMITH & CO., P.S.
110 JAMES STREET, SUITE 106
EDMONDS, WASHINGTON 98020

BRAD BEDDALL
152 3RD AVENUE S, #101
EDMONDS, WA 98020

|||||

40-15
67-15

Caution: Forms printed from within Adobe Acrobat products may not meet IRS or state taxing agency specifications. When using Acrobat 5.x products, uncheck the "Shrink oversized pages to paper size" and uncheck the "Expand small pages to paper size" options, in the Adobe "Print" dialog. When using Acrobat 6.x and later products versions, select "None" in the "Page Scaling" selection box in the Adobe "Print" dialog.

CLIENT'S COPY

Two-Year Comparison Worksheet

2009

Name(s) as shown on return BRAD BEDDALL		Serial or other number
2008 Filing Status 2008 Tax Bracket	SINGLE 0.0%	2009 Filing Status 2009 Tax Bracket
		SINGLE 0.0%

Description	Tax Year: 2008	Tax Year: 2009	Increase (Decrease)
SCHEDULE B - TAXABLE INTEREST	15,551.	7,241.	8,310.
SCH. C/C EZ (BUSINESS INCOME/LOSS)	-82,286.	-17,728.	64,558.
TAXABLE IRA DISTRIBUTIONS	0.	52,827.	52,827.
SCHEDULE E (RENTAL AND PASSTHROUGH)	-253,522.	4,190,153.	3,936,631.
TOTAL INCOME	320,257.	4,147,813.	3,827,556.
PENALTY ON WITHDRAWAL OF SAVINGS	4,172.	0.	4,172.
TOTAL ADJUSTMENTS	4,172.	0.	4,172.
ADJUSTED GROSS INCOME	-324,429.	4,147,813.	3,823,384.
MEDICAL AND DENTAL EXPENSES	89,075.	18,220.	70,855.
TAXES	5,459.	5,578.	119.
INTEREST (DEDUCTIBLE)	12,191.	18,734.	6,543.
TOTAL ITEMIZED DEDUCTIONS	106,725.	42,532.	64,193.
INCOME BEFORE EXEMPTIONS	-431,154.	4,190,345.	3,759,191.
PERSONAL EXEMPTIONS	7,000.	3,650.	3,350.
TAXABLE INCOME	-438,154.	-4,193,995.	3,755,841.
ESTIMATED TAX PAYMENTS	12,950.	0.	12,950.
TOTAL PAYMENTS	12,950.	0.	12,950.
TAX OVERPAID	12,950.	0.	12,950.
AMOUNT REFUNDED	12,950.	0.	12,950.

TRANER SMITH & CO., P.S.
Certified Public Accountants
110 James Street, Suite 106, Edmonds, WA 98020
tel: 425.640.8650 fax: 425.640.8655

June 7, 2010

Brad Beddall
152 3rd Avenue S, #101
Edmonds, WA 98020

Dear Brad:

Enclosed is your 2009 income tax return.

Specific filing instructions are as follows.

FEDERAL INCOME TAX RETURN

This return has been prepared for electronic filing and the practitioner PIN program has been elected. If you wish to have your return transmitted electronically to the IRS, please sign and return Form 8879 to our office. We will then submit your electronic return to the IRS. Do not mail the paper copy of the return to the IRS. Return federal Form 8879 to us by October 15, 2010.

No payment is required.

FORM 1045 APPLICATION FOR TENTATIVE REFUND

Mail your application for tentative refund on or before December 31, 2010:

Mail to Department of the Treasury
Internal Revenue Service Center
Fresno, CA 93888-0002

A refund of \$1,196.433 has been requested.

Form 1045 should be signed and dated by you.

Your copy of the return is enclosed for your files. We suggest that you retain this copy indefinitely.

Sincerely,

Kenneth G. Smith CPA

2009 TAX RETURN FILING INSTRUCTIONS

U.S. INDIVIDUAL INCOME TAX RETURN

FOR THE YEAR ENDING
December 31, 2009

Prepared for	Brad Beddall 152 3rd Avenue S. #101 Edmonds, WA 98020												
Prepared by	Traner Smith & Co., P.S. 110 James Street, Suite 106 Edmonds, Washington 98020												
Amount of tax	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Total tax</td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 10%; text-align: right;">0</td> </tr> <tr> <td>Less payments and credits</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Plus interest and penalties</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">0</td> </tr> <tr> <td colspan="3">No amt. required</td> </tr> </table>	Total tax	\$	0	Less payments and credits	\$	0	Plus interest and penalties	\$	0	No amt. required		
Total tax	\$	0											
Less payments and credits	\$	0											
Plus interest and penalties	\$	0											
No amt. required													
Overpayment	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Miscellaneous Donations</td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 10%; text-align: right;">0</td> </tr> <tr> <td>Credit for your estimated tax</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Refunded to you</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">0</td> </tr> </table>	Miscellaneous Donations	\$	0	Credit for your estimated tax	\$	0	Refunded to you	\$	0			
Miscellaneous Donations	\$	0											
Credit for your estimated tax	\$	0											
Refunded to you	\$	0											
Make check payable to	Not applicable												
Mail tax return and check (if applicable) to	This return has been prepared for electronic filing and the practitioner PIN program has been elected. To have it transmitted electronically, sign and return Form 8879 to our office. We will then submit your electronic return to the IRS.												
Return must be mailed on or before	Return federal Form 8879 to us by October 15, 2010.												
Special Instructions													

450017
01-10-10

TAX RETURN FILING INSTRUCTIONS

FORM 1045 - APPLICATION FOR TENTATIVE REFUND

FOR THE YEAR ENDING
December 31, 2009

Prepared for	Brad Reddall 152 3rd Avenue S, #101 Edmonds, WA 98020
Prepared by	Traner Smith & Co., P.S. 110 James Street, Suite 106 Edmonds, Washington 98020
Mail tax return to	Department of the Treasury Internal Revenue Service Center Fresno, CA 93888 0002
Return must be mailed on or before	December 31, 2010
Special instructions	Form 1045 should be signed and dated by you. A refund of \$1,196,433 has been requested.

TRANER SMITH & CO., P.S.
Certified Public Accountants
110 James Street, Suite 106, Edmonds, WA 98020
Tel: 425.640.8650 fax: 425.640.8655

PRIVACY POLICY

CPAs, like all providers of personal financial services, are now required by law to inform their clients of their policies regarding privacy of client information. CPAs have been and continue to be bound by professional standards of confidentiality that are even more stringent than those required by law. Therefore, we have always protected your right to privacy.

TYPES OF NONPUBLIC PERSONAL INFORMATION WE COLLECT

We collect nonpublic personal information about you that is either provided to us by you or obtained by us with your authorization.

PARTIES TO WHOM WE DISCLOSE INFORMATION

For current and former clients, we do not disclose any nonpublic personal information obtained in the course of our practice except as required or permitted by law. Permitted disclosures include, for instance, providing information to our employees and, in limited situations, to unrelated third parties who need to know that information to assist us in providing services to you. In all such situations, we stress the confidential nature of information being shared.

PROTECTING THE CONFIDENTIALITY AND SECURITY OF CURRENT AND FORMER CLIENTS' INFORMATION

We retain records relating to professional services that we provide so that we are better able to assist you with your professional needs and, in some cases, to comply with professional guidelines. In order to guard your nonpublic personal information, we maintain physical, electronic, and procedural safeguards that comply with our professional standards.

Please call if you have any questions, because your privacy, our professional ethics, and the ability to provide you with quality financial services are very important to us.

**Tax Year 2009 e-file Jurat/Disclosure
for Form 1040, 1040A, or 1040EZ
using Practitioner PIN method
(with or without Electronic Funds Withdrawal)**

ERO Declaration

I declare that the information contained in this e-filed tax return is the information reported to me by the taxpayer. If the taxpayer furnished me a completed tax return, I declare that the information contained in this electronic tax return is identical to that contained in the return prepared by the taxpayer. If this tax return is signed by a paid preparer, I declare I have entered the paid preparer's name as authorized by the taxpayer in the PIN field of this electronic return. If I am the paid preparer, under the penalties of perjury, I declare that I prepared this return and I am the preparer, and to the best of my knowledge and belief all the information and data are true and correct. This declaration, to the best of my knowledge and belief, is true and correct.

ERO Signature

I am signing this Tax Return by entering my PIN below.

ERO's PIN: [REDACTED]

enter PIN in the appropriate field

Taxpayer Declarations

Perjury Statement

Under penalties of perjury, I declare that I prepared this return, including any accompanying statements and schedules, and to the best of my knowledge and belief it is true and I am not a preparer.

Consent to Disclosure

I consent to allow my Intermediate Service Provider, transmitter, or Electronic Return Originator (ERO) to send my return from to IRS and to receive the following information from IRS: 1) acknowledgment of receipt or reason for rejection of transmission; 2) refund offset; 3) reason for any delay in processing the return or refund, and 4) date of any refund.

I am signing this Tax Return and Electronic Funds Withdrawal Consent, if applicable, by entering my Self-Select PIN below.

Taxpayer's PIN: [REDACTED]

Date: 06072010

Spouse's PIN: _____

▼ LETWATQEE ▼

**Application for Automatic Extension of Time
To File U.S. Individual Income Tax Return**

2009

Part I Identification	Part II Individual Income Tax
<p>1. Name (Last, first, and middle initial) BRAD BEDDALL</p> <p>2. Home address (Street, city, state, and ZIP+4) 152 3RD AVENUE S. #101 EDMONDS, WA 98020</p> <p>3. Social Security number [REDACTED]</p>	<p>4. Estimated total tax for 2009, less credits \$ 0.</p> <p>5. Total 2009 tax owed 0.</p> <p>6. Balance due, 2009, less 2008 refund 0.</p> <p>7. Amount you are paying 0.</p> <p>8. Check here if you are a nonresident alien or a dual status alien <input type="checkbox"/></p> <p>9. <input type="checkbox"/></p>

532403310 AA 0000 30 0 200912 670

**SECTION 172(B)(1)(H) ELECTION
UNDER REV. PROC. 2009-52
Application for Tentative Refund**

Form **1045**

OMB No. 1545-0049

2009

▶ See separate instructions ▶ Do not attach to your income tax return - mail in a separate envelope ▶ For use by individuals, estates, or trusts

Type or print	Name(s) shown on return BRAD BEDDALL	Social security or EIN [REDACTED]
	Number, street, and apt. or suite no. If a P.O. box, see the instructions. 152 3RD AVENUE S, #101	Spouse's social security number
	City, town or post office, state, and ZIP code. If a foreign address, see the instructions. EDMONDS, WA 98020	Daytime phone number 425 771-4846

1 The application is filed in calendar year:	a. For calendar year 2004 or earlier: \$ 4,190,345.	b. For 2005: \$	c. For 2006: \$	d. For 2007: \$	e. For 2008: \$
--	--	-----------------	-----------------	-----------------	-----------------

2 a. For the calendar year 2004 or earlier, the beginning and ending dates of the period for which the election is being made: **1/1/04 to 12/31/05**

3 If this application is for an interest-free advance, the amount of the advance is: **\$0**

4 If you filed a joint return for the period beginning on the date of the election and ending on the date of the election, and you filed a separate return for the period beginning on the date of the election and ending on the date of the election, the amount of the advance is: **\$0**

5 If you filed a joint return for the period beginning on the date of the election and ending on the date of the election, and you filed a separate return for the period beginning on the date of the election and ending on the date of the election, the amount of the advance is: **\$0**

6 If you changed your marital status during the period beginning on the date of the election and ending on the date of the election, the amount of the advance is: **\$0**

7 Have you filed a joint return for the period beginning on the date of the election and ending on the date of the election? Yes No

8 Is any part of the period for which the election is being made a period for which you were married? Yes No

9 If you are carrying back the election to a period for which you were married, the amount of the advance is: **\$0**

Computation of Decrease in Tax	Preceding tax year ended 12/31/04		STH preceding tax year ended 12/31/04		4TH preceding tax year ended 12/31/05	
	Before carryback	After carryback	Before carryback	After carryback	Before carryback	After carryback
10 AGI deduction after carryback adjustment				4,190,345.		3,878,994.
11 Adjusted gross income		655,123.		352,841.	1,470,157.	2,408,837.
12 Deductions		32,421.		41,490.	8,076.	41,823.
13 Subtract line 12 from line 11		622,702.		311,351.	1,462,081.	2,450,660.
14 Examples (see instructions)						3,200.
15 Taxable income. Line 13 minus line 14		622,702.		311,351.	1,462,081.	2,453,860.
16 Income tax. See instructions and attach an explanation		198,853.		90,035.	492,198.	0.
17 Alternative minimum tax, including 16 and 17		0.		0.	0.	0.
18 Total tax		198,853.		90,035.	492,198.	0.
19 Federal business credit (see instructions)						
20 Other credits (see instructions)						
21 Total credits. Add lines 19 and 20						
22 Subtract line 21 from line 18		198,853.		90,035.	492,198.	
23 Self-employment tax		39,741.		39,741.		
24 State taxes						
25 Total tax. Add lines 22 through 24		238,594.		129,776.	492,198.	
26 Enter the amount from the "After carryback" column on line 25 for each year				129,776.		
27 Overpayment of tax. Line 25 minus line 26				108,818.	492,198.	

28 Overpayment of tax due to the extent of the overpayment for the period for which the election is being made: **\$108,818.**

Sign Here: **FRANER SMITH & CO., P.S.**
110 JAMES STREET, SUITE 106
EDMONDS, WASHINGTON 98020

Date: **06/07/10**

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see the instructions. Form 1045 (2009)

1045

Application for Tentative Refund

OMB No. 1545-0048

2009

See separate instructions. Do not attach to your income tax return. mail in a separate envelope. For use by individuals, estates, or trusts.

Name: BRAD BEDDALL, Social security of Efil, Spouse's social security number, Daytime phone number: 425-771-4846

1. The applicable year is 2008. 2a. For the calendar year 2008, was the taxpayer a decedent? No. 3. If the applicant is a decedent, was the refund requested by another decedent, after death of first decedent? No. 4. If you filed a federal income tax return for some other tax year, was the refund requested by any other decedent with the year and social security number? No. 5. If you filed a federal income tax return for 2008, was the refund requested by any other decedent? No. 6. If you filed a federal income tax return for 2008, was the refund requested by any other decedent? No. 7. If you filed a federal income tax return for 2008, was the refund requested by any other decedent? No. 8. If you filed a federal income tax return for 2008, was the refund requested by any other decedent? No. 9. If you filed a federal income tax return for 2008, was the refund requested by any other decedent? No.

Table with 7 columns: Note, 3RD preceding year ended 12/31/06, 2ND preceding year ended 12/31/07, 1ST preceding year ended 12/31/08. Rows include 10-28 detailing tax adjustments and carrybacks.

