



Schedule A Reconciliation Adjustments of Federal Taxable Income to Alabama Taxable Income

§40-18-33, Code of Alabama 1975, defines Alabama Taxable Income as federal taxable income without the benefit of the federal net operating loss plus specific additions and less specific deductions. The specific additions and deductions are reflected in the lines provided below. Other reconciliation items include transition adjustments to prevent duplicate deduction or duplicate taxation of items previously deducted or reported on Alabama income tax returns.

ADDITIONS

1	State and local income taxes	1	●	25,000	
2	Federal exempt interest income (other than Alabama) on state, county and municipal obligations (everywhere)	2	●	2,000	
3	Dividends from corporations in which the taxpayer owns less than 20 percent of stock to the extent properly deducted on federal income tax return (see instructions)	3	●	21	
4	a Federal depreciation on pollution control items previously deducted for Alabama (see instructions)	4a	●	40	
	b Nondeductible Federal Depreciation (Economic Stimulus Act of 2008) (see instructions)	4b	●	8,961,257	
5	Net income from foreclosure property pursuant to §10-13-21 (real estate investment trust)	5	●		
6	Related members interest or intangible expenses or costs. From Schedule AB (see instructions)	6c	●	99,260	
	Total Payments 6a ● 100,000 minus Exempt Amount 6b ● 7,760 equals	7	●		
7	Captive REITS: Dividends Paid Deduction (from federal Form 1120-REIT)	7	●		
8	● other additions - see statement 1	8	●	8	
9	Total additions (add lines 1 through 8)	9	●	908,566	

DEDUCTIONS

10	Refunds of state and local income taxes (due to overpayment or over accrual on the federal return)	10	●	10	
11	Interest income earned on direct obligations of the United States	11	●	11	
12	Interest income earned on obligations of Alabama or its subdivisions or instrumentalities to extent included in federal income tax return (see instructions)	12	●	12	
13	Interest income earned on obligations issued prior to 12/31/1994 of this state or its subdivisions or instrumentalities pursuant to §40-9B-7, to extent included in federal income tax return	13	●	13	
14	Aid or assistance provided to the Alabama State Industrial Development Authority pursuant to §41-10-44.8(d)	14	●	14	
15	Expenses not deductible on federal income tax return due to election to claim a federal tax credit	15	●	16,300	
16	Dividends described in 26 U.S.C. §78 from corporations in which taxpayer owns more than 20% of stock (see instructions)	16	●	16	
17	Dividend income – more than 20% stock ownership (including that described in 26 U.S.C. §951) from non-U.S. corporations to extent dividend income would be deductible under 26 U.S.C. §243 if received from domestic corporations	17	●	17	
18	Dividends received from foreign sales corporations as determined in U.S.C. §922 (see instructions)	18	●	18	
19	Interest portion of rent paid under lease agreements entered into prior to January 1, 1995, relating to obligations of this state and its subdivisions pursuant to §40-9B-7(c) through (e) (see instructions)	19	●	19	
20	Amount of the oil/gas depletion allowance provided by §40-18-16 that exceeds the federal allowance (see instructions)	20	●	20	
21	Additional Alabama depreciation related to Economic Stimulus Act of 2008 (see instructions)	21	●	21	
22	●	22	●		
23	● statement 1	23	●	45	
24	Total deductions (add lines 10 through 23)	24	●	16,516	
25	TOTAL RECONCILIATION ADJUSTMENTS (subtract line 24 from line 9 above)	25	●	9,064,050	
	Enter here and on line 3, page 1 (enclose a negative amount in parentheses)				

Schedule B Alabama Net Operating Loss Carryforward Calculation (§40-18-35.1, Code of Alabama 1975)

