TAXPAYER EXHIBIT
B18
June 22, 2011
Richard Palmquist
526815

**2005 Individual Return**
prepared for:

**DOLORES M and RICHARD H PALMQUIST**
246 LA CAMARILLA
NIPOMO, CA 93444

AS AMENDED

**Hocking Denton Palmquist**
PO Box 5339
Santa Barbara, CA 93150-5339

STATE BOARD OF EQUALIZATION

Appeal Name: RICHARD PALMQUIST
Case ID: 526815 ITEM #. B18
Date: JUNE 22, 2011 Exhibit No:
TP FTB DEPT

AS AMENDED

Form **1040X** (Rev November 2005)

Department of the Treasury — Internal Revenue Service

# Amended U.S. Individual Income Tax Return

► See separate instructions.

OMB No. 1545-0074

This return is for calendar year ► 2005 , or fiscal year ended ►

Please print or type

Your first name: DOLORES M PALMQUIST | MI | Last name

If a joint return, spouse's first name: RICHARD H PALMQUIST | MI | Last name

Home address (no. and street) or P.O. box if mail is not delivered to your home: 246 LA CAMARILLA | Apt no.

City, town or post office. If you have a foreign address, see instructions.: NIPOMO, CA 93444 | State | ZIP code

Your social security number: [redacted]

For Paperwork Reduction Act Notice, see instructions.

A If the address shown above is different from that shown on your last return filed with the IRS and you would like us to change it, check here ► ☐

B Filing status. Be sure to complete this line. **Note.** You cannot change from joint to separate returns after the due date.

| | Single | Married filing jointly | Married filing separately | Head of household | Qualifying widow(er) |
|---|---|---|---|---|---|
| On original return ► | ☐ | ☒ | ☐ | ☐ | ☐ |
| On this return ► | ☐ | ☒ | ☐ | ☐ | ☐ |

* If the qualifying person is a child but not your dependent, see instructions.

Use Part II on page 2 to explain any changes

| | | | A Original amount or as previously adjusted (see instructions) | B Net change – amount of increase or (decrease) – explain in Part II | C Correct amount |
|---|---|---|---|---|---|
| | **Income and Deductions (see instructions)** | | | | |
| | 1 Adjusted gross income (see instructions) | 1 | 145,101. | -15,751. | 129,350. |
| | 2 Itemized deductions or standard deduction (see instructions) | 2 | 10,000. | 2,000. | 12,000. |
| | 3 Subtract line 2 from line 1 | 3 | 135,101. | -17,751. | 117,350. |
| | 4 Exemptions. If changing, fill in Parts I and II on page 2 | 4 | 6,400. | | 6,400. |
| | 5 Taxable income. Subtract line 4 from line 3 | 5 | 128,701. | -17,751. | 110,950. |
| Tax Liability | 6 Tax (see instructions). Method used in column C: QDCGTW | 6 | 20,285. | -4,436. | 15,849. |
| | 7 Credits (see instructions) | 7 | | | |
| | 8 Subtract line 7 from line 6. Enter the result but not less than zero | 8 | 20,285. | -4,436. | 15,849. |
| | 9 Other taxes (see instructions) | 9 | | | |
| | 10 Total tax. Add lines 8 and 9 | 10 | 20,285. | -4,436. | 15,849. |
| Payments | 11 Federal income tax withheld and excess social security and tier 1 RRTA tax withheld. If changing, see instructions | 11 | | | |
| | 12 Estimated tax payments, including amount applied from prior year's return | 12 | | | |
| | 13 Earned income credit (EIC) | 13 | | | |
| | 14 Additional child tax credit from Form 8812 | 14 | | | |
| | 15 Credits from Form 2439, Form 4136, or Form 8885 | 15 | | | |
| | 16 Amount paid with request for extension of time to file (see instructions) | | | | 16 |
| | 17 Amount of tax paid with original return plus additional tax paid after it was filed | | | | 17 20,285. |
| | 18 Total payments. Add lines 11 through 17 in column C | | | | 18 20,285. |
| | **Refund or Amount You Owe** | | | | |
| | 19 Overpayment, if any, as shown on original return or as previously adjusted by the IRS | | | | 19 |
| | 20 Subtract line 19 from line 18 (see instructions) | | | | 20 20,285. |
| | 21 **Amount you owe.** If line 10, column C, is more than line 20, enter the difference and see instructions | | | | 21 |
| | 22 If line 10, column C, is less than line 20, enter the difference | | | | 22 4,436. |
| | 23 Amount of line 22 you want **refunded to you** | | | | 23 4,436. |
| | 24 Amount of line 22 you want **applied to your estimated tax** 24 | | | | |

**Sign Here**

Joint return? See instrs. Keep a copy for your records.

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

Your signature | Date | Spouse's signature. If a joint return, **both** must sign | Date

**Paid Preparer's Use Only**

Preparer's signature ► PHIL PALMQUIST, C.P.A. | Date 10/10/08 | Check if self-employed ☐ | Preparer's SSN or PTIN P00042138

Firm's name (or yours if self-employed), address, and ZIP code ► HOCKING DENTON PALMQUIST, PO BOX 5339, SANTA BARBARA, CA 93150-5339 | EIN [redacted] | Phone no. (805) 969-5081

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**Part I Exemptions.** See Form 1040 or 1040A instructions.

Complete this part **only** if you are:
- Increasing or decreasing the number of exemptions claimed on line 6d of the return you are amending, or
- Increasing or decreasing the excemption amount for housing individuals displaced by Hurricane Katrina.

| | | | A Original number of exemptions reported or as previously adjusted | B Net change | C Correct number of exemptions |
|---|---|---|---|---|---|
| 25 | Yourself and spouse | 25 | | | |
| | **Caution.** If someone can claim you as a dependent, you cannot claim an exemption for yourself. | | | | |
| 26 | Your dependent children who lived with you | 26 | | | |
| 27 | Your dependent children who did not live with you due to divorce or separation | 27 | | | |
| 28 | Other dependents | 28 | | | |
| 29 | Total number of exemptions. Add lines 25 through 28 | 29 | | | |
| 30 | Multiply the number of exemptions claimed on line 29 by the amount listed below for the tax year you are amending. Enter the result here and on line 4. | 30 | | | |
| 31 | If you are claiming an exemption amount for housing individuals displaced by Hurricane Katrina, enter the amount from Form 8914, line 2 (see instructions for line 4) | 31 | | | |
| 32 | Add lines 30 and 31. Enter the result here and on line 4 | 32 | | | |

| Tax year | Exemption amount | But see the instructions for line 4 if the amount on line 1 is over: |
|---|---|---|
| 2005 | $3,200 | $109,475 |
| 2004 | 3,100 | 107,025 |
| 2003 | 3,050 | 104,625 |
| 2002 | 3,000 | 103,000 |

33 Dependents (children and other) not claimed on original (or adjusted) return:

| (a) First name Last name | (b) Dependent's social security number | (c) Dependent's relationship to you | (d) ✓ if qualifying child for child tax credit |
|---|---|---|---|
| | | | ☐ |
| | | | ☐ |
| | | | ☐ |
| | | | ☐ |
| | | | ☐ |
| | | | ☐ |

