

**ALLEN, GIBBS & HOULIK, L.C.'S REPORT OF
FINDINGS AND CONCLUSIONS**

**SALES TAX REIMBURSEMENTS IN CONNECTION
WITH THE 12TH & OREAD TAX INCREMENT
FINANCING DISTRICT REDEVELOPMENT
AGREEMENT BETWEEN THE CITY OF LAWRENCE
AND OREAD INN, L.C.**

December 15, 2015



December 15, 2015

Ms. Toni Ramirez Wheeler
City Attorney
City of Lawrence, Kansas
6 East 6th Street
Lawrence, Kansas 66044

RE: Report of Findings and Conclusions

Dear Ms. Wheeler:

Allen, Gibbs & Houlik, L.C. ("AGH" or "we") submits this report to the City of Lawrence, Kansas ("City") pursuant to the Understanding of Engagement between AGH and the City. This report is subject to the terms, conditions and limitations set forth in the Understanding of Engagement.

AGH was engaged to assist the City in evaluating the sales tax transactions, receipts and reimbursements in connection with the 12th & Oread Tax Increment Financing District Redevelopment Agreement ("Redevelopment Agreement") between the City and Oread Inn, L.C. ("Oread Inn").

Specifically, AGH was engaged to evaluate the sales tax reimbursements made to Oread Inn under the Redevelopment Agreement based on Oread Wholesale L.C.'s ("Oread Wholesale") monthly sales tax returns. Oread Wholesale is a tenant of Oread Inn. The City received information from the Kansas Department of Revenue indicating that Oread Wholesale may have been improperly applying the Kansas sales tax sourcing rules.

By separate ordinances, the City created a Tax Increment Financing District ("TIF") and a Transportation Development District ("TDD") (collectively herein referred to as the "Special Taxing District"). In conjunction therewith, the City created a TIF Fund, where incremental property tax and sales tax revenue generated within the TIF are deposited, as well as a TDD Sales Tax Fund, where all revenues from the 1% TDD Sales Tax are deposited. The essence of the Redevelopment Agreement is that all sales tax revenues deposited in the TIF Fund and the TDD Sales Tax Fund would be paid to Oread Inn to reimburse Oread Inn for its redevelopment costs under the Redevelopment Agreement.

The Redevelopment Agreement required Oread Inn and its tenants, subtenants and assignees to provide the City with monthly sales tax returns for their facilities in the Special Taxing District. The City would receive sales tax information from the Office of the Kansas Treasurer, would calculate the amount of reimbursement due to Oread Inn, and would, from funds deposited in the TIF Fund and TDD Fund, reimburse Oread Inn for the sales taxes remitted within the Special Tax District. The City represents that for the period January 2010

through May 2015, the City reimbursed \$429,594.74 to Oread Inn based on the monthly sales returns provided by Oread Wholesale.¹

We obtained and reviewed copies of Oread Wholesale's monthly sales tax returns for the period January 2010 through September 2015. In its original sales tax returns, Oread Wholesale reported approximately \$ _____ in net sales. After being contacted by the City in connection with this engagement, Oread Wholesale then amended a number of its sales tax returns, reducing net sales within the Special Taxing District to approximately \$ _____. Specifically, for the periods January 2012 through September 2015, Oread Wholesale reduced its net sales within the Special Taxing District by almost 62%.

We discussed the nature of Oread Wholesale's business with Thomas Fritzel for the purpose of understanding the types of transactions that might appear on a sales tax return. Oread Wholesale stated that Oread Wholesale was a "contractor-retailer" and that Oread Wholesale bought property -- sales tax free and in bulk for better pricing -- and then "sold" the property to the Oread Hotel and the Eldridge Hotel. We also discussed activities connected with the construction of Varsity House. Varsity House is located at 1043 Indiana and was built by DFC Company of Lawrence, L.C. (contractor) ("DFC").²

Oread Wholesale maintained that Varsity House was located within the Special Taxing District. However, according to the City's Special Taxing District maps and the Kansas Department of Revenue, Varsity House is not located within the Special Taxing District.