Column 1	Column 2	Column 3	Column 4	Column 5
Loss Year End MM / DD / YYYY	Amount of Alabama net operating loss	Amount used in years prior to this year	Amount used this year	Remaining unused net operating loss
● 12/31/1995	1,000	100	1	899
● 12/31/1996	2,000	200	2	1,798
● 12/31/1997	3,000	300	3	2,697
● 12/31/1998	4,000	400	4	3,596
● 12/31/1999	5,000	500	5	4,495
● 12/31/2000	6,000	600	6	5,394
● 12/31/2001	7,000	700	7	6,293
● 12/31/2002	8,000	800	8	7,192
● 12/31/2003	9,000	900	9	8,091
● 12/31/2004	1,010	110	10	890
● 12/31/2005	1,111	111	11	989
● 12/31/2006	1,212	112	12	1,088
● 12/31/2007	1,313	113	13	1,187
● 12/31/2008	1,414	114	14	1,286
● 12/31/2009	1,515	115	15	1,385
Alabama net operating loss (enter here and on line 13, page 1).			● 120	

Schedule C Allocation of Nonbusiness Income, Loss, and Expense – Use only if you checked Filing Status 2, page 1

Identify by account name and amount, all items of nonbusiness income, loss and expense removed from apportionable income and those items which are directly allocable to Alabama. **Adjustment(s) must also be made for any proration of expenses under Alabama Income Tax Rule 810-27-1-4-.01**, which states, "Any allowable deduction that is applicable to both business and nonbusiness income of the taxpayer shall be prorated to each class of income in determining income subject to tax as provided..." (See instructions.)

DIRECTLY ALLOCABLE ITEMS OF NONBUSINESS INCOME OR LOSS	ALLOCABLE GROSS INCOME / LOSS		RELATED EXPENSE		NET OF RELATED EXPENSE		
	Column A Everywhere	Column B Alabama	Column C Everywhere	Column D Alabama	Column E Everywhere	Column F Alabama	
1a • lineaaaaaz	10,000	5,000	6,000	2,500	4,000	2,500	
b • linebbbbbz	20,000	10,000	12,000	5,000	8,000	5,000	
c • linecccccz	30,000	15,000	18,000	7,500	12,000	7,500	
d • linedddddz	40,000	20,000	24,000	10,000	16,000	10,000	
e • lineeeeeez	50,000	25,000	30,000	12,500	20,000	12,500	
2 NET NONBUSINESS INCOME / LOSS						Column E	Column F
Enter Column E total ((income)/loss) on line 5 of page 1. Enter Column F total (income/(loss)) on line 9 of page 1						• 60,000	37,500

Schedule D-1 Apportionment Factor Schedule – Use only if you checked Filing Status 2, page 1 – Amounts must be Positive (+) Values

TANGIBLE PROPERTY AT COST FOR PRODUCTION OF BUSINESS INCOME	ALABAMA		EVERYWHERE	
	BEGINNING OF YEAR	END OF YEAR	BEGINNING OF YEAR	END OF YEAR
1 Inventories	• 100,000	100,000	200,000	200,000
2 Land	• 200,000	200,000	46,050,000	43,750,000
3 Furniture and fixtures	• 300,000	300,000	600,000	600,000
4 Machinery and equipment	• 400,000	400,000	658,000	658,000
5 Buildings and leasehold improvements	• 500,000	500,000	636,150,000	546,150,000
6 IDB/IRB property (at cost)	• 600,000	600,000	600,000	600,000
7 Government property (at FMV)	• 700,000	700,000	700,000	700,001
8 • statement 2	• 800,000	800,000	1,600,000	800,000
9 Less Construction in progress (if included)	•			
10 Totals	• 3,600,000	3,600,000	686,558,000	593,458,001
11 Average owned property (BOY + EOY + 2)		• 3,600,000		• 640,008,001
12 Annual rental expense	• 12,000 x8 =	96,000	12,000 x8 =	96,000
13 Total average property (add line 11 and line 12)		13a • 3,696,000		13b • 640,104,001
14 Alabama property factor — 13a ÷ 13b = line 14				14 • 0.5774 %
SALARIES, WAGES, COMMISSIONS AND OTHER COMPENSATION RELATED TO THE PRODUCTION OF BUSINESS INCOME		15a ALABAMA	15b EVERYWHERE	15c
15 Alabama payroll factor — 15a ÷ 15b = 15c	• 15,000	15,000	30,048,000	0.0499 %
SALES		ALABAMA	EVERYWHERE	
16 Destination sales (see instructions)	• 16,000	16,000		
17 Origin sales (see instructions)	• 17,000	17,000		
18 Total gross receipts from sales	• 33,000	33,000	555,126,000	
19 Dividends	• 19,000	19,000	19,000	
20 Interest	• 20,000	20,000	19,989	
21 Rents	• 21,000	21,000	21,000	
22 Royalties	• 22,000	22,000	22,000	
23 Gross proceeds from capital and ordinary gains	• 23,000	23,000	23,000	
24 Other • statement 4 (Federal 1120, line • 12)	• 24,000	24,000	25,024,000	
25 Alabama sales factor — 25a ÷ 25b = line 25c	25a • 162,000	162,000	25b 580,255,000	25c 0.0279 %
26 Sum of lines 14, 15c, and 25c ÷ 3 = ALABAMA APPORTIONMENT FACTOR (Enter here and on line 7, page 1)				26 • 0.2184 %