Number of children on 33 who:
- lived with you ► ☐
- **did not** live with you due to divorce or separation (see instructions) ► ☐

Dependents on 33 not entered above ► ☐

**Part II Explanation of Changes**

**Enter the line number from page 1 of the form for each item you are changing and give the reason for each change. Attach only the supporting forms and schedules for the items changed. If you do not attach the required information, your Form 1040X may be returned. Be sure to include your name and social security number on any attachments.**

If the change relates to a net operating loss carryback or a general business credit carryback, attach the schedule or form that shows the year in which the loss or credit occurred. See the instructions. Also, check here ► ☐

THIS AMENDED RETURN IS BEING FILED UPON RECEIPT OF TWO AMENDED PARTNERSHIP K-1'S FROM TRUTH RADIO. THE ORDINARY LOSSES OF THE TWO K-1'S TOTAL $(3,106). ALSO, A NET OPERATING LOSS CARRYOVER WAS CREATED WITH THE FILING OF AN AMENDED 2004 RETURN. THE NET OPERATING LOSS CARRYOVER TOTALED $(12,645). ALSO, BOTH TAXPAYERS WERE BORN BEFORE JANUARY 2, 1941, INCREASING THE STANDARD DEDUCTION BY $2,000. THESE ADDITIONS LOWER TAXABLE INCOME TO $110,950.

**Part III Presidential Election Campaign Fund.** Checking below will not increase your tax or reduce your refund.

If you did not previously want $3 to go to the fund but now want to, check here ► ☐

If a joint return and your spouse did not previously want $3 to go to the fund but now wants to, check here ► ☐

AS AMENDED

Form **1040** Department of the Treasury — Internal Revenue Service **U.S. Individual Income Tax Return 2005** (99) IRS Use Only — Do not write or staple in this space.

For the year Jan 1 - Dec 31, 2005, or other tax year beginning , 2005, ending , 20 — OMB No. 1545-0074

**Label** (See instructions.) **Use the IRS label.** Otherwise, please print or type.

Your first name: DOLORES M PALMQUIST — MI — Last name

Your social security number: [redacted]

If a joint return, spouse's first name: RICHARD H PALMQUIST — MI — Last name

[redacted]

Home address (number and street). If you have a P.O. box, see instructions.: 246 LA CAMARILLA — Apartment no.

City, town or post office. If you have a foreign address, see instructions.: NIPOMO, CA 93444 — State — ZIP code

▲ social security number(s) above. ▲

Checking a box below will not change your tax or refund.

**Presidential Election Campaign** ▶ Check here if you, or your spouse if filing jointly, want $3 to go to this fund? (see instructions) ▶ ☐ You ☐ Spouse

**Filing Status** Check only one box.

1 ☐ Single
2 ☒ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above & full name here ▶
4 ☐ Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here ▶
5 ☐ Qualifying widow(er) with dependent child (see instructions)

**Exemptions**

6a ☒ **Yourself.** If someone can claim you as a dependent, **do not** check box 6a
b ☒ **Spouse**

Boxes checked on 6a and 6b: 2

c **Dependents:**

| (1) First name Last name | (2) Dependent's social security number | (3) Dependent's relationship to you | (4) ✓ if qualifying child for child tax credit (see instrs) |
|---|---|---|---|
| | | | ☐ |
| | | | ☐ |
| | | | ☐ |
| | | | ☐ |

If more than four dependents, see instructions.

No. of children on 6c who: • lived with you: • did not live with you due to divorce or separation (see instrs): Dependents on 6c not entered above: Add numbers on lines above ▶ 2

d Total number of exemptions claimed: 2

**Income**

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

If you did not get a W-2, see instructions.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

| | | | |
|---|---|---|---|
| 7 | Wages, salaries, tips, etc. Attach Form(s) W-2 | 7 | |
| 8a | **Taxable** interest. Attach Schedule B if required | 8a | 5,291. |
| b | **Tax-exempt** interest. **Do not** include on line 8a — 8b | | |
| 9a | Ordinary dividends. Attach Schedule B if required | 9a | |
| b | Qualfd divs (see instrs) — 9b | | |
| 10 | Taxable refunds, credits, or offsets of state and local income taxes (see instructions) | 10 | |
| 11 | Alimony received | 11 | |
| 12 | Business income or (loss). Attach Schedule C or C-EZ | 12 | |
| 13 | Capital gain or (loss). Att Sch D if reqd. If not reqd, ck here ▶ ☐ | 13 | 52,158. |
| 14 | Other gains or (losses). Attach Form 4797 | 14 | 65,000. |
| 15a | IRA distributions — 15a — b Taxable amount (see instrs) | 15b | |
| 16a | Pensions and annuities — 16a — b Taxable amount (see instrs) | 16b | |
| 17 | Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E | 17 | -3,106. |
| 18 | Farm income or (loss). Attach Schedule F | 18 | |
| 19 | Unemployment compensation | 19 | |
| 20a | Social security benefits — 20a 17,500. — b Taxable amount (see instrs) | 20b | 14,875. |
| 21 | Other income SEE STATEMENT 1 | 21 | -4,868. |
| 22 | Add the amounts in the far right column for lines 7 through 21. This is your **total income** ▶ | 22 | 129,350. |

**Adjusted Gross Income**

| | | | |
|---|---|---|---|
| 23 | Educator expenses (see instructions) | 23 | |
| 24 | Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ | 24 | |
| 25 | Health savings account deduction. Attach Form 8889 | 25 | |
| 26 | Moving expenses. Attach Form 3903 | 26 | |
| 27 | One-half of self-employment tax. Attach Schedule SE | 27 | |
| 28 | Self-employed SEP, SIMPLE, and qualified plans | 28 | |
| 29 | Self-employed health insurance deduction (see instructions) | 29 | |
| 30 | Penalty on early withdrawal of savings | 30 | |
| 31a | Alimony paid b Recipient's SSN ▶ | 31a | |
| 32 | IRA deduction (see instructions) | 32 | |
| 33 | Student loan interest deduction (see instructions) | 33 | |
| 34 | Tuition and fees deduction (see instructions) | 34 | |
| 35 | Domestic production activities deduction. Attach Form 8903 | 35 | |
| 36 | Add lines 23 - 31a and 32 - 35 | 36 | 0. |
| 37 | Subtract line 36 from line 22. This is your **adjusted gross income** ▶ | 37 | 129,350. |