Sign Here, Preparer Other Than Taxpayer

Schedule B-NOL Carryover (see instructions)

Complete this column before going to the next column. Start with the carryover carryback year	3RD preceding tax year ended ▶	5TH preceding tax year ended ▶ 12/31/04	4TH preceding tax year ended ▶ 12/31/05
1 NOL deduction (see instructions) Enter as a positive number			1,442,061.
2 Taxable income before 2009 NOL carryback. Estates and trusts, enter the this amount by the end of the 2nd year of deferral and regular deferral only. See instructions		622,702.	152,041.
3 Self-employed health insurance deduction			
4 Section 1202 exclusion (See 25% and 18% limits)			
5 Domestic production activity deduction			
6 Adjustment to state income tax (see instructions)			
7 Adjustment to net operating loss deduction (see instructions)			
8 Intergovernmental deduction for ex-empting points are allowed for Form 9914, but not for 2009 and 2008. Estates and trusts, enter a negative amount			
9 Modified taxable income. Combine lines 2 through 8. If zero or less, enter -0-		311,351.	1,442,061.
10 NOL carryover (see instructions)			
Adjustment to Itemized Deductions (Individuals Only)			
Combine lines 11 through 21 for the carryback year(s) in which you were not deducting only if line 9, 4, or 5 above is more than zero			
11 Adjusted gross income before 2009 NOL carryover			
12 Add lines 1 through 6 above			
13 Amount adjusted gross income. Add lines 11 and 12			
14 Medical expenses from 2009 (see instructions) line 17 on previous year's return			
15 Medical expenses from 2008 (see instructions) line 17 on previous year's return			
16 Subtract line 13 from lines 14 and 15			
17 Subtract line 16 from line 15. If zero or less, enter -0-			
18 Subtract line 17 from line 13			
19 Qualified mortgage interest (see instructions) line 12 on previous year's return plus any carryback adjustments			
20 Refund of qualified mortgage interest payments (see instructions) line 13			
21 Subtract line 20 from line 19			

Schedule B-NOL Carryover (Continued)

Complete one column before going to the next column. Start with the earliest carryback year.	Preceding tax year ended ▶	5TH (page 4000) tax year ended ▶ 12/31/04	4TH (page 4000) tax year ended ▶ 12/31/05
22 Modified adjusted gross income (line 13 on page 3)			
23 Enter as a positive number the NOL carryback from a year before 2004 that was deducted to figure net operating loss on page 3			
24 Add lines 22 and 23			
25 Enter the contribution limitation for 2005 (line 18 above) to the 2005 and 2004 carryback years (see instructions)			
26 Adjusted charitable contribution (line 18 on page 3)			
27 Subtract line 26 from line 24			
28 Enter the amount of the 2005 and 2004 carryback NOLs (see instructions)			
29 Enter the amount of the 2005 and 2004 carryback NOLs (see instructions)			
30 Multiply line 22 by 50% (0.50)			
31 Subtract line 30 from line 29. If zero or less, enter -0			
32 Subtract line 31 from line 28			
33 Enter the amount of the 2005 and 2004 carryback NOLs (see instructions)			
34 Enter the amount of the 2005 and 2004 carryback NOLs (see instructions)			
35 Multiply line 22 by 2% (0.02)			
36 Subtract line 35 from line 34. If zero or less, enter -0			
37 Subtract line 36 from line 33			
38 Complete the worksheet on the instructions. If line 22 is more than the applicable amount shown below, more than one-half that amount of the NOL may be carried back separately for the following years: <ul style="list-style-type: none"> • \$120,000 for 1995 • \$128,950 for 2001 • \$132,950 for 2003 • \$137,300 for 2007 • \$139,500 for 2008 • \$142,400 for 2009 • \$145,450 for 2005 • \$148,500 for 2006 • \$151,400 for 2010 • \$154,450 for 2008 (Compare the applicable amount on lines 32 and 37; enter the result on line 7 (Page 3))			

Schedule B-NOL Carryover

Complete or obtain before the start of the carryback year	3RD preceding tax year ended 12/31/06	2ND preceding tax year ended 12/31/07	1ST preceding tax year ended 12/31/08
1 ROL deduction (see instructions for applicable limitation)	241,691.3	764,016.	528,749.
2 Taxable income before ROL carryover (Estate and trust income less personal exemption and other deductions and credits, including charitable)	165,069.7	231,001.	438,154.
3 Refund of excess deductions (see instructions)			
4 Section 179D tax credit carryover (see instructions)			
5 Tax-exempt interest (see instructions)			
6 Adjusted taxable gift (see instructions for carryover)			
7 Adjusted taxable gift (see instructions for carryover)			
8 Individuals only: deduction for charitable contributions (see instructions for 2006, 2007, and 2008; Estates and trusts see instructions)	2,200.	2,266.	7,000.
9 Modified taxable income: Contributions 2 through 8 (if zero or less, enter 0)	165,289.7	235,267.	0.
10 ROL carryover (see instructions) Adjustment to Itemized Deductions (Individuals Only) Complete lines 11 through 20 for applicable years (1) for which carryover deductions apply (line 3, 4, or 5) and (2) for which the rollover applies	764,016.	528,749.	528,749.
11 Adjusted gross income before gifts (line 7)			
12 Adjusted gross income (line 7)			
13 Modified adjusted gross income (line 7) and 12			
14 Adjusted expenses from Schedule A (line 14) for applicable years (see instructions)			
15 Charitable expenses from Schedule A (line 14) for applicable years (see instructions)			
16 Deduction for 10% (25% if 2008)			
17 Deduction for 18 (see line 14) (see instructions)			
18 Deduction for 18 (see line 14) (see instructions)			
19 Deduction for mortgage interest (see instructions)			
20 Deduction for qualified mortgage interest (see instructions)			
21 Standard Deduction (line 12)			

1045 (2/09)

Schedule B-NOL Carryover

Complete this information for the deductions that you are carrying over from	JRD ended 12/31/06	2ND ended 12/31/07	1ST ended 12/31/08
22. Miscellaneous deductions from line 13 on page 1			
23. Filter as a possible deduction for each year, based on the date when that deduction was made			
24. Add line 22 and 23			
25. Subtract line 23 from line 24			
26. Retain the amount from line 25 that is not more than the amount on line 23			
27. Subtract line 25 from line 26			
28. Add line 27 to line 26			
29. Subtract line 28 from line 26			
30. Multiply line 22 by 10			
31. Subtract line 30 from line 29 if the result is less than 0			
32. Subtract line 31 from line 29			
33. Determine the amount of the carryover from line 32 from the year 2006 to the year 2008. If the amount is more than the amount on line 32, the amount on line 32 is the amount of the carryover			
34. Add the amount of the carryover from line 33 to line 29			
35. Multiply line 22 by 2 - 1.02			
36. Subtract line 35 from line 34 if the result is less than 0			
37. Subtract line 36 from line 34			
38. Complete the worksheet in the instructions of line 22 if more than the applicable amount of the carryover from line 37 is more than the amount on line 37. If the amount on line 37 is more than the amount on line 37, the amount on line 37 is the amount of the carryover			
<ul style="list-style-type: none"> • \$126,500 for 2006 • \$128,950 for 2007 • \$132,950 for 2008 • \$137,300 for 2009 • \$139,500 for 2010 • \$142,700 for 2011 • \$145,950 for 2012 • \$150,500 for 2013 • \$155,000 for 2014 • \$159,950 for 2015 			
Check the number of lines 22-31			
32. Add to line 31 the result of line 31			
line 2 (page 3)			

Tax and Credits	38	Amount from line 37 (add any gross income)	38	-4,147.813.
	39a	<input checked="" type="checkbox"/> You were born before 1/1/58 <input type="checkbox"/> Spouse <input type="checkbox"/> Total bases checked <input type="checkbox"/> 39a <input type="checkbox"/> 1		
	40a	Itemized deductions, net of state or local standard deduction (see instructions)	40a	42,532.
	41	Adjusted gross income	41	4,190,345.
	42	Exemptions (if line 41 is \$125,000 or more, the number of exemptions is limited to 3. See instructions)	42	3,650.
	43	Taxable income (subject to 10% limit on the amount of tax credit on line 43)	43	0.
	44	Tax (check one box) <input type="checkbox"/> Form 1040 <input type="checkbox"/> Form 1040-EZ	44	0.
	45	Alternative minimum tax (see instructions)	45	
	46	Any taxes on line 45	46	0.
	47	Foreign tax credit (Attach Form 1116 if required)	47	
	48	Credit for child and dependent care expenses (see instructions)	48	
	49	Educator's expense (see instructions)	49	
	50	Nonrefundable credits (see instructions)	50	
	51	Child tax credit (see instructions)	51	
	52	Other credits (see instructions)	52	
	53	Other credits (see instructions)	53	
	54	Refundable credits (see instructions)	54	
	55	Subtract line 54 from line 46 (if line 54 is more than line 46, enter 0)	55	0.
Other Taxes	56	Self-employment tax (Attach Form 1099-SE)	56	
	57	Unemployment tax (see instructions) (Attach Form 1099-NEC)	57	
	58	Additional tax on IRAs, other qualified retirement plans, and annuities (see instructions)	58	
	59	Additional tax on distributions from IRAs, other qualified retirement plans, and annuities (see instructions)	59	
	60	Additional tax on distributions from IRAs, other qualified retirement plans, and annuities (see instructions)	60	0.
Payments	61	Federal income tax withheld from Forms W-2 and 1099	61	
	62	2009 estimated tax payments and amount applied from 1098-INT	62	
	63	Making work pay and government-employee credits (Attach Schedule W)	63	
	64a	Earned income credit (EIC)	64a	
	65	Additional child tax credit (Attach Form 3832)	65	
	66	Refundable earned income credit (see instructions)	66	
	67	First-time homebuyer credit (Attach Form 5405)	67	
	68	Amount paid with respect to the credit for tax on energy-efficient home improvements	68	
	69	Excess social security and tier 1 RRA tax (see instructions)	69	
	70	Credits from Form 7875 (see instructions)	70	
	71	And lines 61, 62, 63, 64a, 65, 66, 67, 68, 69, and 70 (total payments)	71	
Refund	72	If line 71 is more than line 55, enter the amount on line 72 (if line 71 is less than line 55, enter 0)	72	0.
	73a	Amount of line 72 (amount refunded to you) (if line 72 is 0, check here)	73a	
	74	Amount of line 72 (amount applied to your 2010 estimated tax)	74	0.
Amount You Owe	75	Amount you owe (if line 73a is 0, see instructions on how to apply any refund to any tax you owe)	75	0.
	76	Estimated tax payments (see instructions)	76	
Third Party Designee	Do you want to allow a third party to prepare, sign, or file your 2009 tax return? <input checked="" type="checkbox"/> Yes Complete the following <input type="checkbox"/> No			
	Name KENNETH G. SMITH CPA Taxpayer's ID number 425 640 8650 Designee's ID number 66414			
Sign Here	Signature DEVELOPER		Date 425 771-4846	
Paid Preparer's Use Only	Name KENNETH G. SMITH CPA		Preparer's ID number P00366512	
	Firm name TRAINER SMITH & CO., P.S.		Preparer's phone number 91 1657150	
	Address 110 JAMES STREET, SUITE 106		Preparer's fax number (425) 640-8650	
	City EDMONDS, WASHINGTON 98020			

**SCHEDULE A
(Form 1040)**

Itemized Deductions

OMB No. 1545-0047

2009

Department of the Treasury
Treasury Form 1040-SS 07

Do not write in these spaces.
Use additional sheets if necessary.

▶ Attach to Form 1040. ▶ See instructions for Schedule A (Form 1040)

Use this area for any additional information.

BRAD BEDDALL

Medical and Dental Expenses	Caution: Do not deduct expenses contributed in prior years. 1. Enter amount certain expenses. See page A-1. SEE STATEMENT 6	1	18,220.
	2. Enter amount from Form 1040 line 38 [2] 11,811.	2	
	3. Multiply line 2 by 75% (0.75).	3	0.
	4. Subtract line 3 from line 1. If line 3 is more than line 1, enter 0.	4	18,220.
Taxes You Paid	5. State and local (check only one box): a. Real estate taxes or b. General sales taxes	5	
(See page A-2)	6. Real estate taxes (See page A-5)	6	4,445.
	7. State and local general sales taxes (See page A-5)	7	
	8. Other taxes (See page A-5) SEE STATEMENT 4	8	1,133.
	9. Add lines 6 through 8	9	5,578.
Interest You Paid	10. Mortgage interest (see page A-5) and points reported to you on Form 1098 11. Other interest (see page A-5) not reported to you on Form 1098. If paid to the person who is not the lender, see page A-5 for the correct filing instructions.	10	16,948.
Note: Personal interest is not deductible.	12. Points not reported to you on Form 1098 STMT 5	12	1,786.
	13. Qualified mortgage insurance premiums (See page A-5)	13	
	14. Investment interest. Attach Form 4952 if required (See page A-5)	14	
	15. Add lines 10 through 14	15	18,734.
Gifts to Charity	16. Gifts by cash or check	16	
If you made a gift and got a receipt for it, see page A-8	17. Other than by cash or check. If any gift of \$250 or more, see page A-8. You must attach Form 8283 if over \$500.	17	
	18. Can carry over from prior year	18	
	19. Add lines 16 through 18	19	
Casualty and Theft Losses	20. Casualty or theft losses. Attach Form 4684 (See page A-10)	20	
Job Expenses and Certain Miscellaneous Deductions	21. Unreimbursed employee expenses: job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required (See page A-10)	21	
(See page A-11)	22. Tax preparation fees	22	
	23. Other expenses: investment advice, deposit box fee, list fees, and amount	23	
	24. Add lines 21 through 23	24	
	25. If you entered both line 1 and line 38 [25]	25	
	26. Multiply line 24 by 2% (0.02)	26	
	27. Subtract line 26 from line 24. If line 26 is more than line 24, enter 0.	27	
Other Miscellaneous Deductions	28. Other. Report on page A-11. List type and amount.	28	
Total Itemized Deductions	29. Is Form 1040 line 38 over \$100,000 (or \$107,000 if married filing separately)? <input checked="" type="checkbox"/> No. If "No," see instructions for line 38. Add the amount on the far right column of lines 4 through 28. Also enter the amount on Form 1040 line 38a. <input type="checkbox"/> Yes. If "Yes," the deduction is limited. See page A-11 for the amount to enter.	29	42,532.

For Paperwork Reduction Act Notice, see Form 1040 instructions

Schedule A (Form 1040) 2009

Worksheet Before you begin: You cannot take this deduction if the amount on Form 1040, line 38, is equal to or greater than \$125,000.
 See the instructions for line 11.
 See the instructions for line 11.

Worksheet for Line 7 - New motor vehicle taxes

Use this worksheet to figure the amount to enter on line 7.

(Keep a copy for your records.)

1	Enter the state or local sales tax rate (expressed as a percentage) for the tax jurisdiction for vehicles after it needs to calculate taxes on:	1	
2	Enter the purchase price (before taxes) of the new motor vehicle:	2	
3	Is the amount on line 2 more than \$10,000? <input type="checkbox"/> No. Enter the amount from line 2. <input type="checkbox"/> Yes. Figure the portion of the tax from line 2 that is attributable to the first \$10,000 of the purchase price (multiply line 2 by 10,000 and divide the result by line 2). Enter the result on this line.	3	
4	Enter the answer to question 3 above.	4	
5	Enter the total sales tax amount from Form 1040, line 15, and Form 278, Part B, for the year this new motor vehicle was purchased. * Excludes other motor vehicle taxes.	5	
6	Copy line 4 and	6	
7	Enter \$125,000 or \$50,000 if married filing jointly.	7	
8	Is the amount on line 6 more than the amount on line 7? <input type="checkbox"/> No. Enter the amount from line 3 above on Schedule A, line 7. Do not complete the rest of this worksheet. <input type="checkbox"/> Yes. Subtract line 7 from line 6.	8	
9	Divide the amount on line 8 by \$10,000. Enter the result as a decimal rounded up at least three places. If the result is 1.000 or more, enter 1.000.	9	
10	Multiply line 5 by line 9.	10	
11	Deduction for new motor vehicle taxes. Subtract line 10 from line 3. Enter the result from line 3 on Schedule A, line 7.	11	

SCHEDULE B
(Form 1040A or 1040)

Interest and Ordinary Dividends

OMB No. 1545-0047

2009

Use Form 1088 for 08

OMB No. 1545-0047
Annual Reporting Burden: 15 minutes

▶ Attach to Form 1040A or 1040.

▶ See instructions.

BRAD BEDDALL

Part I
Interest

1 List name of payer. If any interest is from a separate mortgage and the borrower used the property as a personal residence, see page B-1. List all long-term interest, which includes: (a) buyer's social security number and address ▶

	Amount
FRONTIER BANK	3,511.
KEY BANK NATIONAL ASSOCIATION	514.
WASHINGTON FEDERAL SAVINGS	500.
IRS	1,952.
BANK OF WASHINGTON	762.

Note: If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm for this form, name as the payer and enter the total amount shown on that form.

2 Add the amounts on line 1

3 Exclude interest on lines 2E and 11-S, plus any interest received after 1/1/97 on a loan from ADIS

4 Subtract line 3 from line 2. Enter the result here and on Form 1040A or Form 1040, line 8a

2	7,241.
3	
4	7,241.

Note: If line 4 is over \$1,500, you must complete Part III

Part II
Ordinary Dividends

5 List name of payer ▶

Note: If you received a Form 1099-DIV or substitute statement from a brokerage firm for this form, name as the payer and enter the ordinary dividends shown on that form.

6 Add the amounts on line 5. Enter the total here and on Form 1040A or Form 1040, line 9a

	Amount
5	
6	

Note: If line 6 is over \$1,500, you must complete Part III

Part III
Foreign Accounts and Trusts

You must complete this part if you (a) had more than \$1,500 of taxable interest or ordinary dividends; (b) had a foreign account or (c) had a distribution from a foreign trust or a transferee of a foreign trust.

7a At any time during 2009, did you have an interest in, or authority to draw dividends from, any foreign account or foreign trust as defined in Form 1040-1099?

b If yes, what was the name of the trust? ▶ **THAILAND**

8 During 2009, did you receive a distribution from a foreign trust the grantor of which transferred to a foreign trust? If yes, you must file Form 3520. See instructions.