Schedule D-2 Percentage of Sales – Use only if you checked Filing Status 3, page 1 – See instructions

DO NOT USE THIS SCHEDULE IF ALABAMA SALES EXCEED \$100,000.		ALABAMA	EVERYWHERE
1 Destination Sales	•		
2 Origin Sales	•		
3 Total gross receipts from sales	•		
4 Tax due (multiply line 3, Alabama by .0025) (enter here and on page 1, line 15)	•		



Schedule E Federal Income Tax (FIT) Deduction/(Refund)

(a) If this corporation is an accrual-basis taxpayer and files a separate (nonconsolidated) federal income tax return with the IRS, skip to line 6 and enter the amount of federal income tax liability shown on Form 1120. Cash-basis taxpayers filing separate (nonconsolidated) federal returns should enter on line 6 below the amount of federal income tax actually paid during the year.

(b) Methods 1552(a)(1) or 1552(a)(2), enter on line 6 the amount of the consolidated tax liability allocated to this corporation from line 5.

(c) If using Method 1552(a)(3), enter on line 6 the amount of the consolidated tax allocated to this corporation. Attach a schedule of your computations. Ignore any supplemental elections under IRC §1502.

If this corporation is a member of an affiliated group which files a consolidated federal return, indicate the number of the election made under IRC §1552.

- 1552(a)(1) • 1552(a)(2) • 1552(a)(3) • No Election Made
- Other _____

1552(a)(1) enter separate company income from line 30 of the proforma 1120 for this company on line 1.

1552(a)(2) enter separate company tax liability from line 31 of the proforma 1120 for this company on line 1.

1	This company's separate federal taxable (income/tax)	1	•	
2	Total positive consolidated federal taxable (income/tax)	2	•	
3	This company's percentage (divide line 1 by line 2)	3	•	%
4	Consolidated federal income tax (liability/payment)	4	•	
5	Federal income tax for this company (multiply line 3 by line 4)	5	•	
6	Federal income tax to be apportioned	6	•	100,000
7	Alabama income, page 1, line 10	7	•	343,106
8	Adjusted total income, page 1, line 4	8	•	139,989,562
9	Federal income tax ratio (divide line 7 by line 8)	9	•	0.2451 %
10	Federal income tax apportioned to Alabama (multiply line 6 by line 9)	10	•	245
11	Less refunds or adjustments	11	•	11
12	Net federal income tax deduction / <refund>	12	•	234

Schedule F Credits/Exemptions *Caution – See Instructions*

1	Alabama Enterprise Zone Credit/Exemptions	1	•	100
2	Employer Education Credit	2	•	200
3	Income Tax Credit	3	•	300
4	Tax Increment Fund Payment Credit	4	•	400
5	Coal Tax Credit	5	•	500
6	Capital Tax Credit (Project Number(s) • <u>1111111</u> • <u>2222222</u>)	6	•	600
7	Qualified Production Company Rebate	7	•	800
8	TOTAL (add lines 1 through 7). Enter here and on line 16f, page 1	8	•	2,900

