

YEAR
2001

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

CALIFORNIA SCHEDULE
K-1 (565)

For calendar year 2001 or fiscal year beginning month _____ day _____ year 2001, and ending month _____ day _____ year _____

Partner's identifying number
Partner's name, address, state, and ZIP Code

DONALD A WATTSON
[REDACTED]

Partnership's FEIN
Secretary of State file number

Partnership's name, address, state, and ZIP Code
THE WATTSON ARNO COMPANY
3600 BIRCH ST., SUITE 250
NEWPORT BEACH, CA 92660

- A** Is this partner a: (1) general partner; or (2) limited partner?
- B** What type of entity is this partner? ●
- (1) Individual (5) General Partnership (8) LLC
 (2) S Corporation (6) Limited Partnership (9) IRA/Keogh/SEP
 (3) Estate/Trust (7) LLP (10) Exempt Organization
 (4) C Corporation
- C** Is this partner a foreign partner?..... ● Yes No
- D** Enter partner's percentage (i) Before decrease or termination (ii) End of year (without regard to special allocations) of:
- Profit sharing..... % ● _____ %
 Loss sharing..... % ● _____ %
 Ownership of capital..... % ● _____ %

- E** Partner's share of liabilities:
- Nonrecourse..... ● \$ _____
 Qualified nonrecourse financing..... ● \$ _____
 Other..... ● \$ _____
- F** Tax shelter registration number.....
- G** (1) Check here if this is a publicly traded partnership as defined in IRC Section 469(k)(2).....
 (2) Check here if this is an investment partnership (R&TC Sections 17955 and 23040.1).....
- H** Check here if this is: ●
- (1) a final Schedule K-1 (565) (2) an amended Schedule K-1 (565)
- I** Is this partner a nonresident of California?..... ► Yes ● No

J Analysis of partner's capital account:

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of line 3, line 4, and line 7, Form 565, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine column (a) through column (d))
● -3,257,815.	● 3,257,815.	●	●	● 0.

Caution: Refer to Partner's Instructions for Schedule K-1 (565) before entering information from this schedule on your California return.

	(a) Distributive share items	(b) Amounts from federal Schedule K-1 (1065)	(c) California adjustments	(d) Total amounts using California law. Combine column (b) and column (c)	(e) California source amounts and credits
Income (Loss)	1 Ordinary income (loss) from trade or business activities.....			●	▶
	2 Net income (loss) from rental real estate activities.....			●	▶
	3 Net income (loss) from other rental activities.....				
	4 Portfolio income (loss):				
	a Interest.....			●	▶
	b Dividends.....			●	▶
	c Royalties.....			●	▶
d Net capital gain (loss).....			●	▶	
e Other portfolio income (loss). Attach schedule.....			●	▶	
5 Guaranteed payments to partners.....			●	▶	
6 Net gain (loss) under IRC Section 1231 (other than due to casualty or theft).....			●	▶	
7 Other income (loss). Attach schedule.....			●	▶	
Deductions	8 Charitable contributions.....				
	9 Expense deduction for recovery property (R&TC Sections 17267.2, 17267.6, 17268, and IRC Section 179). Attach schedule.....				
	10 Deductions related to portfolio income. Attach schedule.....				
	11 Other deductions. Attach schedule.....				

FTB EXHIBIT B2
February 23, 2010
Donald and Christine Wattson
446005

PARTNER 1

THE WATTSON ARNO COMPANY

(a) Distributive share items		(b) Amounts from federal Schedule K-1 (1065)	(c) California adjustments	(d) Total amounts using California law. Combine column (b) and column (c)	(e) California source amounts and credits
Investment Interest	12a Interest expense on investment debts.				
	b (1) Investment income included on lines 4a, 4b, 4c, and 4e.				
	(2) Investment expenses included on line 10.				
Credits	13a (1) Withholding on partnership allocated to all partners.				
	(2) Partnership withholding on nonresident partners.				
	(3) Total withholding (equals amount on Form 592-B if calendar year partnership).				
	b Low-income housing credit.				
	c Credits other than in 13b related to rental real estate activities. Attach sch.				
	d Credits related to other rental activities. See instructions. Attach sch.				
14 Other credits. Attach required schedules or statements.					
Adjustments and Tax Preference Items	15a Depreciation adjustment on property placed in service after 1986.				
	b Adjusted gain or loss.				
	c Depletion (other than oil and gas).				
	d (1) Gross income from oil, gas, and geothermal properties.				
	(2) Deductions allocable to oil, gas, and geothermal properties.				
	e Other adjustments and tax preference items. Attach sch.				
Other	16a Total expenditures to which an IRC Section 59(e) election may apply.				
	b Type of expenditures				
	17 Tax-exempt interest income.				
	18 Other tax-exempt income.				
	19 Nondeductible expenses.				
	20 Distributions of money (cash and marketable securities).				
21 Distributions of property other than money.					
22 Supplemental information required to be reported separately to each partner. Attach additional schedules. See instructions.					\$

Table 1 – Partner's share of nonbusiness income from intangibles (source of income is dependent on residence or commercial domicile of the partner):

Interest	\$ _____	Section 1231 Gains/Losses	\$ _____	Capital Gains/Losses	\$ _____
Dividends	\$ _____	Royalties	\$ _____	Other	\$ _____

FOR USE BY APPORTIONING UNITARY PARTNERS ONLY – See instructions.

Table 2 – Partner's share of distributive items.

- A Partner's share of the partnership's business income. See instructions. \$ _____
- B Partner's share of nonbusiness income from real and tangible personal property sourced or allocable to California.
 Capital Gains/Losses \$ _____ Rents/Royalties \$ _____
 Section 1231 Gains/Losses \$ _____ Other \$ _____

C Partner's distributive share of the partnership's property, payroll, and sales:

Factors	Total within and outside California	Total within California
Property: Beginning	\$ _____	\$ _____
Ending	\$ _____	\$ _____
Annual Rent Expense	\$ _____	\$ _____
Payroll	\$ _____	\$ _____
Sales	\$ _____	\$ _____