| | | | |
|---|---|---|---|
| **Tax and Credits** | 38 Amount from line 37 (adjusted gross income) | 38 | 129,350. |
| | 39a Check if: [X] You were born before January 2, 1941, [ ] Blind. [X] Spouse was born before January 2, 1941, [ ] Blind. Total boxes checked ► 39a 2 | | |
| | b If your spouse itemizes on a separate return, or you were a dual-status alien, see instructions and check here ► 39b [ ] | | |
| **Standard Deduction for –** • People who checked any box on line 39a or 39b or who can be claimed as a dependent, see instructions. • All others: Single or Married filing separately, $5,000; Married filing jointly or Qualifying widow(er), $10,000; Head of household, $7,300 | 40 Itemized deductions (from Schedule A) or your **standard deduction** (see left margin) | 40 | 12,000. |
| | 41 Subtract line 40 from line 38 | 41 | 117,350. |
| | 42 If line 38 is over $109,475, or you provided housing to a person displaced by Hurricane Katrina, see instructions. Otherwise, multiply $3,200 by the total number of exemptions claimed on line 6d | 42 | 6,400. |
| | 43 **Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- | 43 | 110,950. |
| | 44 Tax (see instrs). Check if any tax is from: a [ ] Form(s) 8814 b [ ] Form 4972 | 44 | 15,849. |
| | 45 **Alternative minimum tax** (see instructions). Attach Form 6251 | 45 | 0. |
| | 46 Add lines 44 and 45 ► | 46 | 15,849. |
| | 47 Foreign tax credit. Attach Form 1116 if required — 47 | | |
| | 48 Credit for child and dependent care expenses. Attach Form 2441 — 48 | | |
| | 49 Credit for the elderly or the disabled. Attach Schedule R — 49 | | |
| | 50 Education credits. Attach Form 8863 — 50 | | |
| | 51 Retirement savings contributions credit. Attach Form 8880 — 51 | | |
| | 52 Child tax credit (see instructions). Attach Form 8901 if required — 52 | | |
| | 53 Adoption credit. Attach Form 8839 — 53 | | |
| | 54 Credits from: a [ ] Form 8396 b [ ] Form 8859 — 54 | | |
| | 55 Other credits. Check applicable box(es): a [ ] Form 3800 b [ ] Form 8801 c [ ] Form — 55 | | |
| | 56 Add lines 47 through 55. These are your **total credits** | 56 | |
| | 57 Subtract line 56 from line 46. If line 56 is more than line 46, enter -0- ► | 57 | 15,849. |
| **Other Taxes** | 58 Self-employment tax. Attach Schedule SE | 58 | |
| | 59 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137 | 59 | |
| | 60 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required | 60 | |
| | 61 Advance earned income credit payments from Form(s) W-2 | 61 | |
| | 62 Household employment taxes. Attach Schedule H | 62 | |
| | 63 Add lines 57-62. This is your **total tax** ► | 63 | 15,849. |
| **Payments** If you have a qualifying child, attach Schedule EIC. | 64 Federal income tax withheld from Forms W-2 and 1099 — 64 | | |
| | 65 2005 estimated tax payments and amount applied from 2004 return — 65 | | |
| | 66a **Earned income credit (EIC)** — 66a | | |
| | b Nontaxable combat pay election ► 66b | | |
| | 67 Excess social security and tier 1 RRTA tax withheld (see instructions) — 67 | | |
| | 68 Additional child tax credit. Attach Form 8812 — 68 | | |
| | 69 Amount paid with request for extension to file (see instructions) — 69 | | |
| | 70 Payments from: a [ ] Form 2439 b [ ] Form 4136 c [ ] Form 8885 — 70 | | |
| | 71 Add lines 64, 65, 66a, and 67 through 70. These are your **total payments** ► | 71 | 0. |
| **Refund** Direct deposit? See instructions and fill in 73b, 73c, and 73d. | 72 If line 71 is more than line 63, subtract line 63 from line 71. This is the amount you **overpaid** | 72 | |
| | 73a Amount of line 72 you want **refunded to you** ► | 73a | |
| | ► b Routing number ► c Type: [ ] Checking [ ] Savings | | |
| | ► d Account number | | |
| | 74 Amount of line 72 you want **applied to your 2006 estimated tax** ► 74 | | |
| **Amount You Owe** | 75 **Amount you owe.** Subtract line 71 from line 63. For details on how to pay, see instructions ► | 75 | 15,849. |
| | 76 Estimated tax penalty (see instructions) — 76 | | |

**Third Party Designee** Do you want to allow another person to discuss this return with the IRS (see instructions)? [X] **Yes.** Complete the following. [ ] **No**

Designee's name ► PREPARER Phone no. ► Personal identification number (PIN) ►

**Sign Here** Joint return? See instructions. Keep a copy for your records.

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 preparer has any knowledge.

AS AMENDED

| Your signature | Date | Your occupation | Daytime phone number |
|---|---|---|---|
| ► | | RETIRED | |
| Spouse's signature. If a joint return, **both** must sign. | Date | Spouse's occupation | |
| ► | | RETIRED | |

**Paid Preparer's Use Only**

| | | | |
|---|---|---|---|
| Preparer's signature ► PHIL PALMQUIST, C.P.A. | Date 10/10/08 | Check if self-employed [ ] | Preparer's SSN or PTIN P00042138 |
| Firm's name (or yours if self-employed), address, and ZIP code ► HOCKING DENTON PALMQUIST, PO BOX 5339, SANTA BARBARA, CA 93150-5339 | | EIN [redacted] | Phone no. (805) 969-5081 |

Name(s) shown on Form 1040. Your social security number

DOLORES M AND RICHARD H PALMQUIST [redacted]

# Schedule B – Interest and Ordinary Dividends

Attachment Sequence No. 08

**Part I Interest**

(See instructions for Form 1040, line 8a.)

**Note.** If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

| | | Amount |
|---|---|---|
| 1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see the instructions and list this interest first. Also, show that buyer's social security number and address ► | | |
| INTEREST | 1 | 164. |
| INTEREST FROM INSTALLMENT SALE | 1 | 5,127. |
| 2 Add the amounts on line 1 | 2 | 5,291. |
| 3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815 | 3 | |
| 4 Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a ► | 4 | 5,291. |

**Note.** If line 4 is over $1,500, you must complete Part III.

**Part II Ordinary Dividends**

(See instructions for Form 1040, line 9a.)

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

| | | Amount |
|---|---|---|
| 5 List name of payer ► | | |
| 6 Add the amounts on line 5. Enter the total here and on Form 1040, line 9a ► | 6 | 0. |

**Note.** If line 6 is over $1,500, you must complete Part III.

**Part III Foreign Accounts and Trusts**

(See instructions.)

You must complete this part if you **(a)** had over $1,500 of taxable interest or ordinary dividends; or **(b)** had a foreign account; or **(c)** received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

| | Yes | No |
|---|---|---|
| **7a** At any time during 2005, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See instructions for exceptions and filing requirements for Form TD F 90-22.1 | | X |
| **b** If 'Yes,' enter the name of the foreign country ► | | |
| **8** During 2005, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If 'Yes,' you may have to file Form 3520. See instructions | | X |

**SCHEDULE D**
**(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

# Capital Gains and Losses

AS AMENDED

► Attach to Form 1040. ► See Instructions for Schedule D (Form 1040).
► Use Schedule D-1 to list additional transactions for lines 1 and 8.