	Yes	No
7a	X	
8		X

1040 For Paperwork Reduction Act Notice, see Form 1040A or 1040 instructions

Schedule B (Form 1040A or 1040) 2009

**SCHEDULE C
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

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

Attach to Form 1040, 1040NR, or 1041

See instructions for Schedule C (Form 1040)

OMB No. 1545-0047

2009

See instructions for Form 1040

Name of proprietor

BRAD BEDDALL

Employer identification number (EIN)

[REDACTED]

A Principal business or profession (Do not check this box if the principal business or profession is not in the real estate business)

REAL ESTATE DEVELOPER

B Gross receipts or sales

531,390

C Business name (Do not check this box if the business name is not in the real estate business)

BRADLEY E. BEDDALL

E Business address (Do not check this box if the business address is not in the real estate business)

610 EIM PLACE

EDMONDS, WA 98020

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

G Did you include any expenses for depreciation or amortization on Form 4562 (see instructions for Form 4562)? Yes No

H If you started or acquired the business during 2009, check here:

Part I Income

1	Gross receipts or sales	531,390
2	Rebates and refunds	
3	Gifts and loans	
4	Cost of goods sold	
5	Gross profit	
6	Other income, including interest	
7	Gross income	

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

8	Advertising		18	Office expense	299.
9	Car and truck expenses (see page C-4)		19	Pension and profit-sharing plans	
10	Commissions and fees		20	Rent or lease (see page C-6)	
11	Contract labor (see page C-4)		20a	Vehicles, machinery, and equipment	
12	Depreciation		20b	Other business property	
13	Depreciation and section 179 expense deduction (see instructions for Part III) (see page C-4)		21	Repairs and maintenance	
14	Employer benefit plan contributions (see page C-4)		22	Supplies (not included in Part III)	
15	Insurance (other than health) (see page C-4)		23	Taxes and licenses	59.
16	Interest		24	Travel, meals, and entertainment	
16a	Mortgage interest deduction	5,987.	24a	Travel	
16b	Other		24b	Meals and entertainment (see page C-4)	
17	Legal and professional services	4,958.	25	Utilities	
26	Total expenses (do not deduct the home office deduction on page 27)		26	Wages (less employer's deduction)	
28	Total expenses		27	Other expenses (see page C-4)	6,425.
29	Territorial production activities deduction		28		57,728.
30	Expenses for business use of your home (Form 8829)		29		17,728.
31	Net profit or (loss) from sole proprietorship		30		
32	If you had a loss, attach Form 1041 to your Form 1040, line 3, and Schedule SF, line 2, or Form 1041NR, line 13 (if you checked box 1 on Form 1041, line 3)		31		17,728.

1. For Paperwork Reduction Act Notice, see page C-9 of the instructions.

Schedule C (Form 1040) 2009

Part III Cost of Goods Sold (see page C 8)

33 Method(s) of inventory: FIFO LIFO Other (attach explanation)

34 Was there any change in the method of accounting for inventory during 2009? Yes No

35 Inventory at beginning of tax year	35
36 Inventory at end of tax year	36
37 Cost of goods manufactured during the year	37
38 Materials and supplies	38
39 Fuel	39
40 Repairs and maintenance	40
41 Other (specify)	41
42 Cost of goods sold (subtract from line 35 the amount on line 42 and multiply by 1)	42

Part IV Information on Your Vehicle. Complete this part only if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this purpose. See the instructions for line 13 on page C 5 for first cost if you must file Form 4562.

43 Complete this part only if you are claiming expenses for business use of your car or truck.

44 For the total number of miles you drove your vehicle during 2009 enter the number of miles you used your vehicle for:

a Business _____ b Commuting _____ c Other _____

45 Was your vehicle available for personal use during off duty hours? Yes No

46 Did you or your spouse file another vehicle available for personal use? Yes No

47 a Do you have evidence to support your deduction? Yes No
 b If "Yes," is the evidence water? Yes No

Part V Other Expenses. List only business expenses not included on lines 8, 26 or line 30.

BOOKKEEPING	5,301.
COMMUNICATIONS	303.
INTERNET	267.
COMPUTER EXPENSE	225.
POSTAGE	124.
PROJECT COSTS	305.
48 Total other expenses (Enter on line 9, page C 1)	6,425.

SCHEDULE E
(Form 1040)

Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

OMB No. 1545-0047

2009

Supplement No. 13

▶ Attach to Form 1040 (04/09R) or Form 1041

▶ See Instructions for Schedule E (Form 1040)

Name(s) of the owner(s)

Your social security number

BRAD BEDDALL

Part I Income or Loss From Rental Real Estate and Royalties. Report the net income or loss from each rental real estate property, including Schedule C or C-EZ, on this form. Do not include net income or loss from a business of renting personal property. Use Schedule C or C-EZ to report the net income or loss from each rental real estate property, including Form 4855 on page 2, line 10.

1	2	3	4	5	6
Property	1. Is this property used for the production of income?	2. Is this property used for the production of income?	3. Is this property used for the production of income?	4. Is this property used for the production of income?	5. Is this property used for the production of income?
A RESIDENTIAL RENTAL VIEW RIDGE 330 ELM ST #202 EVER, WA					X
B RESIDENTIAL RENTAL-588 ELM 588 ELM ST EDMONDS, WA					X
C					

Income:	Properties			Totals (Add columns A, B, and C.)
	A	B	C	
3 Gross rental income	6,600.	30,120.		36,720.
4 Rental income				
Expenses:				
5 Advertising				
6 Auto expenses (see page 7-2)				
7 Cleaning and maintenance				
8 Commuting				
9 Depreciation		1,059.		
10 Legal and other professional fees				
11 Management fees				
12 Mortgage interest paid to banks, etc. (see page 7-5)	4,207.	13,981.		18,188.
13 Other interest				
14 Repairs	168.	12,053.		
15 Supplies				
16 Taxes	1,162.	4,867.		
17 Utilities		2,252.		
18 Other than ▶ SEE STATEMENT 7 SEE STATEMENT 8	2,752.	463.		
19 Total expenses (do not include 18)	8,289.	34,675.		42,964.
20 Depreciation expense (see page 7-5)	2,568.	4,555.		7,123.
21 Total expenses (add 18 and 20)	10,857.	39,230.		
22 Income or loss from each rental real estate property (subtract line 21 from line 3 and enter the result here. If the result is a loss, see page 7-5 for instructions. If the result is a loss, see page 7-5 for instructions.)	4,257.	9,110.		
23 Do not include net income or loss from a business of renting personal property. Do not include net income or loss from a business of renting personal property.	4,257.	9,110.		
24 Income and positive amounts from other sources (do not include net income or loss from a business of renting personal property)				
25 Losses and royalty losses from other sources (do not include net income or loss from a business of renting personal property)				13,367.
26 Total rental real estate and royalty income or (loss) (combine lines 22 and 23 and enter the result here. If the result is a loss, see page 7-5 for instructions. If the result is a loss, see page 7-5 for instructions.)				13,367.

For Paperwork Reduction Act Notice, see instructions.

Schedule E (Form 1040) 2009

Name (last, first, and middle initial) **BRAD BEDDALL** Your social security number [REDACTED]

Caution: The IRS compares amounts reported on your tax return with amounts on Schedule K-1s.

Part II Income or Loss From Partnerships and S Corporations Note: If you report a loss from an at-risk activity for which any amount is not at risk, you must check column (c) on line 28 and attach Form 6199. See page E-1.

27 Are you reporting any loss (of 2009) as a partner in any of the partnerships, S corporations, trusts, or REMICs for which you are a passive investor? (See page E-1 for more information.) Yes No

28	(a) Name	(b) Filing status	(c) Is this partnership?	(d) Employer identification number	(e) Code of the partnership
A	BEDDALL PROPERTIES, INC.	S		20 2182672	
B					
C					
D					

Passive Income and Loss		Nonpassive Income and Loss	
(i) Passive loss allowed (attach Form 6582 if required)	(ii) Passive income from Schedule K-1	(iii) Deductions from Schedule K-1	(iv) Nonpassive income from Schedule K-1
A		4,176,786	
B			
C			
D			
29a Totals		4,176,786	
b Totals			
30 Adjusted net capital gain or loss			30
31 Adjusted net capital gain or loss			31 4,176,786.1
32 Total partnership and S corporation income or (loss) (do not include net capital gain or loss reported here and income or (loss) in the total on line 41 below)			32 -4,176,786.

Part III Income or Loss From Estates and Trusts

33 (a) Name _____ (b) Employer identification number _____

Passive Income and Loss		Nonpassive Income and Loss	
(i) Passive deduction or loss allowed (attach Form 6582 if required)	(ii) Passive income from Schedule K-1	(iii) Deductions from Schedule K-1	(iv) Other income from Schedule K-1
A			
B			
34a Totals			
b Totals			
35 Adjusted net capital gain or loss			35
36 Adjusted net capital gain or loss			36
37 Total estate and trust income or (loss) (do not include net capital gain or loss reported here and income or (loss) in the total on line 41 below)			37

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs) - Residual Holder

38	(a) Name	(b) Filing status	(c) Earnings reported on Schedules D, line 2	(d) Earnings reported on Schedules D, line 3	(e) Income from Schedules D, line 3b
39	Compare columns (d) and (e) only. Enter the excess, if there is one, in column (e) on line 41 below.				

Part V Summary

40	Total ordinary income or (loss) from Form 1041	40	
41	Total income or (loss)	41	4,190,153.
42	Reconciliation of farming and fishing income (do not include gross income of 11 shareholders who are not 10% owners of the partnership or S corporation) (see page E-1)	42	
43	Reconciliation for real estate professionals (see page E-1)	43	STATEMENT 9 13,367.

SCHEDULE E

Name: BEAD BECALL
PUSSTHROUGH BEADCALL PHILISTINE, INC.
CORPORATION

ID: 70 7.23577

SSN/EIN: [REDACTED]
TAXPAYER: [REDACTED]

| INCOME TYPE | INCOME SOURCE |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Interest and Dividends |
| Interest on bonds |
| Dividends from stocks |
| Capital gains |
| Other income |
| Miscellaneous |

2008 DEPRECIATION AND AMORTIZATION REPORT

RESIDENTIAL MORTGAGE INVESTMENT

SCHEDULE C

Line	Description	Date Acquired	Month	Year	Cost Basis	Unadjusted Cost Basis	Section 179 Expense	Production Activities	Beginning Accumulated Depreciation	Current Year Depreciation Expense	Current Year Production Activities	Ending Accumulated Depreciation
101	LAND	01-01-00		01	10,000	10,000						0
102	CONDOMINIUM	01/01/00	02	01	67,500	67,500			21,931			24,445
103	IMPROVEMENTS TO CONDOMINIUM	01-01-00	02	01	1,415	1,415			427			468
104	LOAN FEE	01-01-00	02	01	1,205	1,205			553			617
105	LOAN FEE	01-01-00	02	01	1,113	1,113						1,113
106	CONDOMINIUM						9,000		21,800			25,970
107	CONDOMINIUM						0					
108	CONDOMINIUM						0					
109	CONDOMINIUM						0					
110	CONDOMINIUM						0					
111	CONDOMINIUM						0					
112	CONDOMINIUM						0					
113	CONDOMINIUM						0					
114	CONDOMINIUM						0					
115	CONDOMINIUM						0					
116	CONDOMINIUM						0					
117	CONDOMINIUM						0					
118	CONDOMINIUM						0					
119	CONDOMINIUM						0					
120	CONDOMINIUM						0					
121	CONDOMINIUM						0					
122	CONDOMINIUM						0					
123	CONDOMINIUM						0					
124	CONDOMINIUM						0					
125	CONDOMINIUM						0					
126	CONDOMINIUM						0					
127	CONDOMINIUM						0					
128	CONDOMINIUM						0					
129	CONDOMINIUM						0					
130	CONDOMINIUM						0					
131	CONDOMINIUM						0					
132	CONDOMINIUM						0					
133	CONDOMINIUM						0					
134	CONDOMINIUM						0					
135	CONDOMINIUM						0					
136	CONDOMINIUM						0					
137	CONDOMINIUM						0					
138	CONDOMINIUM						0					
139	CONDOMINIUM						0					
140	CONDOMINIUM						0					
141	CONDOMINIUM						0					
142	CONDOMINIUM						0					
143	CONDOMINIUM						0					
144	CONDOMINIUM						0					
145	CONDOMINIUM						0					
146	CONDOMINIUM						0					
147	CONDOMINIUM						0					
148	CONDOMINIUM						0					
149	CONDOMINIUM						0					
150	CONDOMINIUM						0					
151	CONDOMINIUM						0					
152	CONDOMINIUM						0					
153	CONDOMINIUM						0					
154	CONDOMINIUM						0					
155	CONDOMINIUM						0					
156	CONDOMINIUM						0					
157	CONDOMINIUM						0					
158	CONDOMINIUM						0					
159	CONDOMINIUM						0					
160	CONDOMINIUM						0					
161	CONDOMINIUM						0					
162	CONDOMINIUM						0					
163	CONDOMINIUM						0					
164	CONDOMINIUM						0					
165	CONDOMINIUM						0					
166	CONDOMINIUM						0					
167	CONDOMINIUM						0					
168	CONDOMINIUM						0					
169	CONDOMINIUM						0					
170	CONDOMINIUM						0					
171	CONDOMINIUM						0					
172	CONDOMINIUM						0					
173	CONDOMINIUM						0					
174	CONDOMINIUM						0					
175	CONDOMINIUM						0					
176	CONDOMINIUM						0					
177	CONDOMINIUM						0					
178	CONDOMINIUM						0					
179	CONDOMINIUM						0					
180	CONDOMINIUM						0					
181	CONDOMINIUM						0					
182	CONDOMINIUM						0					
183	CONDOMINIUM						0					
184	CONDOMINIUM						0					
185	CONDOMINIUM						0					
186	CONDOMINIUM						0					
187	CONDOMINIUM						0					
188	CONDOMINIUM						0					
189	CONDOMINIUM						0					
190	CONDOMINIUM						0					
191	CONDOMINIUM						0					
192	CONDOMINIUM						0					
193	CONDOMINIUM						0					
194	CONDOMINIUM						0					
195	CONDOMINIUM						0					
196	CONDOMINIUM						0					
197	CONDOMINIUM						0					
198	CONDOMINIUM						0					
199	CONDOMINIUM						0					
200	CONDOMINIUM						0					

(E) Asset disposed

(F) Sub-let being Commercial Rental on Deduction 50 Zone

2009 DEPRECIATION AND AMORTIZATION REPORT

SCHEDULE 1

Line	Description	Date Acquired	Acquired	Acq. No.	Unamortized Cost Or Basis	Bus. % Eval.	Section 179 Expensed	Recovery Type	Excess Bu. or Basis	Remaining Accum. Dep. Amortization	Current year Dep. or Am. Exp.	Current Accum. Dep. Amortization
1	LAND	07/01/02		01	100,000							0
2	BUILDING	08/01/02		02	125,250							0
3	EQUIPMENT	07/01/02		03	0							0
4	VEHICLE	07/01/02		04	0							0
5	POPULATION REPORTING SOFTWARE	07/01/02		05	0							0
6	POPULATION REPORTING SOFTWARE	07/01/02		06	0							0
7	OPERATING EXPENSES				250,000							0
8	DEBTORS BALANCE				225,000							0
9	ACQUISITIONS				7,890							0
10	DEBTORS BALANCE				0							0
11	PREPAID EXPENSES				226,890							0

10) Asset disposed

ALTERNATIVE MINIMUM TAX DEPRECIATION REPORT

DIS	Description	Date Acquired	AMT Method	AMT Life	AMT Cost Or Basis	AMT Accumulated Depreciation	Regular Depreciation	AMT Depreciation	AMT Adjustments
	RESIDENTIAL RENTAL-VIEW RIDGE 330 ELM ST #20								
102	CONDOMINIUM	01/01/00SL		27.50	67,500.	21,951.	2,455.	2,455.	0.
103	CLOSING COSTS TO PURCHASE	01/01/00SL		27.50	1,415.	457.	51.	51.	0.
104	LOAN FEE	01/01/00SL		27.50	1,705.	555.	62.	62.	0.
	** SUBTOTAL **				70,620.	23,003.	2,568.	2,568.	0.
	RESIDENTIAL RENTAL-588 ELM 588 ELM ST EDMOND								
202	BUILDING	08/30/25L		27.50	125,266.	29,038.	4,555.	4,555.	0.
	** SUBTOTAL **				125,266.	29,038.	4,555.	4,555.	0.
	*** GRAND TOTAL ***				195,886.	52,041.	7,123.	7,123.	0.

2025-01-01

Form 4562

SCHEDULE E-1
Depreciation and Amortization
(Including Information on Listed Property)

OMB No. 1545-0047
2009

BRAD BEDDALL

RESIDENTIAL RENTAL VIEW
RIDGE - 330 ELM ST #202

Part I Election To Expense Certain Property Under Section 179. Table with 5 rows and 2 columns (Description, Amount).

Part II Special Depreciation Allowance and Other Depreciation. Table with 4 rows and 2 columns (Description, Amount).

Part III MACRS Depreciation (Do not include listed property). Section A table with 2 rows and 2 columns (Description, Amount).

Section B - Assets Placed in Service During 2009 Tax Year Using the General Depreciation System. Table with 7 rows and 6 columns (Property type, Recovery period, Convention, etc.).

Section C - Assets Placed in Service During 2009 Tax Year Using the Alternative Depreciation System. Table with 3 rows and 5 columns (Class life, Recovery period, Convention, etc.).

Part IV Summary. Table with 3 rows and 2 columns (Description, Amount).

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)
 Note: For any vehicle for which you are using the 50% depreciation election, you must enter a carry-over amount in column (d) through (f) of Section A, or of Section B, and Section 179 election code.