Other Information

- Briefly describe your Alabama operations. • Photo Supplies
- List locations of property within Alabama (cities and counties). • Coffee County
- List other states in which corporation operates, if applicable. • New York
- Indicate your tax accounting method:
• Accrual • Cash • Other
- If this corporation is a member of an affiliated group which files a consolidated federal return, the following information **must be provided**:
(a) **Copy of Federal Form 851, Affiliations Schedule.** Identify by asterisk or underline the names of those corporations subject to tax in Alabama.
(b) **Signed copy of consolidated Federal Form 1120, pages 1-5,** as filed with the IRS.
(c) **Copy of the spreadsheet of income statements** for all legal entities (including the separate column that identifies the eliminations and adjustments used in completing the federal consolidated return).
(d) **Copy of federal Schedule K-1** for each tax entity that the corporation holds an interest in at any time during the taxable year.
- Enter this corporation's federal net income (see instructions for page 1, line 1) for the last three (3) years, as last determined (e.g.: per amended federal return or IRS audit).
2009 • 2008 2008 • 2007 2007 • 2006
- Check if currently being audited by the IRS. •
- Location of the corporate records: Street address: • 123 Record Lane
City: • New York State: • NY ZIP: • 74444
- Person to contact for information concerning this return:
Name: • Bill Nye Telephone: • (222) 777-4444
- If this entity filed an Alabama Business Privilege tax return under a different FEIN than the one listed on this Form 20C, please enter that number here: • 10-1010101

Non-payment returns, mail to:

Alabama Department of Revenue
Individual and Corporate Tax Division
Corporate Tax Section
PO Box 327430
Montgomery, AL 36132-7430

Payment returns, mail with payment voucher (Form BIT-V) to:

Alabama Department of Revenue
Individual and Corporate Tax Division
Corporate Tax Section
PO Box 327435
Montgomery, AL 36132-7435



TAXPAYER NAME: Photo Supplies for Less Inc TAXPAYER FEIN: 63-0000003 FOR THE TAX PERIOD 01-01, 20 10 through 12-31, 20 10

Related member is defined to include a corporation, association, disregarded entity, or subchapter K entity (Alabama Code section 40-18-1(13) and (15)). Disregarded entities and subchapter K entities are related members separate and apart from their owner. A column must be completed for each recipient related member.

Recipient related member who received interest/intangible income from the taxpayer:	Related Member 1	Related Member 2	Related Member 3	Related Member 4
1 a. Recipient related member FEIN.	1a ● 11-9876543	22-9876543	33-9876543	44-9876543
b. Recipient related member name.	1b ● Peppermint Patty	Charlie Brown	Linus van Pelt	Schroeder
2 List the intangible expense amounts paid to the recipient related member.	2 ● 1,000	2,000	3,000	4,000
3 List the interest expense amounts paid to the recipient related member.	3 ● 9,000	18,000	27,000	36,000
4 Total intangible/interest expenses paid (total lines 2 and 3).....	4 ● 10,000	20,000	30,000	40,000

To determine the exempt amount of intangible/interest expense, complete the applicable section(s) below.

5 Exemption related to §40-18-35(b)(1):	Jurisdiction A	Jurisdiction B	Jurisdiction C	Jurisdiction D
a. Jurisdiction(s) where recipient related member income is "subject to tax":	5a ●			
b. Amount of Line 4 expense not added back.	5b ● 100	200	0	0
c. Recipient related member's corresponding intangible/interest income allocated to jurisdiction.	5c ● 10	0	0	0
d. Adjusted intangible/interest amount (Line 5b minus Line 5c).....	5d ● 90	200	0	0
e. Recipient related member's total apportionment percentage in the above jurisdiction(s) ..	5e ● 10.0000 %	20.0000 %	0.0000 %	0.0000 %
f. Adjusted interest/intangible amount (multiply Line 5d by Line 5e).....	5f ● 9	40	0	0
g. Add Line 5c and Line 5f.	5g ● 19	40	0	0
6 a. Exemption related to §40-18-35(b)(2) – Amount of Line 4 expense not added back.	6a ● 20	0	0	0
b. Attach a statement describing taxpayer circumstances that make the adjustments unreasonable or attach the signed Alternative Adjustment Agreement provided for in §40-18-35(b)(2).				