OMB No. 1545-0074

**2005**

Attachment Sequence No. 12

Name(s) shown on Form 1040: DOLORES M AND RICHARD H PALMQUIST

Your social security number: [redacted]

## Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less

| | (a) Description of property (Example: 100 shares XYZ Co) | (b) Date acquired (Mo, day, yr) | (c) Date sold (Mo, day, yr) | (d) Sales price (see instructions) | (e) Cost or other basis (see instructions) | (f) Gain or (loss) Subtract (e) from (d) |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

| | | | |
|---|---|---|---|
| 2 Enter your short-term totals, if any, from Schedule D-1, line 2 | 2 | | |
| 3 **Total short-term sales price amounts.** Add lines 1 and 2 in column (d) | 3 | | |
| 4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824 | | 4 | |
| 5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 | | 5 | |
| 6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your **Capital Loss Carryover Worksheet** in the instructions | | 6 | |
| 7 **Net short-term capital gain or (loss).** Combine lines 1 through 6 in column (f) | | 7 | |

## Part II Long-Term Capital Gains and Losses – Assets Held More Than One Year

| | (a) Description of property (Example: 100 shares XYZ Co) | (b) Date acquired (Mo, day, yr) | (c) Date sold (Mo, day, yr) | (d) Sales price (see instructions) | (e) Cost or other basis (see instructions) | (f) Gain or (loss) Subtract (e) from (d) |
|---|---|---|---|---|---|---|
| 8 | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

| | | | |
|---|---|---|---|
| 9 Enter your long-term totals, if any, from Schedule D-1, line 9 | 9 | | |
| 10 **Total long-term sales price amounts.** Add lines 8 and 9 in column (d) | 10 | | |
| 11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824 | | 11 | 52,158. |
| 12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 | | 12 | |
| 13 Capital gain distributions. See instrs | | 13 | |
| 14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your **Capital Loss Carryover Worksheet** in the instructions | | 14 | |
| 15 **Net long-term capital gain or (loss).** Combine lines 8 through 14 in column (f). Then go to Part III on page 2 | | 15 | 52,158. |

**3AA For Paperwork Reduction Act Notice, see Form 1040 instructions.**



FDIA0612L 05/18/05

**Part III Summary**

| | | |
|---|---|---|
| 6 Combine lines 7 and 15 and enter the result. If line 16 is a loss, skip lines 17 through 20, and go to line 21. If a gain, enter the gain on Form 1040, line 13, and then go to line 17 below | 16 | 52,158. |
| 7 Are lines 15 and 16 **both** gains? | | |
| [X] **Yes.** Go to line 18. | | |
| [ ] **No.** Skip lines 18 through 21, and go to line 22. | | |
| 8 Enter the amount, if any, from line 7 of the **28% Rate Gain Worksheet** in the instructions ► | 18 | 0. |
| 9 Enter the amount, if any, from line 18 of the **Unrecaptured Section 1250 Gain Worksheet** in the instructions ► | 19 | |
| 0 Are lines 18 and 19 **both** zero or blank? | | |
| [X] **Yes.** Complete Form 1040 through line 43, and then complete the **Qualified Dividends and Capital Gain Tax Worksheet** in the Instructions for Form 1040. **Do not** complete lines 21 and 22 below. | | |
| [ ] **No.** Complete Form 1040 through line 43, and then complete the **Schedule D Tax Worksheet** in the instructions. **Do not** complete lines 21 and 22 below. | | |
| If line 16 is a loss, enter here and on Form 1040, line 13, the **smaller** of: • The loss on line 16 or • ($3,000), or if married filing separately, ($1,500) | 21 | |

**Note.** When figuring which amount is smaller, treat both amounts as positive numbers.

Do you have qualified dividends on Form 1040, line 9b?

[ ] **Yes.** Complete Form 1040 through line 43, and then complete the **Qualified Dividends and Capital Gain Tax Worksheet** in the Instructions for Form 1040.

[ ] **No.** Complete the rest of Form 1040.

AS AMENDED

Name(s) shown on return. Do not enter name and social security number if shown on Page 1. Your social security number

DOLORES M AND RICHARD H PALMQUIST [redacted]

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

## 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 the box in column **(e)** on line 28 and attach **Form 6198.** See instructions.

27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? ☐ Yes ☒ No

If you answered 'Yes,' see instructions before completing this section.

| 28 | (a) Name | (b) Enter P for partnership; S for S corporation | (c) Check if foreign partnership | (d) Employer identification number | (e) Check if any amount is not at risk |
|---|---|---|---|---|---|
| A | TRUTH RADIO | P | ☐ | [redacted] | ☐ |
| B | TRUTH RADIO | P | ☐ | | ☐ |
| C | | | ☐ | | ☐ |
| D | | | ☐ | | ☐ |

| | Passive Income and Loss | | Nonpassive Income and Loss | | |
|---|---|---|---|---|---|
| | (f) Passive loss allowed (attach Form 8582 if required) | (g) Passive income from Schedule K-1 | (h) Nonpassive loss from Schedule K-1 | (i) Section 179 expense deduction from Form 4562 | (j) Nonpassive income from Schedule K-1 |
| A | | | 1,553. | | |
| B | | | 1,553. | | |
| C | | | | | |
| D | | | | | |
| 29a Totals | | | | | |
| b Totals | | | 3,106. | | |

| | | | |
|---|---|---|---|
| 30 | Add columns (g) and (j) of line 29a | 30 | |
| 31 | Add columns (f), (h), and (i) of line 29b | 31 | -3,106. |
| 32 | **Total partnership and S corporation income or (loss).** Combine lines 30 and 31. Enter the result here and include in the total on line 41 below | 32 | -3,106. |

## Part III Income or Loss From Estates and Trusts

| 33 | (a) Name | (b) Employer ID no. |
|---|---|---|
| A | | |
| B | | |

| | Passive Income and Loss | | Nonpassive Income and Loss | |
|---|---|---|---|---|
| | (c) Passive deduction or loss allowed (attach Form 8582 if required) | (d) Passive income from Schedule K-1 | (e) Deduction or loss from Schedule K-1 | (f) Other income from Schedule K-1 |
| A | | | | |
| B | | | | |
| 34a Totals | | | | |
| b Totals | | | | |

| | | | |
|---|---|---|---|
| 35 | Add columns (d) and (f) of line 34a | 35 | |
| 36 | Add columns (c) and (e) of line 34b | 36 | |
| 37 | **Total estate and trust income or (loss).** Combine lines 35 and 36. Enter the result here and include 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) Employer identification number | (c) Excess inclusion from Schedules Q, line 2c (see instructions) | (d) Taxable income (net loss) from Schedules Q, line 1b | (e) Income from Schedules Q, line 3b |
|---|---|---|---|---|---|
| | | | | | |

| | | | |
|---|---|---|---|
| 39 | Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below | 39 | |

## Part V Summary

| | | | |
|---|---|---|---|
| 40 | Net farm rental income or (loss) from **Form 4835**. Also, complete line 42 below | 40 | |
| 41 | **Total income or (loss).** Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Form 1040, line 17 ► | 41 | -3,106. |
| 42 | **Reconciliation of farming and fishing income.** Enter your **gross** farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120S), box 17, code N; and Schedule K-1 (Form 1041), line 14, code F (see instructions) | 42 | |
| 43 | **Reconciliation for real estate professionals.** If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040 from all rental real estate activities in which you materially participated under the passive activity loss rules | 43 | |

Form **4797**

Department of the Treasury
Internal Revenue Service (99)

# Sales of Business Property

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

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

AS AMENDED

OMB No. 1545-0184

**2005**

Attachment Sequence No. 27

Name(s) shown on return: DOLORES M AND RICHARD H PALMQUIST

Identifying number: [redacted]

1 Enter the gross proceeds from sales or exchanges reported to you for 2005 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) ..... 1 105,000.