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

24a		Do you have evidence to support the business investment use election?		Yes	No	24b		Do you have evidence matter?		Yes	No
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)		(j)	
1. (a) (b) (c) (d) (e) (f) (g) (h) (i) (j)	2. (a) (b) (c) (d) (e) (f) (g) (h) (i) (j)	3. (a) (b) (c) (d) (e) (f) (g) (h) (i) (j)	4. (a) (b) (c) (d) (e) (f) (g) (h) (i) (j)	5. (a) (b) (c) (d) (e) (f) (g) (h) (i) (j)	6. (a) (b) (c) (d) (e) (f) (g) (h) (i) (j)	7. (a) (b) (c) (d) (e) (f) (g) (h) (i) (j)	8. (a) (b) (c) (d) (e) (f) (g) (h) (i) (j)	9. (a) (b) (c) (d) (e) (f) (g) (h) (i) (j)		10. (a) (b) (c) (d) (e) (f) (g) (h) (i) (j)	
25							Special depreciation allowance for qualified listed property placed in service during the tax year that is used more than 50% in qualified business use		25		
26							Property used more than 50% in qualified business use		26		
27							Property used 50% or less in qualified business use		27		
28							Add amounts in column (b) from Section 27. Enter here and on line 28 of Form 990		28		
29							Add amounts in column (b) from Section 27. Enter here and on line 29 of Form 990		29		

Section B - Information on Use of Vehicles

Complete this section for vehicles used in a qualified business use. For information on the use of this section, see the instructions. If you provided vehicles to your employees, first answer the questions in Section B to determine if you are required to complete this section for those vehicles.

30	(a)	(b)	(c)	(d)	(e)	(f)	Total business use (including 12,000 miles per year (do not include commuting miles))		Total miles		Total Vehicle	
							31		32		33	
31	Total commuting miles driven during the year											
32	Total other personal (noncommuting) miles driven											
33	Total miles driven during the year Add lines 30 through 32											
34	Was the vehicle available for personal use during off-duty hours?		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
35	Was the vehicle used primarily by a more than 5% owner or related person?											
36	Is another vehicle available for personal use?											

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

Answer these questions to determine if you must file an employer's statement (Section B) for vehicles used by employees who are not more than 5% owners or related persons.

37	Do you maintain a written policy statement that prohibits all employees from using a vehicle provided exclusively for business purposes by your employer, even if the vehicle is not used for business purposes?	Yes	No
38	Do you maintain a written policy statement that prohibits all employees from using a vehicle provided exclusively for business purposes by your employer, even if the vehicle is not used for business purposes?		
39	Do you treat all use of vehicles by employees as business use?		
40	Do you provide more than 12,000 miles of use per year for each employee, even if the employee is not more than 5% owner or related person?		
41	Do you meet the requirements concerning qualified business use under the de minimis rule?		

Note: If your answer to 37, 38, 39, 40, or 41 is "yes," you do not have to file Section B for the covered vehicles.

Part VI Amortization

(a)	(b)	(c)	(d)	(e)	(f)
42	Amortization of costs that began during year 2007 (do not include loan fees)				
LOAN FEES	031109	1.113		360M	31
43	Amortization of costs that began during year 2008 (do not include loan fees)				
44	Total. Add amounts in column (b). See the instructions for details.				31

Form 4562

SCHEDULE E-2
Depreciation and Amortization
(Including Information on Listed Property)

2009

Department of the Treasury
Internal Revenue Service

See separate instructions. Attach to your tax return.

RESIDENTIAL RENTAL-588
ELM - 588 ELM ST EDMONDS

BRAD BEDDALL

Part I Election to Expense Certain Property Under Section 179. Note: Do not use this section for listed property. Complete Part I only if you complete Part I.

Table with 13 rows for Part I. Line 1: Maximum amount \$250,000. Line 2: Total cost of section 179 property. Line 3: Threshold amount \$800,000. Line 4: Reduction in limitation. Line 5: Total amount for section 179 property. Line 7: Listed property. Line 8: Total adjusted basis. Line 9: Tentative depreciation. Line 10: Carryover. Line 11: Business income limitation. Line 12: Section 179 expense deduction. Line 13: Carryover of disallowed section 179 expense.

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

Table with 3 rows for Part II. Line 14: Special depreciation allowance. Line 15: Property subject to section 168(f)(1) election. Line 16: Other depreciation including ACRS.

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

Table with 2 rows for Part III. Line 17: MACRS deductions for assets placed in service in tax years beginning before 2009. Line 18: Depreciation for assets placed in service in 2009.

Section B - Assets Placed in Service During 2009 Tax Year Using the General Depreciation System. Table with columns for class, life, rate, and amount. Rows include 3-year, 5-year, 7-year, 10-year, 15-year, 20-year, and 25-year property, as well as residential and nonresidential real property.

Section C - Assets Placed in Service During 2009 Tax Year Using the Alternative Depreciation System. Table with columns for class, life, rate, and amount. Rows include Class 40, 12-year, and 40-year property.

Part IV Summary (See instructions.)

Table with 3 rows for Part IV. Line 21: Listed property. Line 22: Total. Line 23: For assets shown above and listed property, enter the portion of the basis allowed as a deduction.

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

Note: For all vehicles for which you are using the standard mileage rate or tracking last-mile expense, complete only 24a, 24b, columns (d) through (j) of Section A, all of Section B, and Section C, if applicable.

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

24a. On year(s), or date(s), to which the business investment cost applies?		Yes	No	24b. If "Yes," is the evidence written?		Yes	No	
(a) Date of acquisition (first vehicle listed)	(b) Date placed in service	(c) Business investment cost percentage	(d) Cost basis (other basis)	(e) Adjusted basis	(f) Recovery period	(g) Method (Convention)	(h) Depreciation Deduction	(i) Enter Section 179 cost
25. Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use.							25	
26. Property placed in service during the tax year and used more than 50% in a qualified business use.								
27. Property used 50% or less in a qualified business use.								
							SL	
							\$1	
							\$1	
28. Add any additional amounts from 25 through 27. Enter the total amount.							28	
29. Add amounts in columns (h) and (i) from 25 through 27. Enter the total amount.							29	

Section B - Information on Use of Vehicles

Complete this section for each vehicle used by a sole proprietor, partner, or shareholder in a business for the tax year. If you provide vehicles to your employees, first answer the questions in Section C. If you do not meet an exception to completing this section for those vehicles:

30. Total business use (commuting miles do not count during the year; do not include commuting miles)	(a) Vehicle	(b) Vehicle	(c) Vehicle	(d) Vehicle	(e) Vehicle	(f) Vehicle
31. Total commuting miles driven during the year						
32. Total other personal (noncommuting) miles driven						
33. Total miles driven during the year Add lines 30 through 32						
34. Was the vehicle available for personal use during off-duty hours?	Yes	No	Yes	No	Yes	No
35. Was the vehicle used primarily by a more than 5% owner or related person?						
36. Is another vehicle available for personal use?						

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

Answer these questions to determine if you meet the conditions for applying Section B for vehicles used by employees who are not more than 5% owners or related persons.

37. Do you maintain a written policy statement that prohibits, or limits the use of, vehicles (including commuting) by your employees?	Yes	No
38. Do you maintain a written policy statement that prohibits personal use of vehicles provided (or made available) by your employees? See the instructions for vehicles owned by corporate directors, shareholders, or 1% owners/employees.		
39. Do you restrict all use of vehicles to employees as personal use?		
40. Do you provide each fleet vehicle to your employees and inform them that employees should not use the vehicles and share the information with them?		
41. Do you meet the requirements concerning qualified anti-theft administration use? Note: If you answer to 37, 38, 39, or 40 is "Yes," you do not complete Section B for the covered vehicles.		

Part VI Amortization

(a) Description of asset	(b) Basis for amortization	(c) Amortization period	(d) Amortization rate	(e) Amortization amount	(f) Amortization for 2009
42. Amortization of costs that began during your 2009 tax year					
LOAN FEES	22,409	7,890		360M	219
43. Amortization of costs that began before your 2009 tax year					244
44. Total Add amounts in columns (e) and (f) from 42 and 43. Enter the total.					463

Schedule A - Net Operating Loss (NOL)

2009

Name

Social Security Number

BRAD BEDDALL



1	Enter the gross estate for 2009 as reported on Form 1041 and line 38 (regardless of amount on Form 1041) line 4. Exclude a net charitable deduction increase by the total of the charitable deductions in the preceding years that are reported on this amount	1	4,190,345.
2	Nonbusiness capital losses carryover from 2008 as a positive number	2	
3	Nonbusiness capital losses carryover from 2008 as a negative number	3	
4	If line 3 is more than line 2, enter the difference as a positive number	4	0.
5	If line 3 is more than line 2, enter the difference as a negative number	5	0.
6	Nonbusiness deduction carryover from 2008	6	42,532.
7	Nonbusiness deduction carryover from 2008 as a positive number	7	60,068.
8	Nonbusiness deduction carryover from 2008 as a negative number	8	60,068.
9	If line 7 is more than line 6, enter the difference as a positive number	9	0.
10	If line 8 is more than line 6, enter the difference as a negative number. Do not enter more than line 5.	10	0.
11	Business capital losses carryover from 2008 as a positive number	11	
12	Business capital losses carryover from 2008 as a negative number	12	
13	Add lines 10 and 12	13	
14	Subtract line 13 from line 11. If zero or less, enter 0.	14	0.
15	Add lines 4 and 14	15	
16	Enter the loss, if any, from line 16 of Schedule D (Form 1041) (Estates and trusts). Enter the loss, if any, from line 15, column (b), of Schedule D (Form 1041). Enter as a positive number. If you do not have a loss on that line (and do not have a Section 1202 exclusion), skip lines 16 through 21 and enter on line 22 the amount from line 15.	16	
17	Section 1202 exclusion. Enter as a positive number	17	
18	Subtract line 17 from line 16. If zero or less, enter 0.	18	
19	Enter the loss, if any, from line 21 of Schedule D (Form 1041) (Estates and trusts). Enter the loss, if any, from line 18 of Schedule D (Form 1041). Enter as a positive number.	19	
20	If line 19 is more than line 18, enter the difference as a positive number	20	
21	If line 19 is more than line 18, enter the difference as a negative number	21	
22	Subtract line 20 from line 19. If zero or less, enter 0.	22	
23	Long-term capital gain carryover from 2008 as a positive number	23	
24	NET operating loss for 2009. Enter as a positive number	24	
25	NOL. (Carryover from 2008.) Enter as a positive number. If the result is less than zero, this is your carryover NOL. If the result is positive, you do not have an NOL.	25	4,190,345.

Alternative Tax Net Operating Loss Worksheet

2009

Must file as shown on return
BRAD BEDDALL

Social Security Number

1. Loss for the current year			4,193,995.
2. Personal exemptions		3,650.	
3. Net operating loss deduction			
4. Excess of nonbusiness deductions over tax-exempt interest			
(A) Add: nonbusiness deductions in excess of tax-exempt interest	36,954.		
(B) Add: nonbusiness deductions	60,068.		
(C) Less: nonbusiness deductions in excess of tax-exempt interest			
(D) Total nonbusiness deductions	60,068.		
(E) Difference (line 4(A) less 4(D)) (do not enter more than 0)		0.	
5. Adjusted net long-term capital gains			
(A) Business capital gains			
(B) Line 4(D) minus 4(A), not less than zero. Do not enter more than line 4(C).	0.		
(C) Business capital gains (without regard to any section 1202 exclusion)			
(D) Total (line 5(B) plus 5(C))			
(E) Difference (line 5(A) less 5(D)) (do not enter more than 0)			
6. Excess of net business capital gains over nonbusiness capital gains			
7. Adjusted section 1202 exclusion			
8. Total adjustment and preference items (Form 9779)		5,578.	
9. Unreimbursed employee expenses			
10. Total (line 2 + 3 + 4(E) + 5(E) + 6 + 7 + 8 + 9)			9,228.
11. Current year alternative tax net operating loss (do not enter more than 0)			4,184,767.

NOL		Detail NDL Carryover/Carryback Worksheet										2009
Amount:		[Redacted]										
BRAD BEDDALL												
Year Carried From	Amount Available for Carryover/Carryback	Amount Used in 2004	Amount Used in 2005	Amount Used in 2006	Amount Used in 2007	Amount Used in						
2009	4190345.	311,351.				235,267.						
Totals	4190345.	311,351.				235,267.						
Total amount available for carryover		4,190,345.										
Less total amount used		3,662,596.										
Less total amount expired		0.										
Remaining carryover		528,749.										

App. C-92

AMT NOL		Detail AMT NOL Carryover Worksheet										2009
Name(s)		Social Security Number										
BRAD BEDDALI		[REDACTED]										
Year (Current Year)	Amount Available for Carryover	2004	Amount Used	Amount Available	Amount Used							
2009	4,184,767.											
Totals	4,184,767.	0.										
Total amount available for carryover		4,184,767.										
Less total amount used		0.										
Less total amount provided		0.										
Remaining carryover		4,184,767.										

Election to Carryback Net Operating Loss

Brad Beddall
152 3rd Avenue S. #101
Edmonds, WA 98020

Taxpayer Identification Number: [REDACTED]

For the Year Ending December 31, 2009

Brad Beddall hereby elects to apply Sec. 172(b)(1)(H) under Revenue Procedure 2009-52 to carryback any NOL incurred for the tax year ended December 31, 2009. The taxpayer is not a TARP recipient nor, in 2008 or 2009, an affiliate of a TARP recipient. The NOL carryback period selected is 5 preceding years.

Election to Combine Rental Real Estate Interests Into One
Activity Pursuant to IRC Sec. 469(c)(7)(A)

Brad Beddall
152 1st Avenue S. #101
Edmonds, WA 98020

Taxpayer Identification Number: [REDACTED]

For the Year Ending December 31, 2009

Brad Beddall hereby elects, pursuant to IRC Sec. 469(c)(7)(A), to combine all rental real estate interests into one activity. For the tax year ending December 31, 2009, Brad Beddall was a qualifying taxpayer as defined by IRC Sec. 469(c)(7)(B).

BRAD BEDDALL



FOOTNOTES

STATEMENT 1

TAXPAYER IS ELECTING TO APPLY SECTION 172(B)(1)(H)
UNDER REV. PROC. 2009 52.

TAXPAYER IS NOT A TARP RECIPIENT NOR, IN 2008 OR 2009, AN
AFFILIATE OF A TARP RECIPIENT.

TAXPAYER IS ELECTING AN NOL CARRYBACK PERIOD OF 5 YEARS.

BRAD BEDDALL

FORM 1040 IRA DISTRIBUTIONS STATEMENT 3

NAME OF PAYER	GROSS DISTRIBUTION	TAXABLE AMOUNT
FRONTIER BANK	52,827.	52,827.
TOTAL TO FORM 1040, LINE 15	52,827.	52,827.

SCHEDULE A OTHER TAXES STATEMENT 4

DESCRIPTION	AMOUNT
AUTO LICENSE	235.
BOAT LICENSE	898.
TOTAL TO SCHEDULE A, LINE 8	1,133.

SCHEDULE A POINTS NOT REPORTED ON FORM 1098 STATEMENT 5

DESCRIPTION	DATE RE-FINANCED	TOTAL POINTS	AMORT. PERIOD /MOS.	AMORTIZATION THIS YEAR
REFINANCE POINTS	11/01/98	2,500.	360	1,656.
REFINANCE	03/27/09	5,213.	360	130.
TOTAL TO SCHEDULE A, LINE 12				1,786.

SCHEDULE A MEDICAL AND DENTAL EXPENSES STATEMENT 6

DESCRIPTION	AMOUNT
PRESCRIPTION MEDICINES AND DRUGS	9,847.
EYEGLASSES AND CONTACTS	31.
DOCTORS, DENTISTS, ETC.	1,972.
MEDICARE PREMIUMS WITHHELD	2,852.
SELF-EMPLOYED HEALTH INSURANCE	3,518.
TOTAL TO SCHEDULE A, LINE 1	18,220.

BRAD BEDDALL



SCHEDULE E	OTHER EXPENSES	STATEMENT	7
RESIDENTIAL RENTAL-VIEW RIDGE 330 ELM ST #202 EVER, WA			
DESCRIPTION		AMOUNT	
HOME OWNERS DUES		2,721.	
AMORTIZATION		31.	
TOTAL TO SCHEDULE E, PAGE 1, LINE 18		2,752.	

SCHEDULE E	OTHER EXPENSES	STATEMENT	8
RESIDENTIAL RENTAL 588 ELM 588 ELM ST EDMONDS, WA			
DESCRIPTION		AMOUNT	
AMORTIZATION		463.	
TOTAL TO SCHEDULE E, PAGE 1, LINE 18		463.	