NOTE: For Section 7, 8, 9, and 10 the receipts of a disregarded entity/subchapter K entity, which may be a related entity in and unto itself, may not be combined with receipts of its owner for purposes of this schedule.

7 Exemption related to §40-18-35(b)(3) – Amount of Line 4 expense not added back.	7 ●		700	7,000
8 Recipient related member receipts by category: a. Intangible receipts	8a ●		81	80
b. Interest receipts	8b ●		82	0
9 a. ●	9a ●			9
b. ●	9b ●			0
c. ● See Statement 4	9c ●		465	9
d. ●	9d ●			0
e. ●	9e ●			0
10 a. If either Lines 8a or 8b are greater than Lines 9a, 9b, 9c, 9d or 9e, enter zero.	10a ●		0	0
b. If Lines 9a, 9b, 9c, 9d or 9e are greater than Lines 8a or 8b, enter amount from Line 7.	10b ●		700	7,000
11 Exempt Amount. Enter the greater of Lines 5g, 6a, 10a or 10b.	11 ● 20	40	700	7,000
12 Total Intangible/Interest expenses paid to all related members. (Sum all Line 4 for all related members from all pages, enter here and on Form 20C, Schedule A, Line 6a).	12	100,000		
13 Total Exempt Amount. (Sum line 11 for all related members from all pages and enter this amount on Form 20C, Schedule A, Line 6b).	13	7,760		

Attach additional pages as needed and enter the totals of Lines 4 and Lines 11 for all related members from all pages on Page 1, Line 12 and 13.

In order to qualify for the exemption presented in §40-18-35(b)(3), Line 10b must be greater than zero and an informed corporate officer must sign the statement below, executed under penalty of perjury. With respect to the transaction(s) giving rise to the related member's interest/intangible expenses and costs, including both the direct interest/intangible expense transaction(s) between the taxpayer and the related member and any prior organizational restructuring transaction(s) that facilitated such direct interest/intangible expense transactions, tax avoidance (which included the avoidance of a meaningful amount of Alabama tax) was not a principal motivating factor.

Signature _____

Title Chief Executive Officer Date 01/01/11

2010 Alabama Form 20C

Photo Supplies for Less, Inc
630000003
Year: 2010

Statement 1 – Form 20C, Page 2, Sch A, Line 23-Other Deductions

Other Deductions	\$22
Other Deductions	<u>\$23</u>
Total	\$45

2010 Alabama Form 20C

Photo Supplies for Less, Inc
630000003
Year: 2010

Statement 2 – Form 20C, Page 3, Sch D-1, Line 8-Other Property

Line 8: Other Property

Other Assets Within Alabama – Beginning of Year
Depletable Assets

Depletable Assets	<u>800,000</u>
Total	<u>800,000</u>

Other Assets Within Alabama – End of Year
Depletable Assets

Depletable Assets	<u>800,000</u>
Total	<u>800,000</u>

Other Assets Everywhere – Beginning of Year
Depletable Assets

Depletable Assets	<u>1,600,000</u>
Total	<u>1,600,000</u>

Other Assets Everywhere – End of Year
Depletable Assets

Depletable Assets	<u>800,000</u>
Total	<u>800,000</u>

2010 Alabama Form 20C

Photo Supplies for Less, Inc
630000003
Year: 2010

Statement 3 – Form 20C, Page 3, Sch D-1, Line 24-Other Receipts

Miscellaneous Income

Federal Line Number: 12

Alabama	\$24,000
Everywhere	\$24,000

Other Income

Federal Line Number: 12

Alabama	\$0
Everywhere	\$25,000,000

Total Alabama: \$24,000

Total Everywhere \$25,024,000

2010 Alabama Form 20C

Photo Supplies for Less, Inc
630000003
Year: 2010

Statement 4 – Schedule AB, Page 1
Line 9-Other Receipts

Line A	\$91
Line B	\$92
Line C	\$93
Line D	\$94
Line E	<u>\$95</u>
Total	\$465