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

| 2 (a) Description of property | (b) Date acquired (month, day, year) | (c) Date sold (month, day, year) | (d) Gross sales price | (e) Depreciation allowed or allowable since acquisition | (f) Cost or other basis, plus improvements and expense of sale | (g) Gain or (loss) Subtract (f) from the sum of (d) and (e) |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

| | | |
|---|---|---|
| 3 Gain, if any, from Form 4684, line 42 | 3 | |
| 4 Section 1231 gain from installment sales from Form 6252, line 26 or 37 | 4 | |
| 5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824 | 5 | |
| 6 Gain, if any, from line 32, from other than casualty or theft | 6 | 37,191. |
| 7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows | 7 | 37,191. |

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

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

| | | |
|---|---|---|
| 8 Nonrecaptured net section 1231 losses from prior years (see instructions) | 8 | |
| 9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions) | 9 | |

## Part II Ordinary Gains and Losses (see instructions)

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

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |
| | | | | | | |

| | | |
|---|---|---|
| 11 Loss, if any, from line 7 | 11 | |
| 12 Gain, if any, from line 7 or amount from line 8, if applicable | 12 | |
| 13 Gain, if any, from line 31 | 13 | 65,000. |
| 14 Net gain or (loss) from Form 4684, lines 34 and 41a | 14 | |
| 15 Ordinary gain from installment sales from Form 6252, line 25 or 36 | 15 | |
| 16 Ordinary gain or (loss) from like-kind exchanges from Form 8824 | 16 | |
| 17 Combine lines 10 through 16 | 17 | 65,000. |

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

a If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 27, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 22. Identify as from 'Form 4797, line 18a.' See instructions ..... 18a

b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14 ..... 18b 65,000.

**For Paperwork Reduction Act Notice, see separate instructions.**

Form **4797** (2005)

FDIZ1001L 10/17/05

## [redacted] Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255
(see instructions)

| 9(a) Description of section 1245, 1250, 1252, 1254, or 1255 property: | (b) Date acquired (mo, day, yr) | (c) Date sold (mo, day, yr) |
|---|---|---|
| PIXLEY PROPERTY | 1/01/76 | 6/01/05 |
| | | |
| | | |
| D | | |

| These columns relate to the properties on lines 19A through 19D ► | | Property A | Property B | Property C | Property D |
|---|---|---|---|---|---|
| 20 Gross sales price (**Note:** *See line 1 before completing.*) | 20 | 105,000. | | | |
| 21 Cost or other basis plus expense of sale | 21 | 67,809. | | | |
| 22 Depreciation (or depletion) allowed or allowable | 22 | 65,000. | | | |
| 23 Adjusted basis. Subtract line 22 from line 21 | 23 | 2,809. | | | |
| 24 Total gain. Subtract line 23 from line 20 | 24 | 102,191. | | | |
| 25 **If section 1245 property:** | | | | | |
| a Depreciation allowed or allowable from line 22 | 25a | 65,000. | | | |
| b Enter the **smaller** of line 24 or 25a | 25b | 65,000. | | | |
| 26 **If section 1250 property:** If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291. | | | | | |
| a Additional depreciation after 1975 (see instrs) | 26a | | | | |
| b Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions) | 26b | | | | |
| c Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e | 26c | | | | |
| d Additional depreciation after 1969 & before 1976 | 26d | | | | |
| e Enter the **smaller** of line 26c or 26d | 26e | | | | |
| f Section 291 amount (corporations only) | 26f | | | | |
| g Add lines 26b, 26e, and 26f | 26g | | | | |
| 27 **If section 1252 property:** Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership). | | | | | |
| a Soil, water, and land clearing expenses | 27a | | | | |
| b Line 27a multiplied by applicable percentage (see instructions) | 27b | | | | |
| c Enter the **smaller** of line 24 or 27b | 27c | | | | |
| 28 **If section 1254 property:** | | | | | |
| a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs (see instructions) | 28a | | | | |
| b Enter the **smaller** of line 24 or 28a | 28b | | | | |
| 29 **If section 1255 property:** | | | | | |
| a Applicable percentage of payments excluded from income under section 126 (see instructions) | 29a | | | | |
| b Enter the smaller of line 24 or 29a (see instrs) | 29b | | | | |

**ummary of Part III Gains.** Complete property columns A through D through line 29b before going to line 30.

| | | |
|---|---|---|
| 30 Total gains for all properties. Add property columns A through D, line 24 | 30 | 102,191. |
| 31 Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13 | 31 | 65,000. |
| 32 Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 36. Enter the portion from other than casualty or theft on Form 4797, line 6 | 32 | 37,191. |

## [redacted] Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(see instructions)

| | | (a) Section 179 | (b) Section 280F(b)(2) |
|---|---|---|---|
| 3 Section 179 expense deduction or depreciation allowable in prior years | 33 | | |
| 4 Recomputed depreciation. (see instructions) | 34 | | |
| 5 Recapture amount. Subtract line 34 from line 33. See the instructions for where to report | 35 | | |

AS AMENDED

Form **6252**

Department of the Treasury
Internal Revenue Service

# Installment Sale Income

► Attach to your tax return.
► Use a separate form for each sale or other disposition of property on the installment method.

OMB No. 1545-0228

**2005**

Attachment Sequence No. 79

Name(s) shown on return: DOLORES M AND RICHARD H PALMQUIST

Identifying number: [redacted]

1 Description of property ► INSTALLMENT SALE

2a Date acquired (month, day, year) ► _____ b Date sold (month, day, year) ► _____

3 Was the property sold to a related party (see instructions) after May 14, 1980? If 'No,' skip line 4 ☐ Yes ☒ No

4 Was the property you sold to a related party a marketable security? If 'Yes,' complete Part III. If 'No,' complete Part III for the year of sale and the 2 years after the year of sale ☐ Yes ☐ No

## Part I Gross Profit and Contract Price. Complete this part for the year of sale only.

| | | | | |
|---|---|---|---|---|
| 5 | Selling price including mortgages and other debts. **Do not** include interest whether stated or unstated | | 5 | |
| 6 | Mortgages, debts, and other liabilities the buyer assumed or took the property subject to (see instructions) | 6 | | |
| 7 | Subtract line 6 from line 5 | 7 | | |
| 8 | Cost or other basis of property sold | 8 | | |
| 9 | Depreciation allowed or allowable | 9 | | |
| 10 | Adjusted basis. Subtract line 9 from line 8 | 10 | | |
| 11 | Commissions and other expenses of sale | 11 | | |
| 12 | Income recapture from Form 4797, Part III (see instructions) | 12 | | |
| 13 | Add lines 10, 11, and 12 | | 13 | |
| 14 | Subtract line 13 from line 5. If zero or less, **do not** complete the rest of this form (see instructions) | | 14 | |
| 15 | If the property described on line 1 above was your main home, enter the amount of your excluded gain (see instructions). Otherwise, enter -0- | | 15 | |
| 16 | **Gross profit.** Subtract line 15 from line 14 | | 16 | |
| 17 | Subtract line 13 from line 6. If zero or less, enter -0- | | 17 | |
| 18 | **Contract price.** Add line 7 and line 17 | | 18 | |