SCHEDULE E	RECONCILIATION FOR REAL ESTATE PROFESSIONALS	STATEMENT	9
FORM	DESCRIPTION	AMOUNT	
SCH E P1	RESIDENTIAL RENTAL-VIEW RIDGE 330 ELM ST #202 EVER, WA	-4,257.	
SCH E P1	RESIDENTIAL RENTAL-588 ELM 588 ELM ST EDMONDS, WA	-9,110.	
TOTAL TO SCHEDULE E, LINE 43		13,367.	

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash		57,773.		55,121.
2a	Tradeables and accounts receivable	236,508.		7,216.	
b	Less allowance for bad debts		236,508.		7,216.
3	Inventories		14,711,226.		12,956,241.
4	U.S. Government obligations				
5	Tax-exempt securities				
6	Other current assets (net of liabilities)	Statement 7			189.
7	Loans to shareholders		94,147.		54,147.
8	Mortgage and real estate receivables				
9	Other receivables (net of liabilities)				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation				
11a	Depletable assets				
b	Less accumulated depletion				
12	Land and other nondepreciable assets				
13a	Intangible assets (net of liabilities)				
b	Less accumulated amortization				
14	Other assets (net of liabilities)				
15	Total assets		15,099,654.		13,072,914.
Liabilities and Shareholders' Equity					
16	Accounts payable		195,399.		68,650.
17	Notes payable (including capital leases)				
18	Other current liabilities (net of assets)	Statement 6	16,497.		18,643.
19	Loans from shareholders				
20	Mortgages and other secured liabilities		14,514,062.		12,846,918.
21	Other liabilities (net of assets)				
22	Capital stock				
23	Additional paid-in capital				
24	Retained earnings	Statement 9	373,696.		138,703.
25	Adjustments to shareholders' equity				
26	Less cost of treasury stock				
27	Total liabilities and shareholders' equity		15,099,654.		13,072,914.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return	
Note: Schedule M-1 is required only if total assets are \$10 million or more. See instructions.	
1 Net income (loss) per books	5 Income recorded on books this year not included on Schedule K, lines 1 through 10 (income)
2 Expenses recorded on books this year not included on Schedule K, lines 1 through 10 (expenses)	a Tax-exempt interest \$
3 Expenses recorded on books this year not included on Schedule M-1, lines 1 through 4 and 12 through 14 (expenses)	6 Deductions included on Schedule K, lines 1 through 12 and 14, not charged against book income this year (expenses)
a Depreciation \$	a Depreciation \$
b By amortization \$	7 Add lines 5 and 6
4 Additional adjustments	8 Income recorded on books this year not included on Schedule K, lines 1 through 10 (income)

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed			
	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1 Balance at beginning of tax year	373,696.		
2 Decreases, as determined on page 1 (loss)			
3 Other additions Statement 6	45.		
4 Loss from page 1, line 21	235,038.		
5 Other reductions			
6 Cumulative lines 1 through 5	138,703.		
7 Distributions other than dividends (page 2)			
8 Balance at end of tax year (Schedule K, line 15)	138,703.		

Search Cornell

ABOUT LII / GET THE LAW / FIND A LAWYER / LEGAL ENCYCLOPEDIA / HELP OUT

USC > Title 26 > Subtitle F > Chapter 66 > Subchapter A > § 6501 [PREV](#) [NEXT](#)

26 USC § 6501 - Limitations on assessment and collection

[US Code](#) [Notes](#) [Updates](#)

Current through Pub. L. 113-52. (See [Public Laws for the current Congress.](#))

(a) General rule

Except as otherwise provided in this section, the amount of any tax imposed by this title shall be assessed within 3 years after the return was filed (whether or not such return was filed on or after the date prescribed) or, if the tax is payable by stamp, at any time after such tax became due and before the expiration of 3 years after the date on which any part of such tax was paid, and no proceeding in court without assessment for the collection of such tax shall be begun after the expiration of such period. For purposes of this chapter, the term "return" means the return required to be filed by the taxpayer (and does not include a return of any person from whom the taxpayer has received an item of income, gain, loss, deduction, or credit).

(b) Time return deemed filed

(1) Early return

For purposes of this section, a return of tax imposed by this title, except tax imposed by chapter 3, 4, 21, or 24, filed before the last day prescribed by law or by regulations promulgated pursuant to law for the filing thereof, shall be considered as filed on such last day.

(2) Return of certain employment and withholding taxes

For purposes of this section, if a return of tax imposed by chapter 3, 4, 21, or 24 for any period ending with or within a calendar year is filed before April 15 of the succeeding calendar year, such return shall be considered filed on April 15 of such calendar year.

(3) Return executed by Secretary

Notwithstanding the provisions of paragraph (2) of section 6020 (b), the execution of a return by the Secretary pursuant to the authority conferred by such section shall not start the running of the period of limitations on assessment and collection.

(4) Return of excise taxes

For purposes of this section, the filing of a return for a specified period on which an entry has been made with respect to a tax imposed under a provision of subtitle D (including a return on which an entry has been made showing no liability for such tax for such period) shall constitute the filing of a return of all amounts of such tax which, if properly paid, would be required to be reported on such return for such period.

(c) Exceptions

(1) False return

In the case of a false or fraudulent return with the intent to evade tax, the tax may be assessed, or a proceeding in court for collection of such tax may be begun without assessment, at any time.

(2) Willful attempt to evade tax

In case of a willful attempt in any manner to defeat or evade tax imposed by this title (other than tax imposed by subtitle A or B), the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

Search all of LII...

Follow 10.9K followers Like 14k

U.S. CODE TOOLBOX

SEARCH US CODE:

Web: [Income Tax: Overview](#)

[Title 26 USC, RSS Feed](#)

[Table of Popular Names](#)

[Parallel Table of Authorities](#)

18+ 3

[Donations](#) cover only 20% of our costs

GET INVOLVED

[LII Announce Blog](#)

[LII Supreme Court Bulletin](#)

[MAKE A DONATION](#)
[CONTRIBUTE CONTENT](#)
[BECOME A SPONSOR](#)
[GIVE FEEDBACK](#)

FIND A LAWYER

[All Lawyers](#)

Search Cornell

ABOUT LII / GET THE LAW / FIND A LAWYER / LEGAL ENCYCLOPEDIA / HELP OUT

Search all of LII... Go

Follow 10.9K followers Like 14k

USC > Title 26 > Subtitle F > Chapter 66 > Subchapter A > § 6501 [PREV](#) [NEXT](#)

26 USC § 6501 - Limitations on assessment and collection

[US Code](#) [Notes](#) [Updates](#)

Current through Pub. L. 113-52. (See [Public Laws for the current Congress](#).)

(a) General rule

Except as otherwise provided in this section, the amount of any tax imposed by this title shall be assessed within 3 years after the return was filed (whether or not such return was filed on or after the date prescribed) or, if the tax is payable by stamp, at any time after such tax became due and before the expiration of 3 years after the date on which any part of such tax was paid, and no proceeding in court without assessment for the collection of such tax shall be begun after the expiration of such period. For purposes of this chapter, the term "return" means the return required to be filed by the taxpayer (and does not include a return of any person from whom the taxpayer has received an item of income, gain, loss, deduction, or credit).

(b) Time return deemed filed

(1) Early return

For purposes of this section, a return of tax imposed by this title, except tax imposed by chapter 3, 4, 21, or 24, filed before the last day prescribed by law or by regulations promulgated pursuant to law for the filing thereof, shall be considered as filed on such last day.

(2) Return of certain employment and withholding taxes

For purposes of this section, if a return of tax imposed by chapter 3, 4, 21, or 24 for any period ending with or within a calendar year is filed before April 15 of the succeeding calendar year, such return shall be considered filed on April 15 of such calendar year.

(3) Return executed by Secretary

Notwithstanding the provisions of paragraph (2) of section 6020 (b), the execution of a return by the Secretary pursuant to the authority conferred by such section shall not start the running of the period of limitations on assessment and collection.

(4) Return of excise taxes

For purposes of this section, the filing of a return for a specified period on which an entry has been made with respect to a tax imposed under a provision of subtitle D (including a return on which an entry has been made showing no liability for such tax for such period) shall constitute the filing of a return of all amounts of such tax which, if properly paid, would be required to be reported on such return for such period.

(c) Exceptions

(1) False return

In the case of a false or fraudulent return with the intent to evade tax, the tax may be assessed, or a proceeding in court for collection of such tax may be begun without assessment, at any time.

(2) Willful attempt to evade tax

In case of a willful attempt in any manner to defeat or evade tax imposed by this title (other than tax imposed by subtitle A or B), the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

U.S. CODE TOOLBOX

SEARCH US CODE: Go

Wex: [Income Tax: Overview](#)

[Title 26 USC, RSS Feed](#)

[Table of Popular Names](#)

[Parallel Table of Authorities](#)

811 3

[Donations](#) cover only 20% of our costs

GET INVOLVED

[LII Announce Blog](#)

[LII Supreme Court Bulletin](#)

[MAKE A DONATION](#)

[CONTRIBUTE CONTENT](#)

[BECOME A SPONSOR](#)

[GIVE FEEDBACK](#)

FIND A LAWYER

[All lawyers](#)



Our IRS Tax Nightmare
One simple phone call to the right person solved our IRS tax problems
by IRS Tax Lawyer, Len Stauffenger, ESQ on YouTube

(3) No return

In the case of failure to file a return, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

(4) Extension by agreement**(A) In general**

Where, before the expiration of the time prescribed in this section for the assessment of any tax imposed by this title, except the estate tax provided in chapter 11, both the Secretary and the taxpayer have consented in writing to its assessment after such time, the tax may be assessed at any time prior to the expiration of the period agreed upon. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon.

(B) Notice to taxpayer of right to refuse or limit extension

The Secretary shall notify the taxpayer of the taxpayer's right to refuse to extend the period of limitations, or to limit such extension to particular issues or to a particular period of time, on each occasion when the taxpayer is requested to provide such consent.

(5) Tax resulting from changes in certain income tax or estate tax credits

For special rules applicable in cases where the adjustment of certain taxes allowed as a credit against income taxes or estate taxes results in additional tax, see section 905 (c) (relating to the foreign tax credit for income tax purposes) and section 2016 (relating to taxes of foreign countries, States, etc., claimed as credit against estate taxes).

(6) Termination of private foundation status

In the case of a tax on termination of private foundation status under section 507, such tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

(7) Special rule for certain amended returns

Where, within the 60-day period ending on the day on which the time prescribed in this section for the assessment of any tax imposed by subtitle A for any taxable year would otherwise expire, the Secretary receives a written document signed by the taxpayer showing that the taxpayer owes an additional amount of such tax for such taxable year, the period for the assessment of such additional amount shall not expire before the day 60 days after the day on which the Secretary receives such document.

(8) Failure to notify Secretary of certain foreign transfers**(A) In general**

In the case of any information which is required to be reported to the Secretary pursuant to an election under section 1295 (b) or under section 1298 (f), 6038, 6038A, 6038B, 6038D, 6046, 6046A, or 6048, the time for assessment of any tax imposed by this title with respect to any tax return, event, or period to which such information relates shall not expire before the date which is 3 years after the date on which the Secretary is furnished the information required to be reported under such section.

(B) Application to failures due to reasonable cause

If the failure to furnish the information referred to in subparagraph (A) is due to reasonable cause and not willful neglect, subparagraph (A) shall apply only to the item or items related to such failure.

(9) Gift tax on certain gifts not shown on return

If any gift of property the value of which (or any increase in taxable gifts required under section 2701 (d) which) is required to be shown on a return of tax imposed by chapter 12 (without regard to section 2503 (b)), and is not shown on such return, any tax imposed by chapter 12 on such gift may be assessed, or a proceeding in court for

LAW ABOUT... ARTICLES FROM WEX

- [United States Tax Court](#)
- [DodD-Frank: Title XVI - Section 1256 Contracts](#)
- [Income tax](#)
- [Accelerated depreciation](#)
- [Property tax](#)

the collection of such tax may be begun without assessment, at any time. The preceding sentence shall not apply to any item which is disclosed in such return, or in a statement attached to the return, in a manner adequate to apprise the Secretary of the nature of such item.

(10) Listed transactions

If a taxpayer fails to include on any return or statement for any taxable year any information with respect to a listed transaction (as defined in section 6702A (c)(2)) which is required under section 6011 to be included with such return or statement, the time for assessment of any tax imposed by this title with respect to such transaction shall not expire before the date which is 1 year after the earlier of—

- (A) the date on which the Secretary is furnished the information so required, or
- (B) the date that a material advisor meets the requirements of section 6112 with respect to a request by the Secretary under section 6112 (b) relating to such transaction with respect to such taxpayer.

(11) Certain orders of criminal restitution

In the case of any amount described in section 6201 (a)(4), such amount may be assessed, or a proceeding in court for the collection of such amount may be begun without assessment, at any time.

(d) Request for prompt assessment

Except as otherwise provided in subsection (c), (e), or (f), in the case of any tax (other than the tax imposed by chapter 11 of subtitle B, relating to estate taxes) for which return is required in the case of a decedent, or by his estate during the period of administration, or by a corporation, the tax shall be assessed, and any proceeding in court without assessment for the collection of such tax shall be begun, within 18 months after written request therefor (filed after the return is made and filed in such manner and such form as may be prescribed by regulations of the Secretary) by the executor, administrator, or other fiduciary representing the estate of such decedent, or by the corporation, but not after the expiration of 3 years after the return was filed. This subsection shall not apply in the case of a corporation unless—

(1)

- (A) such written request notifies the Secretary that the corporation contemplates dissolution at or before the expiration of such 18-month period,
- (B) the dissolution is in good faith begun before the expiration of such 18-month period, and
- (C) the dissolution is completed;

(2)

- (A) such written request notifies the Secretary that a dissolution has in good faith been begun, and
 - (B) the dissolution is completed; or
- (3) a dissolution has been completed at the time such written request is made.

(e) Substantial omission of items

Except as otherwise provided in subsection (c)—

(1) Income taxes

In the case of any tax imposed by subtitle A—

(A) General rule

If the taxpayer omits from gross income an amount properly includible therein and—

- (i) such amount is in excess of 25 percent of the amount of gross income stated in the return, or
- (ii) such amount—
 - (I) is attributable to one or more assets with respect to which information is required to be reported under section 6038D (or would be so required if such section were applied without regard to the dollar threshold specified in subsection (a) thereof and without regard to any exceptions provided pursuant to subsection (h)(1) thereof), and

(II) is in excess of \$5,000,

the tax may be assessed, or a proceeding in court for collection of such tax may be begun without assessment, at any time within 6 years after the return was filed.

(B) Determination of gross income

For purposes of subparagraph (A)—

(i) In the case of a trade or business, the term "gross income" means the total of the amounts received or accrued from the sale of goods or services (if such amounts are required to be shown on the return) prior to diminution by the cost of such sales or services; and

(ii) In determining the amount omitted from gross income, there shall not be taken into account any amount which is omitted from gross income stated in the return if such amount is disclosed in the return, or in a statement attached to the return, in a manner adequate to apprise the Secretary of the nature and amount of such item.

(C) Constructive dividends

If the taxpayer omits from gross income an amount properly includible therein under section 951 (a), the tax may be assessed, or a proceeding in court for the collection of such tax may be done without assessing, at any time within 6 years after the return was filed.

(2) Estate and gift taxes

In the case of a return of estate tax under chapter 11 or a return of gift tax under chapter 12, if the taxpayer omits from the gross estate or from the total amount of the gifts made during the period for which the return was filed items includible in such gross estate or such total gifts, as the case may be, as exceed in amount 25 percent of the gross estate stated in the return or the total amount of gifts stated in the return, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time within 6 years after the return was filed. In determining the items omitted from the gross estate or the total gifts, there shall not be taken into account any item which is omitted from the gross estate or from the total gifts stated in the return if such item is disclosed in the return, or in a statement attached to the return, in a manner adequate to apprise the Secretary of the nature and amount of such item.

(3) Excise taxes

In the case of a return of a tax imposed under a provision of subtitle D, if the return omits an amount of such tax properly includible thereon which exceeds 25 percent of the amount of such tax reported thereon, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time within 6 years after the return is filed. In determining the amount of tax omitted on a return, there shall not be taken into account any amount of tax imposed by chapter 41, 42, 43, or 44 which is omitted from the return if the transaction giving rise to such tax is disclosed in the return, or in a statement attached to the return, in a manner adequate to apprise the Secretary of the existence and nature of such item.

(f) Personal holding company tax

If a corporation which is a personal holding company for any taxable year fails to file with its return under chapter 1 for such year a schedule setting forth—

(1) the items of gross income and adjusted ordinary gross income, described in section 542, received by the corporation during such year, and

(2) the names and addresses of the individuals who owned, within the meaning of section 544 (relating to rules for determining stock ownership), at any time during the last half of such year more than 50 percent in value of the outstanding capital stock of the corporation,

the personal holding company tax for such year may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time within 6 years after the return for such year was filed.

(g) Certain income tax returns of corporations

(1) Trusts or partnerships

If a taxpayer determines in good faith that it is a trust or partnership and files a return

as such under subtitle A, and if such taxpayer is thereafter held to be a corporation for the taxable year for which the return is filed, such return shall be deemed the return of the corporation for purposes of this section.