## Part II Installment Sale Income. Complete this part for the year of sale **and** any year you receive a payment or have certain debts you must treat as a payment on installment obligations.

| | | | | |
|---|---|---|---|---|
| 19 | Gross profit percentage. Divide line 16 by line 18. For years after the year of sale, see instructions | | 19 | 0.4848 |
| 20 | If this is the year of sale, enter the amount from line 17. Otherwise, enter -0- | | 20 | 0. |
| 21 | Payments received during year (see instructions). **Do not** include interest, whether stated or unstated | | 21 | 30,873. |
| 22 | Add lines 20 and 21 | | 22 | 30,873. |
| 23 | Payments received in prior years (see instructions). **Do not** include interest, whether stated or unstated | 23 | | |
| 24 | **Installment sale income.** Multiply line 22 by line 19 | | 24 | 14,967. |
| 25 | Enter the part of line 24 that is ordinary income under the recapture rules (see instructions) | | 25 | |
| 26 | Subtract line 25 from line 24. Enter here and on Schedule D or Form 4797 (see instructions) | | 26 | 14,967. |

## Part III Related Party Installment Sale Income. **Do not** complete if you received the final payment this tax year.

27 Name, address, and taxpayer identifying number of related party _____

28 Did the related party resell or dispose of the property ('second disposition') during this tax year? ☐ Yes ☐ No

29 **If the answer to question 28 is 'Yes,' complete lines 30 through 37 below unless one of the following conditions is met. Check the box that applies.**

a ☐ The second disposition was more than 2 years after the first disposition (other than dispositions of marketable securities). If this box is checked, enter the date of disposition (month, day, year) ► _____

b ☐ The first disposition was a sale or exchange of stock to the issuing corporation.

c ☐ The second disposition was an involuntary conversion and the threat of conversion occurred after the first disposition.

d ☐ The second disposition occurred after the death of the original seller or buyer.

e ☐ It can be established to the satisfaction of the Internal Revenue Service that tax avoidance was not a principal purpose for either of the dispositions. If this box is checked, attach an explanation (see instructions).

| | | | |
|---|---|---|---|
| 30 | Selling price of property sold by related party (see instructions) | 30 | |
| 31 | Enter contract price from line 18 for year of first sale | 31 | |
| 32 | Enter the **smaller** of line 30 or line 31 | 32 | |
| 33 | Total payments received by the end of your 2005 tax year (see instructions) | 33 | |
| 34 | Subtract line 33 from line 32. If zero or less, enter -0- | 34 | |
| 35 | Multiply line 34 by the gross profit percentage on line 19 for year of first sale | 35 | |
| 36 | Enter the part of line 35 that is ordinary income under the recapture rules (see instructions) | 36 | |
| 37 | Subtract line 36 from line 35. Enter here and on Schedule D or Form 4797 (see instructions) | 37 | |

AA **For Paperwork Reduction Act Notice, see separate instructions.**

Form **6252** (2005)

FDIZ1501L 06/03/05

**STATEMENT 1**
**FORM 1040, LINE 21**
**OTHER INCOME**

| | | |
|---|---|---|
| NET OPERATING LOSS CARRYOVER | $ | -12,645. |
| OTHER INCOME | | 7,777. |
| TOTAL | $ | -4,868. |

**2005 Partnership Return**
prepared for:

**TRUTH RADIO**
246 LA CAMARILLA
NIPOMO, CA 93444

**Hocking Denton Palmquist**
PO Box 5339
Santa Barbara, CA 93150-5339

Form **1065**

Department of the Treasury
Internal Revenue Service

# U.S. Return of Partnership Income

**AS AMENDED**

For calendar year 2005, or tax year beginning _____, 2005, and ending _____, 20 ____.

► See separate instructions.

**2005**

| | | |
|---|---|---|
| A Principal business activity: RADIO | Use the IRS label. Otherwise, print or type. TRUTH RADIO<br>246 LA CAMARILLA<br>NIPOMO, CA 93444 | D Employer identification number: [redacted] |
| B Principal product or service: BROADCASTING | | E Date business started: 1/01/1998 |
| C Business code number: 516110 | | F Total assets (see instrs): $ |

G Check applicable boxes: (1) [ ] Initial return (2) [ ] Final return (3) [ ] Name change (4) [ ] Address change (5) [X] Amended return

H Check accounting method: (1) [X] Cash (2) [ ] Accrual (3) [ ] Other (specify) ► _____

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ► 2

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

| | | | | | |
|---|---|---|---|---|---|
| INCOME | 1a Gross receipts or sales | 1a | 23,225. | | |
| | b Less returns and allowances | 1b | | 1c | 23,225. |
| | 2 Cost of goods sold (Schedule A, line 8) | | | 2 | |
| | 3 Gross profit. Subtract line 2 from line 1c | | | 3 | 23,225. |
| | 4 Ordinary income (loss) from other partnerships, estates, and trusts *(attach statement)* | | | 4 | |
| | 5 Net farm profit (loss) *(attach Schedule F (Form 1040))* | | | 5 | |
| | 6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | | | 6 | |
| | 7 Other income (loss) *(attach statement)* | | | 7 | |
| | 8 **Total income (loss).** Combine lines 3 through 7 | | | 8 | 23,225. |
| DEDUCTIONS (SEE INSTRUCTIONS FOR LIMITATIONS) | 9 Salaries and wages (other than to partners) (less employment credits) | | | 9 | |
| | 10 Guaranteed payments to partners | | | 10 | |
| | 11 Repairs and maintenance | | | 11 | 9,531. |
| | 12 Bad debts | | | 12 | |
| | 13 Rent | | | 13 | |
| | 14 Taxes and licenses | | | 14 | |
| | 15 Interest | | | 15 | 735. |
| | 16a Depreciation *(if required, attach Form 4562)* | 16a | | | |
| | b Less depreciation reported on Schedule A and elsewhere on return | 16b | | 16c | |
| | 17 Depletion **(Do not deduct oil and gas depletion.)** | | | 17 | |
| | 18 Retirement plans, etc | | | 18 | |
| | 19 Employee benefit programs | | | 19 | |
| | 20 Other deductions *(attach statement)* SEE STATEMENT 1 | | | 20 | 16,065. |
| | 21 **Total deductions.** Add the amounts shown in the far right column for lines 9 through 20 | | | 21 | 26,331. |
| | 22 **Ordinary business income (loss).** Subtract line 21 from line 8 | | | 22 | -3,106. |

**Sign Here**

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

► _____ Signature of general partner or limited liability company manager ► _____ Date

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

**Paid Preparer's Use Only**

| | | | |
|---|---|---|---|
| Preparer's signature: PHIL PALMQUIST, C.P.A. | Date: 10/10/08 | Check if self-employed ► [ ] | Preparer's SSN or PTIN: P00042138 |
| Firm's name (or yours if self-employed), address, and ZIP code ► HOCKING DENTON PALMQUIST<br>PO BOX 5339<br>SANTA BARBARA, CA 93150-5339 | | EIN ► [redacted] | Phone no. (805) 969-5081 |

## Schedule A Cost of Goods Sold (see the instructions)

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

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost as described in Regulations section 1.471-3

(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4

(iii) ☐ Other (specify method used and attach explanation) ►

b Check this box if there was a writedown of 'subnormal' goods as described in Regulations section 1.471-2(c) ► ☐

c Check this box if the LIFO inventory method was adopted this tax year for any goods *(if checked, attach Form 970)* ► ☐

d Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? ☐ Yes ☐ No

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☐ No

If 'Yes', attach explanation.

## Schedule B Other Information

| | | Yes | No |
|---|---|---|---|
| 1 | What type of entity is filing this return? Check the applicable box: | | |
| | a [X] Domestic general partnership b ☐ Domestic limited partnership | | |
| | c ☐ Domestic limited liability company d ☐ Domestic limited liability partnership | | |
| | e ☐ Foreign partnership f ☐ Other ► | | |
| 2 | Are any partners in this partnership also partnerships? | | X |
| 3 | During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment | | X |
| 4 | Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details | | X |
| 5 | Does this partnership meet all three of the following requirements? | | |
| | a The partnership's total receipts for the tax year were less than $250,000; | | |
| | b The partnership's total assets at the end of the tax year were less than $600,000; and | | |
| | c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. | | |
| | If 'Yes,' the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item N on Schedule K-1 | X | |
| 6 | Does this partnership have any foreign partners? If 'Yes,' the partnership may have to file Forms 8804, 8805 and 8813. See the instructions | | X |
| 7 | Is this partnership a publicly traded partnership as defined in section 469(k)(2)? | | X |
| 8 | Has this partnership filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction? | | X |
| 9 | At any time during calendar year 2005, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If 'Yes,' enter the name of the foreign country. ► | | X |
| 10 | During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the partnership may have to file Form 3520. See the instructions | | X |
| 11 | Was there a distribution of property or a transfer (for example, by sale or death) of a partnership interest during the tax year? If 'Yes,' you may elect to adjust the basis of the partnership's assets under section 754 by attaching the statement described under *Elections Made By the Partnership* in the instructions | | X |
| 12 | Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return ► 0 | | |

## Designation of Tax Matters Partner (see the instructions)

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

Name of designated TMP ► RICHARD H PALMQUIST

Identifying number of TMP ► [redacted]

Address of designated TMP ► 246 LA CAMIRILLA
NIPOMO, CA 93444

## Schedule K Partners' Distributive Share Items

| | | | Total amount |
|---|---|---|---|
| Income (Loss) | 1 Ordinary business income (loss) (page 1, line 22) | 1 | -3,106. |
| | 2 Net rental real estate income (loss) *(attach Form 8825)* | 2 | |
| | 3a Other gross rental income (loss) 3a | | |
| | b Expenses from other rental activities *(attach stmt)* 3b | | |
| | c Other net rental income (loss). Subtract line 3b from line 3a | 3c | |
| | 4 Guaranteed payments | 4 | |
| | 5 Interest income | 5 | |
| | 6 Dividends: a Ordinary dividends | 6a | |
| | b Qualified dividends 6b | | |
| | 7 Royalties | 7 | |
| | 8 Net short-term capital gain (loss) *(attach Schedule D (Form 1065))* | 8 | |
| | 9a Net long-term capital gain (loss) *(attach Schedule D (Form 1065))* | 9a | |
| | b Collectibles (28%) gain (loss) 9b | | |
| | c Unrecaptured section 1250 gain *(attach statement)* 9c | | |
| | 10 Net section 1231 gain (loss) *(attach Form 4797)* | 10 | |
| | 11 Other income (loss) *(see instructions)* Type ► | 11 | |
| Deductions | 12 Section 179 deduction *(attach Form 4562)* | 12 | |
| | 13a Contributions | 13a | |
| | b Investment interest expense | 13b | |
| | c Section 59(e)(2) expenditures: (1) Type ► (2) Amount ► | 13c (2) | |
| | d Other deductions *(see instructions)*. Type ► | 13d | |
| Self-Employment | 14a Net earnings (loss) from self-employment | 14a | -3,106. |
| | b Gross farming or fishing income | 14b | |
| | c Gross nonfarm income | 14c | |
| Credits & Credit Recapture | 15a Low-income housing credit (section 42(j)(5)) | 15a | |
| | b Low-income housing credit (other) | 15b | |
| | c Qualified rehabilitation expenditures (rental real estate) *(attach Form 3468)* | 15c | |
| | d Other rental real estate credits *(see instructions)*. Type ► | 15d | |
| | e Other rental credits *(see instructions)* Type ► | 15e | |
| | f Other credits and credit recapture *(see instructions)* Type ► | 15f | |
| Foreign Transactions | 16a Name of country or U.S. possession ► | | |
| | b Gross income from all sources | 16b | |
| | c Gross income sourced at partner level | 16c | |
| | *Foreign gross income sourced at partnership level* | | |
| | d Passive ► e Listed categories *(attach statement)* ► f General limitation ► | 16f | |
| | *Deductions allocated and apportioned at partner level* | | |
| | g Interest expense ► h Other ► | 16h | |
| | *Deductions allocated and apportioned at partnership level to foreign source income* | | |
| | i Passive ► j Listed categories *(attach statement)* ► k General limitation ► | 16k | |
| | l Total foreign taxes (check one): ► Paid ☐ Accrued ☐ | 16l | |
| | m Reduction in taxes available for credit *(attach statement)* | 16m | |
| | n Other foreign tax information *(attach statement)* | | |
| Alternative Minimum Tax (AMT) Items | 17a Post-1986 depreciation adjustment | 17a | |
| | b Adjusted gain or loss | 17b | |
| | c Depletion (other than oil and gas) | 17c | |
| | d Oil, gas, and geothermal properties – gross income | 17d | |
| | e Oil, gas, and geothermal properties – deductions | 17e | |
| | f Other AMT items *(attach stmt)* | 17f | |
| Other Information | 18a Tax-exempt interest income | 18a | |
| | b Other tax-exempt income | 18b | |
| | c Nondeductible expenses | 18c | |
| | 19a Distributions of cash and marketable securities | 19a | |
| | b Distributions of other property | 19b | |
| | 20a Investment income | 20a | |
| | b Investment expenses | 20b | |
| | c Other items and amounts *(attach stmt)* | | |

## Analysis of Net Income (Loss)

AS AMENDED

| | | |
|---|---|---|
| 1 | Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l | 1 -3,106. |

| 2 Analysis by partner type: | (i) Corporate | (ii) Individual (active) | (iii) Individual (passive) | (iv) Partnership | (v) Exempt organization | (vi) Nominee/Other |
|---|---|---|---|---|---|---|
| a General partners | | -3,106. | | | | |
| b Limited partners | | | | | | |

**Note:** Schedules L, M-1 and M-2 are not required if Question 5 of Schedule B is answered 'Yes.'

## Schedule L Balance Sheets per Books

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

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

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

## Schedule M-2 Analysis of Partners' Capital Accounts

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

AS AMENDED 551105

Schedule K-1 (Form 1065)

Department of the Treasury Internal Revenue Service

**2005**

For calendar year 2005, or tax year beginning _____, 2005 ending _____, _____

☐ Final K-1 ☒ Amended K-1 OMB No. 1545-0099

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

► See separate instructions.