(2) Exempt organizations

If a taxpayer determines in good faith that it is an exempt organization and files a return as such under section 6033, and if such taxpayer is thereafter held to be a taxable organization for the taxable year for which the return is filed, such return shall be deemed the return of the organization for purposes of this section.

(3) DISC

If a corporation determines in good faith that it is a DISC (as defined in section 992 (a)) and files a return as such under section 6011 (c)(2) and if such corporation is thereafter held to be a corporation which is not a DISC for the taxable year for which the return is filed, such return shall be deemed the return of a corporation which is not a DISC for purposes of this section.

(h) Net operating loss or capital loss carrybacks

In the case of a deficiency attributable to the application to the taxpayer of a net operating loss carryback or a capital loss carryback (including deficiencies which may be assessed pursuant to the provisions of section 6213 (b)(3)), such deficiency may be assessed at any time before the expiration of the period within which a deficiency for the taxable year of the net operating loss or net capital loss which results in such carryback may be assessed.

(i) Foreign tax carrybacks

In the case of a deficiency attributable to the application to the taxpayer of a carryback under section 904 (c) (relating to carryback and carryover of excess foreign taxes) or under section 907 (f) (relating to carryback and carryover of disallowed foreign oil and gas taxes), such deficiency may be assessed at any time before the expiration of one year after the expiration of the period within which a deficiency may be assessed for the taxable year of the excess taxes described in section 904 (c) or 907 (f) which result in such carryback.

(j) Certain credit carrybacks

(1) In general

In the case of a deficiency attributable to the application to the taxpayer of a credit carryback (including deficiencies which may be assessed pursuant to the provisions of section 6213 (b)(3)), such deficiency may be assessed at any time before the expiration of the period within which a deficiency for the taxable year of the unused credit which results in such carryback may be assessed, or with respect to any portion of a credit carryback from a taxable year attributable to a net operating loss carryback, capital loss carryback, or other credit carryback from a subsequent taxable year, at any time before the expiration of the period within which a deficiency for such subsequent taxable year may be assessed.

(2) Credit carryback defined

For purposes of this subsection, the term "credit carryback" has the meaning given such term by section 6511 (d)(4)(C).

(k) Tentative carryback adjustment assessment period

In a case where an amount has been applied, credited, or refunded under section 6411 (relating to tentative carryback and refund adjustments) by reason of a net operating loss carryback, a capital loss carryback, or a credit carryback (as defined in section 6511 (d)(4)(C)) to a prior taxable year, the period described in subsection (a) of this section for assessing a deficiency for such prior taxable year shall be extended to include the period described in subsection (h) or (j), whichever is applicable; except that the amount which may be assessed solely by reason of this subsection shall not exceed the amount so applied, credited, or refunded under section 6411, reduced by any amount which may be assessed solely by reason of subsection (h) or (j), as the case may be.

(l) Special rule for chapter 42 and similar taxes

(1) In general

For purposes of any tax imposed by section 4912, by chapter 42 (other than section

4940), or by section 4975, the return referred to in this section shall be the return filed by the private foundation, plan, trust, or other organization (as the case may be) for the year in which the act (or failure to act) giving rise to liability for such tax occurred. For purposes of section 4940, such return is the return filed by the private foundation for the taxable year for which the tax is imposed.

(2) Certain contributions to section 501(c)(3) organizations

In the case of a deficiency of tax of a private foundation making a contribution in the manner provided in section 4942 (g)(3) (relating to certain contributions to section 501 (c)(3) organizations) attributable to the failure of a section 501 (c)(3) organization to make the distribution prescribed by section 4942 (g)(3), such deficiency may be assessed at any time before the expiration of one year after the expiration of the period within which a deficiency may be assessed for the taxable year with respect to which the contribution was made.

(3) Certain set-asides described in section 4942(g)(2)

In the case of a deficiency attributable to the failure of an amount set aside by a private foundation for a specific project to be treated as a qualifying distribution under the provisions of section 4942 (g)(2)(B)(ii), such deficiency may be assessed at any time before the expiration of 2 years after the expiration of the period within which a deficiency may be assessed for the taxable year to which the amount set aside relates.

(m) Deficiencies attributable to election of certain credits

The period for assessing a deficiency attributable to any election under section 30 (e)(6), 30B (h)(9), 30C (e)(5), 30D (e)(4), 40 (f), 43, 45B, 45C (d)(4), 45H (g), or 51 (i) (or any revocation thereof) shall not expire before the date 1 year after the date on which the Secretary is notified of such election (or revocation).

(n) Cross references

- (1) For period of limitations for assessment and collection in the case of a joint income return filed after separate returns have been filed, see section 6013 (b)(3) and (4).
- (2) For extension of period in the case of partnership items (as defined in section 6231 (a)(3)), see section 6229.
- (3) For declaratory judgment relating to treatment of items other than partnership items with respect to an oversheltered return, see section 6234.

LII has no control over and does not endorse any external Internet site that contains links to or references LII.

[ABOUT LII](#)

[CONTACT US](#)

[ADVERTISE HERE](#)

[HELP](#)

[TERMS OF USE](#)

[PRIVACY](#)

[LII]

Search Cornell



Search all of LII... Go



ABOUT LII / GET THE LAW / FIND A LAWYER / LEGAL ENCYCLOPEDIA / HELP OUT

Follow 11K followers

Like 15K

CFR > Title 31 > Subtitle A > Part 10 > Subpart B > Section 10.29 [PREV](#) | [NEXT](#)

31 CFR 10.29 - Conflicting interests.

[CFR](#) [Updates](#) [Authorities \(U.S. Code\)](#) [Rulemaking](#)

[prev](#) | [next](#)

§ 10.29
Conflicting interests.

(a) Except as provided by paragraph (b) of this section, a practitioner shall not represent a client before the Internal Revenue Service if the representation involves a conflict of interest. A conflict of interest exists if—

- (1) The representation of one client will be directly adverse to another client; or
- (2) There is a significant risk that the representation of one or more clients will be materially limited by the practitioner's responsibilities to another client, a former client or a third person, or by a personal interest of the practitioner.

(b) Notwithstanding the existence of a conflict of interest under paragraph (a) of this section, the practitioner may represent a client if—

- (1) The practitioner reasonably believes that the practitioner will be able to provide competent and diligent representation to each affected client;
- (2) The representation is not prohibited by law; and
- (3) Each affected client waives the conflict of interest and gives informed consent, confirmed in writing by each affected client, at the time the existence of the conflict of interest is known by the practitioner. The confirmation may be made within a reasonable period after the informed consent, but in no event later than 30 days.

(c) Copies of the written consents must be retained by the practitioner for at least 36 months from the date of the conclusion of the representation of the affected clients, and the written consents must be provided to any officer or employee of the Internal Revenue Service on request.

(d) Effective/applicability date. This section is applicable on September 26, 2007.

[T.D. 9359, 72 FR 54549, Sept. 26, 2007]

CFR TOOLBOX

SEARCH CFR: Go

[Law about...](#) [Articles from Wex](#)

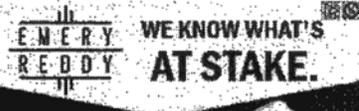
[View eCFR](#)

[Table of Popular Names](#)

[Parallel Table of Authorities](#)

8+1 0

Donations cover only 20% of our costs



WORKERS' COMPENSATION AND EMPLOYMENT LAW



[LEARN MORE](#)

www.emeryreddy.com

LAW ABOUT... ARTICLES FROM WEX

- [Fiduciary Duty](#)
- [Anti-Contact Rule \(Lawyers Professional Responsibility\)](#)
- [Biological experiments](#)
- [Conflict of interest](#)
- [Contingent Fee](#)

GIFT SALE & VALUES

PLUS **EXTRA 15% OFF**

ONLINE ONLY

SHOP YOUR WAY
Members Get 3% In Points

12/15-12/17

sears
WHERE GETTING HAPPENS

ET Section 102 - Integrity and Objectivity

.01 Rule 102—Integrity and objectivity.

In the performance of any professional service, a member shall maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts or subordinate his or her judgment to others.

[As adopted January 12, 1988.]

Interpretations under Rule 102

—*Integrity and Objectivity*

.02 102-1—Knowing misrepresentations in the preparation of financial statements or records.

A member shall be considered to have knowingly misrepresented facts in violation of rule 102 [ET section 102.01] when he or she knowingly—

- a. Makes, or permits or directs another to make, materially false and misleading entries in an entity's financial statements or records; or
- b. Fails to correct an entity's financial statements or records that are materially false and misleading when he or she has the authority to record an entry; or
- c. Signs, or permits or directs another to sign, a document containing materially false and misleading information.

[Revised, effective May 31, 1999, by the Professional Ethics Executive Committee.]

.03 102-2—Conflicts of interest.

A conflict of interest may occur if a member performs a professional service for a client or employer and the member or his or her firm has a relationship with another person, entity, product, or service that could, in the member's professional judgment, be viewed by the client, employer, or other appropriate parties as impairing the member's objectivity. If the member believes that the professional service can be performed with objectivity, and the relationship is disclosed to and consent is obtained from such client, employer, or other appropriate parties, the rule shall not operate to prohibit the performance of the professional service. When making the disclosure, the member should consider Rule 301, *Confidential Client Information* [ET section 301.01].

Certain professional engagements, such as audits, reviews, and other attest services, require independence. Independence impairments under rule 101 [ET section 101.01], its interpretations, and rulings cannot be eliminated by such disclosure and consent.

The following are examples, not all-inclusive, of situations that should cause a member to consider whether or not the client, employer, or other appropriate parties could view the relationship as impairing the member's objectivity:

- A member has been asked to perform litigation services for the plaintiff in connection with a lawsuit filed against a client of the member's firm.
- A member has provided tax or personal financial planning (PFP) services for a married couple who are undergoing a divorce, and the member has been asked to provide the services for both parties during the divorce proceedings.
- In connection with a PFP engagement, a member plans to suggest that the client invest in a business in which he or she has a financial interest.
- A member provides tax or PFP services for several members of a family who may have opposing interests.
- A member has a significant financial interest, is a member of management, or is in a position of influence in a company that is a major competitor of a client for which the member performs management consulting services.
- A member serves on a city's board of tax appeals, which considers matters involving several of the member's tax clients.
- A member has been approached to provide services in connection with the purchase of real estate from a client of the member's firm.
- A member refers a PFP or tax client to an insurance broker or other service provider, which refers clients to the member under an exclusive arrangement to do so.
- A member recommends or refers a client to a service bureau in which the member or partner(s) in the member's firm hold material financial interest(s).

App. G-1

The above examples are not intended to be all-inclusive.

[Replaces previous interpretation 102-2, Conflicts of Interest, August 1995, effective August 31, 1995.]

.04 102-3—Obligations of a member to his or her employer's external accountant.

Under rule 102 [ET section 102.01], a member must maintain objectivity and integrity in the performance of a professional service. In dealing with his or her employer's external accountant, a member must be candid and not knowingly misrepresent facts or knowingly fail to disclose material facts. This would include, for example, responding to specific inquiries for which his or her employer's external accountant requests written representation.

[Effective November 30, 1993.]

.05 102-4—Subordination of judgment by a member.

Rule 102 [ET section 102.01] prohibits a member from knowingly misrepresenting facts or subordinating his or her judgment when performing professional services for a client, for an employer, or on a volunteer basis. Although Rule 102 prohibits subordination of judgment to a client, this interpretation addresses differences of opinion between a member and his or her supervisor or any other person within the member's organization.

If a member and his or her supervisor or any other person within the member's organization have a difference of opinion relating to the application of accounting principles; auditing standards; or other relevant professional standards, including standards applicable to tax and consulting services or applicable laws or regulations, then self-interest, familiarity, and undue influence threats to the member's compliance with Rule 102 may exist. Accordingly, the member should apply appropriate safeguards so that the member does not subordinate his or her judgment when the member concludes the difference of opinion creates significant threats to the member's integrity and objectivity.

In assessing the significance of any identified threats, the member should form a conclusion, after appropriate research or consultation, about whether the result of the position taken by the supervisor or other person

- a. fails to comply with professional standards, when applicable;
- b. creates a material misrepresentation of fact; or
- c. may violate applicable laws or regulations.

If the member concludes that the position taken is not in compliance with professional standards but does not result in a material misrepresentation of fact or a violation of applicable laws or regulations, then threats would not be considered significant. However, the member should discuss his or her conclusions with the person taking the position.

If the member concludes that the position results in a material misrepresentation of fact or a violation of applicable laws or regulations, then threats would be considered significant. In such circumstances, the member should discuss his or her concerns with the supervisor. If the difference of opinion is still not resolved, then the member should discuss his or her concerns with the appropriate higher level(s) of management within the member's organization (for example, the supervisor's immediate superior, senior management, and those charged with governance).

If after discussing such concerns with the supervisor and appropriate higher level(s) of management within the member's organization, the member concludes that appropriate action was not taken, then the member should consider, in no specific order, the following safeguards to ensure that threats to the member's compliance with Rule 102 are eliminated or reduced to an acceptable level:

- Determining whether any additional requirements exist under his or her employer's internal policies and procedures for reporting differences of opinion.
- Determining whether any responsibilities exist to communicate to third parties, such as regulatory authorities or the employer's (former employer's) external accountant. In considering such communications, the member should be cognizant of his or her obligations under Interpretation No. 501-9, "Confidential Information Obtained From Employment or Volunteer Activities," under Rule 501, Acts Discreditable [ET section 501.10], and Interpretation No. 102-3, "Obligations of a Member to His or Her Employer's External Accountant," under Rule 102 [ET section 102.04].
- Consulting with his or her legal counsel regarding his or her responsibilities.

App. G-2

Search Cornell

ABOUT LII / GET THE LAW / FIND A LAWYER / LEGAL ENCYCLOPEDIA / HELP OUT

CFR > Title 31 > Subtitle B > Chapter II > Subchapter A > Part 240 > Section 240.17

PREV | NEXT

31 CFR 240.17 - Powers of attorney.

CFR Updates Authorities (U.S. Code)

prev | next

§ 240.17

Powers of attorney.

(a) **Specific powers of attorney.** Any check may be negotiated under a specific power of attorney executed in accordance with applicable State or Federal law after the issuance of the check and describing the check in full (check serial and symbol numbers, date of issue, amount, and name of payee).

(b) **General powers of attorney.** Checks may be negotiated under a general power of attorney executed, in accordance with applicable State or Federal law, in favor of a person for the following classes of payments:

- (1) Payments for the redemption of currencies or for principal and/or interest on U.S. securities;
- (2) Payments for tax refunds, but subject to the limitations concerning the mailing of Internal Revenue refund checks contained in 26 CFR 601.506(c); and
- (3) Payments for goods and services.

(c) **Special powers of attorney.** Checks issued for classes of payments other than those specified in paragraph (b) of this section, such as a recurring benefit payment, may be negotiated under a special power of attorney executed in accordance with applicable State or Federal law, which describes the purpose for which the checks are issued, names a person as attorney-in-fact, and recites that the special power of attorney is not given to carry into effect an assignment of the right to receive such payment, either to the attorney-in-fact or to any other person.

(d) **Durable special powers of attorney.** A durable special power of attorney is a special power of attorney that continues despite the principal's later incompetency, and is created by the principal's use of words explicitly stating such Intent. Classes of checks other than those specified in paragraph (b) of this section may be negotiated under a durable special power of attorney executed in accordance with applicable State or Federal law, which describes the purpose for which the checks are issued, names a person as attorney-in-fact, and recites that the special power of attorney is not given to carry into effect an assignment of the right to receive such payment, either to the attorney-in-fact or to any other person. For the purpose of negotiating Treasury checks, durable special powers of attorney are effective only during the six-month period following a determination that the named payee is incompetent.

(e) **Springing durable special powers of attorney.** A springing durable special power of attorney is similar to a durable power of attorney except that its terms do not become effective until the principal's subsequent incompetence. As with a durable special power of attorney, a springing durable special power of attorney is created by the principal's use of language explicitly stating that its terms become effective at such time as the principal is determined to be incompetent. Classes of checks other than those specified in paragraph (b) of this section may be negotiated under a springing durable special power of attorney executed in accordance with applicable State or Federal law, which describes the purpose for which the checks are issued, names a person as attorney-

Search all of LII...

Follow 9,552 followers Like 11k

CFR TOOLBOX

SEARCH CFR:

Law about... Articles from Wex

- [View eCFR](#)
- [Table of Popular Names](#)
- [Parallel Table of Authorities](#)

0

Donations cover only 20% of our costs

Power Of Attorney Forms

LegalCorner.com/Legal-Forms
Download Free Power Of Attorney Forms For All States Now.

Free Power of Attorney

www.LawDepot.com
The easiest way to create a Durable Power of Attorney. Free.