## Part I Information About the Partnership

A Partnership's employer identification number

[redacted]

B Partnership's name, address, city, state, and ZIP code

TRUTH RADIO
246 LA CAMARILLA
NIPOMO, CA 93444

C IRS Center where partnership filed return
OGDEN, UT

D ☐ Check if this is a publicly traded partnership (PTP)

E ☐ Tax shelter registration number, if any

F ☐ Check if Form 8271 is attached

## Part II Information About the Partner

G Partner's identifying number

[redacted]

H Partner's name, address, city, state, and ZIP code

RICHARD H PALMQUIST
246 LA CAMIRILLA
NIPOMO, CA 93444

I ☒ General partner or LLC member-manager ☐ Limited partner or other LLC member

J ☒ Domestic partner ☐ Foreign partner

K What type of entity is this partner? INDIVIDUAL

L Partner's share of profit, loss, and capital:

| | Beginning | Ending |
|---|---|---|
| Profit | 50 % | 50 % |
| Loss | 50 % | 50 % |
| Capital | 50 % | 50 % |

M Partner's share of liabilities at year end:

Nonrecourse ..... $

Qualified nonrecourse financing ..... $

Recourse ..... $

N Partner's capital account analysis:

Beginning capital account ..... $

Capital contributed during the year ..... $

Current year increase (decrease) ..... $

Withdrawals and distributions ..... $

Ending capital account ..... $

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

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

| | | | |
|---|---|---|---|
| 1 | Ordinary business income (loss) -1,553. | 15 | Credits & credit recapture |
| 2 | Net rental real estate income (loss) | | |
| 3 | Other net rental income (loss) | 16 | Foreign transactions |
| 4 | Guaranteed payments | | |
| 5 | Interest income | | |
| 6a | Ordinary dividends | | |
| 6b | Qualified dividends | | |
| 7 | Royalties | | |
| 8 | Net short-term capital gain (loss) | | |
| 9a | Net long-term capital gain (loss) | 17 | Alternative minimum tax (AMT) items |
| 9b | Collectibles (28%) gain (loss) | | |
| 9c | Unrecaptured section 1250 gain | | |
| 10 | Net section 1231 gain (loss) | 18 | Tax-exempt income and nondeductible expenses |
| 11 | Other income (loss) | | |
| 12 | Section 179 deduction | 19 | Distributions |
| 13 | Other deductions | 20 | Other information |
| 14 | Self-employment earnings (loss) A -1,553. | | |

*See attached statement for additional information.

FOR IRS USE ONLY

A For Privacy Act and Paperwork Reduction Act Notice, see Instructions for Form 1065.

Schedule K-1 (Form 1065) 2005

ARTNER 1

PTPA0312L 01/19/06

Schedule K-1 (Form 1065)

Department of the Treasury Internal Revenue Service

**2005**

For calendar year 2005, or tax year beginning _____, 2005 ending _____.

☐ Final K-1 ☒ Amended K-1 **AS AMENDED** 651105 OMB No. 1545-0099

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

► See separate instructions.

## Part I Information About the Partnership

A Partnership's employer identification number

[redacted]

B Partnership's name, address, city, state, and ZIP code

TRUTH RADIO
246 LA CAMARILLA
NIPOMO, CA 93444

C IRS Center where partnership filed return
OGDEN, UT

D ☐ Check if this is a publicly traded partnership (PTP)

E ☐ Tax shelter registration number, if any

F ☐ Check if Form 8271 is attached

## Part II Information About the Partner

G Partner's identifying number

[redacted]

H Partner's name, address, city, state, and ZIP code

DOLORES M
PALMQUIST
246 LA CAMARILLA
NIPOMO, CA 93444

I ☒ General partner or LLC member-manager ☐ Limited partner or other LLC member

J ☒ Domestic partner ☐ Foreign partner

K What type of entity is this partner? INDIVIDUAL

L Partner's share of profit, loss, and capital:

| | Beginning | Ending |
|---|---|---|
| Profit | 50 % | 50 % |
| Loss | 50 % | 50 % |
| Capital | 50 % | 50 % |

M Partner's share of liabilities at year end:

Nonrecourse ..... $

Qualified nonrecourse financing ..... $

Recourse ..... $

N Partner's capital account analysis:

Beginning capital account ..... $

Capital contributed during the year ..... $

Current year increase (decrease) ..... $

Withdrawals and distributions ..... $

Ending capital account ..... $

☒ Tax basis ☐ GAAP ☐ Section 704(b) book ☐ Other (explain)

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

| | | | |
|---|---|---|---|
| 1 | Ordinary business income (loss) -1,553. | 15 | Credits & credit recapture |
| 2 | Net rental real estate income (loss) | | |
| 3 | Other net rental income (loss) | 16 | Foreign transactions |
| 4 | Guaranteed payments | | |
| 5 | Interest income | | |
| 6a | Ordinary dividends | | |
| 6b | Qualified dividends | | |
| 7 | Royalties | | |
| 8 | Net short-term capital gain (loss) | | |
| 9a | Net long-term capital gain (loss) | 17 | Alternative minimum tax (AMT) items |
| 9b | Collectibles (28%) gain (loss) | | |
| 9c | Unrecaptured section 1250 gain | | |
| 10 | Net section 1231 gain (loss) | 18 | Tax-exempt income and nondeductible expenses |
| 11 | Other income (loss) | | |
| | | 19 | Distributions |
| 12 | Section 179 deduction | | |
| 13 | Other deductions | 20 | Other information |
| 14 | Self-employment earnings (loss) A -1,553. | | |

*See attached statement for additional information.

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Schedule K-1 (Form 1065) 2005

ARTNER 2

PTPA0312L 01/19/06

**STATEMENT 1**
**FORM 1065, LINE 20**
**OTHER DEDUCTIONS**

| | | |
|---|---|---|
| BANK CHARGES | $ | 185 |
| COMPUTER EXPENSES | | 1,621 |
| DUES AND SUBSCRIPTIONS | | 44 |
| INTERNET AND SATELLITE FEES | | 10,727 |
| LEGAL AND PROFESSIONAL | | 25 |
| POSTAGE | | 722 |
| SUPPLIES | | 915 |
| TELEPHONE | | 547 |
| UTILITIES | | 1,279 |
| TOTAL | $ | 16,065 |

AMENDED 2005 RETURN IS BEING FILED TO COMPLETE THE ORIGINALLY FILED INCOMPLETE RETURN. THE RETURN WAS ORIGINALLY FILED WITHOUT SCHEDULE K-1 FOR BOTH OF THE PARTNERS. THE AMENDED RETURN IS NOW COMPLETE WITH SCHEDULE K-1'S FOR BOTH PARTNERS.