Free Power Attorney Forms

www.TotalLegal.com
Forms for Every State. Simple - Prepare Online & Print. AdChoices

LAW ABOUT... ARTICLES FROM WEX

- [Attorney in fact](#)
- [Attorney](#)
- [Power of attorney](#)
- [Attorney at law \(or attorney-at-law\)](#)
- [Attorney-in-fact](#)

Power of Attorney

LegalZoom.com/POA
Create a Power of Attorney Online. 100% Satisfaction Guaranteed!

Ask A Lawyer Now - Free

LawyersLegalLaws.com/Ask-A-Lawyer
Our Lawyers Answer Your Questions. Free & Secure Service. Ask Away!

Durable Power Of Attorney

FindLegalForms.com
Find Durable Power Of Attorney Forms For All States And Much More. AdChoices

GET INVOLVED

[LII Announce Blog](#)

Free POA Form

PowerOfAttorney.RocketLawyer.com

Free POA Form. All States Print, Save, Send. 100% Free.

in-fact, and recites that the springing durable special power of attorney is not given to carry into effect an assignment of the right to receive payment, either to the attorney-in-fact or to any other person. For the purpose of negotiating Treasury checks, springing durable special powers of attorney are effective only during the six-month period following a determination that the named payee is incompetent.

(f) **Proof of authority.** Checks indorsed by an attorney-in-fact must include, as part of the indorsement, an indication of the capacity in which the attorney-in-fact is indorsing. An example would be: "John Jones by Paul Smith, attorney-in-fact for John Jones." Such checks when presented for payment by a financial institution, will be paid by Treasury without the submission of documentary proof of the claimed authority, with the understanding that evidence of such claimed authority to indorse may be required by Treasury in the event of a dispute.

(g) **Revocation of powers of attorney.** Notwithstanding any other law, for purposes of negotiating Treasury checks, all powers of attorney are deemed revoked by the death of the principal and may also be deemed revoked by notice from the principal to the parties known, or reasonably expected, to be acting on the power of attorney.

(h) **Optional use forms.** Optional use power of attorney forms are listed in the appendix to this part. These forms are available on the FMS website at: <http://www.fms.treas.gov/checkclaims/regulations.html>.

AdChoices |>

[LII Supreme Court Bulletin](#)

[MAKE A DONATION](#)
[CONTRIBUTE CONTENT](#)
[BECOME A SPONSOR](#)
[GIVE FEEDBACK](#)

Search Cornell

ABOUT LII / GET THE LAW / FIND A LAWYER / LEGAL ENCYCLOPEDIA / HELP OUT

Search all of LII... Go

Follow 9,552 followers Like 11k

CFR > Title 26 > Chapter I > Subchapter H > Part 601 > Subpart E > Section 601.506

PREV | NEXT

26 CFR 601.506 - Notices to be given to recognized representative; direct contact with taxpayer; delivery of a check drawn on the United States Treasury to recognized representative.

CFR Updates Authorities (U.S. Code)

prev | next

§ 601.506

Notices to be given to recognized representative; direct contact with taxpayer; delivery of a check drawn on the United States Treasury to recognized representative.

(a) **General.** Any notice or other written communication (or a copy thereof) required or permitted to be given to a taxpayer in any matter before the Internal Revenue Service must be given to the taxpayer and, unless restricted by the taxpayer, to the representative according to the following procedures—

(1) If the taxpayer designates more than one recognized representative to receive notices and other written communications, it will be the practice of the Internal Revenue Service to give copies of such to two (but not more than two) individuals so designated.

(2) In a case in which the taxpayer does not designate which recognized representative is to receive notices, it will be the practice of the Internal Revenue Service to give notices and other communications to the first recognized representative appointed on the power of attorney.

(3) Failure to give notice or other written communication to the recognized representative of a taxpayer will not affect the validity of any notice or other written communication delivered to a taxpayer.

Unless otherwise indicated in the document, a power of attorney other than form 2848 will be presumed to grant the authority to receive notices or other written communication (or a copy thereof) required or permitted to be given to a taxpayer in any matter(s) before the Internal Revenue Service to which the power of attorney pertains.

(b) **Cases where taxpayer may be contacted directly.** Where a recognized representative has unreasonably delayed or hindered an examination, collection or investigation by failing to furnish, after repeated request, nonprivileged information necessary to the examination, collection or investigation, the Internal Revenue Service employee conducting the examination, collection or investigation may request the permission of his/her immediate supervisor to contact the taxpayer directly for such information.

(1) **Procedure.** If such permission is granted, the case file will be documented with sufficient facts to show how the examination, collection or investigation was being delayed or hindered. Written notice of such permission, briefly stating the reason why it was granted, will be given to both the recognized representative and the taxpayer together with a request of the taxpayer to supply such nonprivileged information. (See 7521(c) of the Internal Revenue Code and the regulations thereunder.)

(2) **Effect of direct notification.** Permission to by-pass a recognized representative and contact a taxpayer directly does not automatically disqualify an individual to act

CFR TOOLBOX

SEARCH CFR: Go

[Income Tax: Overview from Wex](#)

[View eCFR](#)

[Table of Popular Names](#)

[Parallel Table of Authorities](#)

0

Donations cover only 20% of our costs

Citi ThankYou® Cards

www.CitiCards.com

Earn Points for Everyday Spending. Plus Anniversary Points Every Year

1031 Exchange Services

www.bankersescrow.com

Specialize in 1031 Exchange Service Over 20 years of 1031 Exchanges.

Power Of Attorney Forms

LegalCorner.com/Legal-Forms

Download Free Power Of Attorney Forms For All States Now.

AdChoices

LAW ABOUT... ARTICLES FROM WEX

- [EA](#)
- [United States Tax Court](#)
- [Federal tax law](#)
- [Legal systems](#)
- [Income tax](#)

WEIRD GOLF TRICK
Learn How To add 20 Yards

8 FREE HD GOLF LESSON VIDEOS (CLICK HERE)

GET INVOLVED

[LII Announce Blog](#)

Fast & Accurate Tax Prep

www.SecurityTaxServices.com

Get The Maximum Legal Tax Refund It's Not Too Late We Can File Today

AdChoices [LII Supreme Court Bulletin](#)

[MAKE A DONATION](#)
[CONTRIBUTE CONTENT](#)
[BECOME A SPONSOR](#)
[GIVE FEEDBACK](#)

as the recognized representative of a taxpayer in a matter. However, such information may be referred to the Director of Practice for possible disciplinary proceedings under Circular No. 230, 31 CFR part 10.

(c) **Delivery of a check drawn on the United States Treasury— (1) General.** A check drawn on the United States Treasury (e.g., a check in payment of refund of internal revenue taxes, penalties, or interest, see § 601.504(a)(5)) will be mailed to the recognized representative of a taxpayer provided that a power of attorney is filed containing specific authorization for this to be done.

(2) **Address of recognized representative.** The check will be mailed to the address of the recognized representative listed on the power of attorney unless such recognized representative notifies the Internal Revenue Service in writing that his/her mailing address has been changed.

(3) **Authorization of more than one recognized representative.** In the event a power of attorney authorizes more than one recognized representative to receive a check on the taxpayer's behalf, and such representatives have different addresses, the Internal Revenue Service will mail the check directly to the taxpayer, unless a statement (signed by all of the recognized representatives so authorized) is submitted which indicates the address to which the check is to be mailed.

(4) **Cases in litigation.** The provisions of § 601.506(c) concerning the issuance of a tax refund do not apply to the issuance of a check in payment of claims which have been either reduced to judgment or settled in the course (or as a result) of litigation.

(d) **Centralized Authorization File (CAF) system— (1) Information recorded onto the CAF system.** Information from both powers of attorney and tax information authorizations is recorded onto the CAF system. Such information enables Internal Revenue Service personnel who do not have access to the actual power of attorney or tax information authorizations to—

- (i) Determine whether a recognized representative or an appointee is authorized by a taxpayer to receive and/or inspect confidential tax information;
- (ii) Determine, in the case of a recognized representative, whether that representative is authorized to perform the acts set forth in § 601.504(a); and
- (iii) Send copies of computer generated notices and communications to an appointee or recognized representative so authorized by the taxpayer.

(2) **CAF number.** A Centralized Authorization File (CAF) number generally will be issued to—

- (i) A recognized representative who files a power of attorney and a written declaration of representative; or
- (ii) An appointee authorized under a tax information authorization.

The issuance of a CAF number does not indicate that a person is either recognized or authorized to practice before the Internal Revenue Service. Such determination is made under the provisions of Circular No. 230, 31 CFR part 10. The purpose of the CAF number is to facilitate the processing of a power of attorney or a tax information authorization submitted by a recognized representative or an appointee. A recognized representative or an appointee should include the same CAF number on every power of attorney or tax information authorization filed. However, because the CAF number is not a substantive requirement (i.e., as listed in § 601.503(a)), a tax information authorization or power of attorney which does not include such number will not be rejected based on the absence of a CAF number.

(3) **Tax matters recorded on CAF.** Although a power of attorney or tax information authorization may be filed in all matters under the jurisdiction of the Internal Revenue Service, only those documents which meet each of the following criteria will be

recorded onto the CAF system--

(i) **Specific tax period.** Only documents which concern a matter(s) relating to a specific tax period will be recorded onto the CAF system. A power of attorney or tax information authorization filed in a matter unrelated to a specific period (e.g., the 100% penalty for failure to pay over withholding taxes imposed by section 6672 of the Internal Revenue Code, applications for an employer identification number, and requests for a private letter ruling request pertaining to a proposed transaction) cannot be recorded onto the CAF system.

(ii) **Future three-year limitation.** Only documents which concern a tax period that ends no later than three years after the date on a power of attorney is received by the Internal Revenue Service will be recorded onto the CAF system. For example, a power of attorney received by the Internal Revenue Service on August 1, 1990, which indicates that the authorization applies to form 941 for the quarters ended December 31, 1990 through December 31, 2000, will be recorded onto the CAF system for the applicable tax periods which end no later than July 31, 1993 (i.e., three years after the date of receipt by the Internal Revenue Service).

(iii) **Documents for prior tax periods.** Documents which concern any tax period which has ended prior to the date on which a power of attorney is received by the Internal Revenue Service will be recorded onto the CAF system provided that matters concerning such years are under consideration by the Internal Revenue Service.

(iv) **Limitation on representatives recorded onto the CAF system.** No more than three representatives appointed under a power of attorney or three persons designated under a tax information authorization will be recorded onto the CAF system. If more than three representatives are appointed under a power of attorney or more than three persons designated under a tax information authorization, only the first three names will be recorded onto the CAF system.

The fact that a power of attorney or tax information authorization cannot be recorded onto the CAF system is not determinative of the (current or future) validity of such document. (For example, documents which concern tax periods that end more than three years from the date of receipt by the IRS are not invalid for the period(s) not recorded onto the CAF system, but can be resubmitted at a later date.)

[56 FR 24008, May 28, 1991]

FIND A LAWYER

Lawyers

near Lynnwood, Washington

[Lawyers: get listed for free!](#)



Marlyn Hawkins

Business Law, Construction Law, Insurance Claims, Real Estate Law
Seattle, WA
gold Badge



Christopher M. Larson

Bankruptcy, Business Law, Elder Law, Estate Planning, Foreclosure Defense, Probate, Tax Law
Everett, WA
gold Badge



James M. Beard

Employment Law, Maritime
Seattle, WA
gold Badge



Joseph S. Stacey

Employment Law, Maritime
Seattle, WA
gold Badge



Bo Barker

Appeals & Appellate, Business Law, Construction Law, Consumer Law, Real Estate Law
Seattle, WA
gold Badge

[See More Lawyers](#)

[All Lawyers](#)

financial statements. In such circumstances, the accountant should follow the guidance in paragraphs .25–.26.

Subsequent Events

.44 Evidence or information that a subsequent event that has a material effect on the compiled financial statements has occurred may come to the accountant's attention in the following ways:

- a. During the performance of compilation procedures
- b. Subsequent to the date of the accountant's compilation report but prior to the release of the report⁸

In either case, the accountant should request that management consider the possible effects on the financial statements, including the adequacy of any related disclosure, if applicable.

.45 If the accountant determines that the subsequent event is not adequately accounted for in the financial statements or disclosed in the notes, he or she should follow the guidance in paragraphs .27–.29.

.46 Occasionally, a subsequent event has such a material impact on the entity that the accountant may wish to include in his or her compilation report an explanatory paragraph directing the reader's attention to the event and its effects. Such an emphasis of matter paragraph may be added at the accountant's discretion, provided that the matter is disclosed in the financial statements. See paragraphs .25–.26 for additional guidance with respect to emphasis of matter paragraphs.

Subsequent Discovery of Facts Existing at the Date of the Report

.47 Subsequent to the date of the report on the financial statements that the accountant has compiled, he or she may become aware that facts may have existed at that date that might have caused him or her to believe that information supplied by the entity was incorrect, incomplete, or otherwise unsatisfactory had the accountant then been aware of such facts.⁹ Because of the variety of conditions that might be encountered, some of the procedures contained in this section are necessarily set out only in general terms; the specific actions to be taken in a particular case may vary with the circumstances. The accountant would be well advised to consult with his or her legal counsel when he or she encounters the circumstances to which this section may apply because of legal implications that may be involved in actions contemplated herein.

.48 After the date of the accountant's compilation report, the accountant has no obligation to perform other compilation procedures with respect to the financial statements, unless new information comes to his or her attention. However, when the accountant becomes aware of information that relates to financial statements previously reported on by him or her, but that was not known to the accountant at the date of the report, (and that is of such a nature and from such a source that the accountant would have investigated it had it come to his or her attention during the course of the compilation), the

⁸ For purposes of this section, with respect to compiled financial statements in which the accountant does not report, the submission of the compiled financial statements is the equivalent of the accountant's compilation or review report date.

⁹ See footnote 8.

accountant should, as soon as practicable, undertake to determine whether the information is reliable and whether the facts existed at the date of the report. The accountant should discuss the matter with his or her client at whatever management levels the accountant deems appropriate and request cooperation in whatever investigation may be necessary. In addition to management, the accountant may deem it appropriate to discuss the matter with those charged with governance. If the nature and effect of the matter are such that (a) the accountant's report or the financial statements would have been affected if the information had been known to the accountant at the accountant's compilation report date and had not been reflected in the financial statements and (b) the accountant believes that persons are currently using or are likely to use the financial statements, and those persons would attach importance to the information, the accountant should obtain additional or revised information. Consideration should be given to, among other things, the time elapsed since the financial statements were issued.

.49 When the accountant has concluded that action should be taken to prevent further use of the accountant's report or the financial statements, the accountant should advise his or her client to make appropriate disclosure of the newly discovered facts and their impact on the financial statements to persons who are known to be currently using or who are likely to use the financial statements. When the client undertakes to make appropriate disclosure, the method used and the disclosure made will depend on the circumstances. For example

- a. if the effect of the subsequently discovered information on the accountant's report or the financial statements can promptly be determined, disclosure should consist of issuing, as soon as practicable, revised financial statements and, when applicable, the accountant's report. The reasons for the revision usually should be described in a note to the financial statements and, when applicable, referred to in the accountant's report. Generally, only the most recently issued compiled financial statements would need to be revised, even though the revision resulted from events that had occurred in prior years.
- b. when issuance of financial statements for a subsequent period is imminent, so that disclosure is not delayed, appropriate disclosure of the revision can be made in such statements instead of reissuing the earlier statements, pursuant to subparagraph (a).
- c. when the effect on the financial statements of the subsequently discovered information cannot be promptly determined, the issuance of revised financial statements would necessarily be delayed. In this circumstance, when it appears that the information will require a revision of the statements, appropriate disclosure would consist of notification by the client to persons who are known to be using or who are likely to use the financial statements that the statements should not be used; that revised financial statements will be issued; and, when applicable, that the accountant's report will be issued as soon as practicable.

.50 The accountant should take whatever steps he or she deems necessary to satisfy himself or herself that the client has made the disclosures specified in paragraph .49.

.51 If the client refuses to make the disclosures specified in paragraph .49, the accountant should notify the appropriate personnel at the highest levels within the entity, such as the manager (owner) or those charged with governance, of such refusal and of the fact that, in the absence of disclosure by the

client, the accountant will take steps as outlined subsequently to prevent further use of the financial statements and, if applicable, the accountant's report. The steps that can appropriately be taken will depend upon the degree of certainty of the accountant's knowledge that persons exist who are currently using or who will use the financial statements and, if applicable, the accountant's report and who would attach importance to the information and the accountant's ability as a practical matter to communicate with them. Unless the accountant's attorney recommends a different course of action, the accountant should take the following steps to the extent applicable:

- a. Notification to the client that the accountant's report must no longer be associated with the financial statements.
- b. Notification to the regulatory agencies having jurisdiction over the client that the accountant's report should no longer be used.
- c. Notification to each person known to the accountant to be using the financial statements that the financial statements and the accountant's report should no longer be used. In many instances, it will not be practicable for the accountant to give appropriate individual notification to stakeholders whose identities ordinarily are unknown to him or her; notification to a regulatory agency having jurisdiction over the client will usually be the only practicable way for the accountant to provide appropriate disclosure. Such notification should be accompanied by a request that the agency take whatever steps it may deem appropriate to accomplish the necessary disclosure.

.52 The following guidelines should govern the content of any disclosure made by the accountant in accordance with paragraph .51, to persons other than his or her client:

- a. The disclosure should include a description of the nature of the subsequently acquired information and its effect on the financial statements.
- b. The information disclosed should be as precise and factual as possible and should not go beyond that which is reasonably necessary to accomplish the purpose mentioned in the preceding subparagraph (a). Comments concerning the conduct or motives of any person should be avoided.

If the client has not cooperated, the accountant's disclosure need not detail the specific information but can merely indicate that the client has not cooperated with the accountant's attempt to substantiate information that has come to the accountant's attention and that, if the information is true, the accountant believes that the compilation report must no longer be used or associated with the financial statements. No such disclosure should be made unless the accountant believes that the financial statements are likely to be misleading and that the accountant's compilation report should not be used.

Supplementary Information

.53 When the basic financial statements are accompanied by information presented for supplementary analysis purposes, the accountant should clearly indicate the degree of responsibility, if any, he or she is taking with respect to such information. When the accountant has compiled both the basic financial statements and other data presented only for supplementary analysis purposes, the compilation report should refer to the other data, or the accountant can issue a separate report on the other data. If a separate report is issued, the report

**Treasury
Department
Circular No. 230
(Rev. 4-2008)**
Cat. Num. 16586R
www.irs.gov

**Regulations Governing the
Practice of Attorneys,
Certified Public Accountants,
Enrolled Agents,
Enrolled Actuaries,
Enrolled Retirement Plan Agents, and
Appraisers before the
Internal Revenue Service**

Department
of the
Treasury

**Title 31 Code of Federal Regulations,
Subtitle A, Part 10,
published September 26, 2007**

**Internal
Revenue
Service**

§ 10.21 Knowledge of client's omission.

A practitioner who, having been retained by a client with respect to a matter administered by the Internal Revenue Service, knows that the client has not complied with the revenue laws of the United States or has made an error in or omission from any return, document, affidavit, or other paper which the client submitted or executed under the revenue laws of the United States, must advise the client promptly of the fact of such noncompliance, error, or omission. The practitioner must advise the client of the consequences as provided under the Code and regulations of such noncompliance, error, or omission.

§ 10.22 Diligence as to accuracy.

(a) *In general.* A practitioner must exercise due diligence —

(1) In preparing or assisting in the preparation of, approving, and filing tax returns, documents, affidavits, and other papers relating to Internal Revenue Service matters;

(2) In determining the correctness of oral or written representations made by the practitioner to the Department of the Treasury; and

(3) In determining the correctness of oral or written representations made by the practitioner to clients with reference to any matter administered by the Internal Revenue Service.

(b) *Reliance on others.* Except as provided in §§ 10.34, 10.35 and 10.37, a practitioner will be presumed to have exercised due diligence for purposes of this section if the practitioner relies on the work product of another person and the practitioner used reasonable care in engaging, supervising, training, and evaluating the person, taking proper account of the nature of the relationship between the practitioner and the person.

(c) *Effective/applicability date.* This section is applicable on September 26, 2007.

§ 10.23 Prompt disposition of pending matters.

A practitioner may not unreasonably delay the

prompt disposition of any matter before the Internal Revenue Service.

§ 10.24 Assistance from or to disbarred or suspended persons and former Internal Revenue Service employees.

A practitioner may not, knowingly and directly or indirectly:

(a) Accept assistance from or assist any person who is under disbarment or suspension from practice before the Internal Revenue Service if the assistance relates to a matter or matters constituting practice before the Internal Revenue Service.

(b) Accept assistance from any former government employee where the provisions of § 10.25 or any Federal law would be violated.

§ 10.25 Practice by former government employees, their partners and their associates.

(a) *Definitions.* For purposes of this section —

(1) *Assist* means to act in such a way as to advise, furnish information to, or otherwise aid another person, directly, or indirectly.

(2) *Government employee* is an officer or employee of the United States or any agency of the United States, including a special Government employee as defined in 18 U.S.C. 202(a), or of the District of Columbia, or of any State, or a member of Congress or of any State legislature.

(3) *Member of a firm* is a sole practitioner or an employee or associate thereof, or a partner, stockholder, associate, affiliate or employee of a partnership, joint venture, corporation, professional association or other affiliation of two or more practitioners who represent nongovernmental parties.

(4) *Particular matter involving specific parties* is defined at 5 CFR 2637.201(c), or superseding post-employment regulations issued by the U.S. Office of Government Ethics.

(5) *Rule* includes Treasury regulations, whether issued or under preparation for issuance as notices of proposed rulemaking or as Treasury decisions, revenue rulings, and revenue procedures pub-

**Treasury
Department
Circular No. 230
(Rev. 4-2008)**
Cat. Num. 16586R
www.irs.gov

**Regulations Governing the
Practice of Attorneys,
Certified Public Accountants,
Enrolled Agents,
Enrolled Actuaries,
Enrolled Retirement Plan Agents, and
Appraisers before the
Internal Revenue Service**

Department
of the
Treasury

**Title 31 Code of Federal Regulations,
Subtitle A, Part 10,
published September 26, 2007**

**Internal
Revenue
Service**

fore the Internal Revenue Service.

(b) *Procedures to ensure best practices for tax advisors.* Tax advisors with responsibility for overseeing a firm's practice of providing advice concerning Federal tax issues or of preparing or assisting in the preparation of submissions to the Internal Revenue Service should take reasonable steps to ensure that the firm's procedures for all members, associates, and employees are consistent with the best practices set forth in paragraph (a) of this section.

(c) *Applicability date.* This section is effective after June 20, 2005.

§ 10.34 Standards with respect to tax returns and documents, affidavits and other papers.

(a) [Reserved]

(b) *Documents, affidavits and other papers —*

(1) A practitioner may not advise a client to take a position on a document, affidavit or other paper submitted to the Internal Revenue Service unless the position is not frivolous.

(2) A practitioner may not advise a client to submit a document, affidavit or other paper to the Internal Revenue Service —

(i) The purpose of which is to delay or impede the administration of the Federal tax laws;

(ii) That is frivolous; or

(iii) That contains or omits information in a manner that demonstrates an intentional disregard of a rule or regulation unless the practitioner also advises the client to submit a document that evidences a good faith challenge to the rule or regulation.

(c) *Advising clients on potential penalties —*

(1) A practitioner must inform a client of any penalties that are reasonably likely to apply to the client with respect to —

(i) A position taken on a tax return if —

(A) The practitioner advised the client with respect to the position; or

(B) The practitioner prepared or signed the tax return; and

(ii) Any document, affidavit or other paper submitted to the Internal Revenue Service.

(2) The practitioner also must inform the client

of any opportunity to avoid any such penalties by disclosure, if relevant, and of the requirements for adequate disclosure.

(3) This paragraph (c) applies even if the practitioner is not subject to a penalty under the Internal Revenue Code with respect to the position or with respect to the document, affidavit or other paper submitted.

(d) *Relying on information furnished by clients.* A practitioner advising a client to take a position on a tax return, document, affidavit or other paper submitted to the Internal Revenue Service, or preparing or signing a tax return as a preparer, generally may rely in good faith without verification upon information furnished by the client. The practitioner may not, however, ignore the implications of information furnished to, or actually known by, the practitioner, and must make reasonable inquiries if the information as furnished appears to be incorrect, inconsistent with an important fact or another factual assumption, or incomplete.

(e) [Reserved]

(f) *Effective/applicability date.* Section 10.34 is applicable to tax returns, documents, affidavits, and other papers filed on or after September 26, 2007.

§ 10.35 Requirements for covered opinions.

(a) A practitioner who provides a covered opinion shall comply with the standards of practice in this section.

(b) *Definitions.* For purposes of this subpart —

(1) *A practitioner* includes any individual described in §10.2(a)(5).

(2) *Covered opinion —*

(i) *In general.* A covered opinion is written advice (including electronic communications) by a practitioner concerning one or more Federal tax issues arising from —

(A) A transaction that is the same as or substantially similar to a transaction that, at the time the advice is rendered, the Internal Revenue Service has determined to be a tax avoidance transaction and identified by published guidance as a listed transaction under 26 CFR 1.6011-4(b)(2);

ET Section 102 - Integrity and Objectivity

.01 Rule 102—Integrity and objectivity.

In the performance of any professional service, a member shall maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts or subordinate his or her judgment to others.

[As adopted January 12, 1988.]

Interpretations under Rule 102

—*Integrity and Objectivity*

.02 102-1—Knowing misrepresentations in the preparation of financial statements or records.

A member shall be considered to have knowingly misrepresented facts in violation of rule 102 [ET section 102.01] when he or she knowingly—

- a. Makes, or permits or directs another to make, materially false and misleading entries in an entity's financial statements or records; or
- b. Fails to correct an entity's financial statements or records that are materially false and misleading when he or she has the authority to record an entry; or
- c. Signs, or permits or directs another to sign, a document containing materially false and misleading information.

[Revised, effective May 31, 1999, by the Professional Ethics Executive Committee.]

.03 102-2—Conflicts of interest.

A conflict of interest may occur if a member performs a professional service for a client or employer and the member or his or her firm has a relationship with another person, entity, product, or service that could, in the member's professional judgment, be viewed by the client, employer, or other appropriate parties as impairing the member's objectivity. If the member believes that the professional service can be performed with objectivity, and the relationship is disclosed to and consent is obtained from such client, employer, or other appropriate parties, the rule shall not operate to prohibit the performance of the professional service. When making the disclosure, the member should consider Rule 301, *Confidential Client Information* [ET section 301.01].

Certain professional engagements, such as audits, reviews, and other attest services, require independence. Independence impairments under rule 101 [ET section 101.01], its interpretations, and rulings cannot be eliminated by such disclosure and consent.

The following are examples, not all-inclusive, of situations that should cause a member to consider whether or not the client, employer, or other appropriate parties could view the relationship as impairing the member's objectivity:

- A member has been asked to perform litigation services for the plaintiff in connection with a lawsuit filed against a client of the member's firm.
- A member has provided tax or personal financial planning (PFP) services for a married couple who are undergoing a divorce, and the member has been asked to provide the services for both parties during the divorce proceedings.
- In connection with a PFP engagement, a member plans to suggest that the client invest in a business in which he or she has a financial interest.
- A member provides tax or PFP services for several members of a family who may have opposing interests.
- A member has a significant financial interest, is a member of management, or is in a position of influence in a company that is a major competitor of a client for which the member performs management consulting services.
- A member serves on a city's board of tax appeals, which considers matters involving several of the member's tax clients.
- A member has been approached to provide services in connection with the purchase of real estate from a client of the member's firm.
- A member refers a PFP or tax client to an insurance broker or other service provider, which refers clients to the member under an exclusive arrangement to do so.
- A member recommends or refers a client to a service bureau in which the member or partner(s) in the member's firm hold material financial interest(s).

App. M-1

The above examples are not intended to be all-inclusive.

[Replaces previous interpretation 102-2, Conflicts of Interest, August 1995, effective August 31, 1995.]

.04 102-3—Obligations of a member to his or her employer's external accountant.

Under rule 102 [ET section 102.01], a member must maintain objectivity and integrity in the performance of a professional service. In dealing with his or her employer's external accountant, a member must be candid and not knowingly misrepresent facts or knowingly fail to disclose material facts. This would include, for example, responding to specific inquiries for which his or her employer's external accountant requests written representation.

[Effective November 30, 1993.]

.05 102-4—Subordination of judgment by a member.

Rule 102 [ET section 102.01] prohibits a member from knowingly misrepresenting facts or subordinating his or her judgment when performing professional services for a client, for an employer, or on a volunteer basis. Although Rule 102 prohibits subordination of judgment to a client, this interpretation addresses differences of opinion between a member and his or her supervisor or any other person within the member's organization.

If a member and his or her supervisor or any other person within the member's organization have a difference of opinion relating to the application of accounting principles; auditing standards; or other relevant professional standards, including standards applicable to tax and consulting services or applicable laws or regulations, then self-interest, familiarity, and undue influence threats to the member's compliance with Rule 102 may exist. Accordingly, the member should apply appropriate safeguards so that the member does not subordinate his or her judgment when the member concludes the difference of opinion creates significant threats to the member's integrity and objectivity.

In assessing the significance of any identified threats, the member should form a conclusion, after appropriate research or consultation, about whether the result of the position taken by the supervisor or other person

- a. fails to comply with professional standards, when applicable;
- b. creates a material misrepresentation of fact; or
- c. may violate applicable laws or regulations.

If the member concludes that the position taken is not in compliance with professional standards but does not result in a material misrepresentation of fact or a violation of applicable laws or regulations, then threats would not be considered significant. However, the member should discuss his or her conclusions with the person taking the position.

If the member concludes that the position results in a material misrepresentation of fact or a violation of applicable laws or regulations, then threats would be considered significant. In such circumstances, the member should discuss his or her concerns with the supervisor. If the difference of opinion is still not resolved, then the member should discuss his or her concerns with the appropriate higher level(s) of management within the member's organization (for example, the supervisor's immediate superior, senior management, and those charged with governance).

If after discussing such concerns with the supervisor and appropriate higher level(s) of management within the member's organization, the member concludes that appropriate action was not taken, then the member should consider, in no specific order, the following safeguards to ensure that threats to the member's compliance with Rule 102 are eliminated or reduced to an acceptable level:

- Determining whether any additional requirements exist under his or her employer's internal policies and procedures for reporting differences of opinion.
- Determining whether any responsibilities exist to communicate to third parties, such as regulatory authorities or the employer's (former employer's) external accountant. In considering such communications, the member should be cognizant of his or her obligations under Interpretation No. 501-9, "Confidential Information Obtained From Employment or Volunteer Activities," under Rule 501, Acts Discreditable [ET section 501.10], and Interpretation No. 102-3, "Obligations of a Member to His or Her Employer's External Accountant," under Rule 102 [ET section 102.04].
- Consulting with his or her legal counsel regarding his or her responsibilities.

App. M-2

- Documenting his or her understanding of the facts, the accounting principles, auditing standards, or other relevant professional standards involved or applicable laws or regulations and the conversations and parties with whom these matters were discussed.

If the member concludes that no safeguards can eliminate or reduce the threats to an acceptable level or if the member concludes that appropriate action was not taken, then he or she should consider his or her continuing relationship with the member's organization and take appropriate steps to eliminate his or her exposure to subordination of judgment.

Nothing in this interpretation would preclude a member from resigning from the member's organization at any time. However, resignation may not relieve the member of his or her responsibilities in the situation, including any responsibility to disclose to third parties, such as regulatory authorities or the employer's (former employer's) external accountant.

A member should use professional judgment and apply similar safeguards, as appropriate, to other situations involving a difference of opinion so that the member does not subordinate his or her judgment.

[Effective November 30, 1993. Revised May 2013, revisions effective August 31, 2013.]

.06 102-5—Applicability of rule 102 to members performing educational services.

Educational services (for example, teaching full- or part-time at a university, teaching a continuing professional education course, or engaging in research and scholarship) are professional services as defined in ET section 92.30, and are therefore subject to rule 102 [ET section 102.01]. Rule 102 [ET section 102.01] provides that the member shall maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts or subordinate his or her judgment to others.

[Effective March 31, 1995. Revised August 2011 to update for revised numerical definition reference.]

.07 102-6—Professional services involving client advocacy.

A member or a member's firm may be requested by a client—

1. To perform tax or consulting services engagements that involve acting as an advocate for the client.
2. To act as an advocate in support of the client's position on accounting or financial reporting issues, either within the firm or outside the firm with standard setters, regulators, or others.

Services provided or actions taken pursuant to such types of client requests are professional services [ET section 92.30] governed by the Code of Professional Conduct and shall be performed in compliance with Rule 201, *General Standards* [ET section 201.01], Rule 202, *Compliance With Standards* [ET section 202.01], and Rule 203, *Accounting Principles* [ET section 203.01], and interpretations thereof, as applicable. Furthermore, in the performance of any professional service, a member shall comply with rule 102 [ET section 102.01], which requires maintaining objectivity and integrity and prohibits subordination of judgment to others. When performing professional services requiring independence, a member shall also comply with rule 101 [ET section 101.01] of the Code of Professional Conduct.

Moreover, there is a possibility that some requested professional services involving client advocacy may appear to stretch the bounds of performance standards, may go beyond sound and reasonable professional practice, or may compromise credibility, and thereby pose an unacceptable risk of impairing the reputation of the member and his or her firm with respect to independence, integrity, and objectivity. In such circumstances, the member and the member's firm should consider whether it is appropriate to perform the service.

[Effective August 31, 1995. Revised August 2011 to update for revised numerical definition reference.]

Footnotes (ET Section 102 — Integrity and Objectivity):

[fn 1] [Footnote deleted, effective August 31, 2013, by the Professional Ethics Executive Committee.]