The City requested that Oread Wholesale provide AGH with access to Oread Wholesale's books and records for the periods January 2010 through the current period for purposes of determining the accuracy of Oread Wholesale's sales tax returns and the reimbursements made to Oread Inn. Oread Wholesale represented to the City that Oread Wholesale had destroyed all of its books and records for periods prior to January 1, 2012 and that its policy is always to destroy records older than three years because the Kansas Department of Revenue only requires a three-year retention policy.

The City told Oread Wholesale that its investigation was not a Kansas Department of Revenue sales tax audit. Rather, the City was investigating reimbursements made pursuant to a public contract (*i.e.*, the Redevelopment Agreement) and that the Kansas Department of Revenue's three-year statute of limitations was not relevant. The City stated that it had a fiduciary obligation to the public to conduct such an investigation.

Initially, Oread Wholesale resisted the City's efforts to review Oread Wholesale's books and records, unless AGH substantially modified its standard Confidential Disclosure Agreement.

The City therefore requested that AGH prepare an estimate of the amount of over-reimbursed sales tax paid to Oread Inn. Without access to Oread Wholesale's books and records, AGH used 2015 as a "base year" and estimated that Oread Inn had received \$470,003.20 (reimbursed sales tax together with estimated interest) in improper

¹ AGH was not asked to review the sales tax returns of Oread Inn's other tenants, subtenants or purchasers.

² Oread Wholesale is not a "contractor-retailer." According to the City's records, Oread Wholesale is not a licensed contractor.

reimbursements. On November 13, 2015, based on those estimates, the City issued to Oread Inn a demand letter in the amount of \$470,003.20.

On November 23, 2015, Oread Wholesale provided AGH with copies of documents that Oread Wholesale utilized to prepare its monthly sales tax returns. Those documents are dated January 2012 through June 2015. Oread Wholesale did not provide any documents prior to January 2012 or any documents for July, August and September 2015.

The documents provided by Oread Wholesale consisted of cover pages titled "invoices" addressed to Oread Inn and to DFC. The "invoices" are issued on a monthly basis. Oread Wholesale's address is 1200 Oread, Oread Inn's address is 1200 Oread Avenue and DFC's address is 643 Massachusetts, Suite 300. All of the invoices state as follows:

"Please reimburse for the following; see attached copies:"

Additionally, all of the "invoices" addressed to DFC contain the following notation:

"RE: Varsity House"

The "invoices" then identify a vendor name and a vendor invoice total. Oread Wholesale applied the Special Taxing District sales tax rate to each vendor invoice amount and calculated the total reimbursement due from DFC or Oread Inn to Oread Wholesale.

Oread Wholesale attached vendor invoice copies to each reimbursement expense. The vendor invoices all identify Oread Wholesale as the purchaser and all of the invoices are without sales tax. Many of the vendor invoices contain a notation that the sale is an exempt sale and identifies Oread Wholesale's Kansas sales tax number. Oread Wholesale provided AGH with a copy of the Kansas Resale Exemption Certificate that it used for its purchases.

Oread Wholesale purchased a variety of tangible personal property and services from various vendors both within and outside the state of Kansas. On a monthly basis, Oread Wholesale requested that Oread Inn and DFC reimburse Oread Wholesale for those purchases. As noted above, Oread Wholesale added Kansas sales tax, by applying the Special Taxing District sales tax rate to each transaction, to all of the reimbursement requests.

We have attached a diagram that illustrates these transactions.

Summary of Findings and Conclusions

- The transactions between Oread Wholesale and Oread Inn and DFC do not appear to be "retail sales" under the Kansas Retailers' Sales Tax Act. In our opinion, there was no exchange of tangible personal property or the performance of any services. The transactions are simply reimbursements of expenses incurred by Oread Wholesale.
- It is our opinion that, under Kansas law, the addition of Kansas sales tax to an expense reimbursement does not convert the transaction to a "retail sale."

- It would appear that Oread Wholesale improperly utilized the Kansas Resale Exemption Certificate to make purchases of tangible personal property that it did not resell.
- In our opinion, Oread Wholesale improperly utilized the Kansas Resale Exemption Certificate to purchase construction materials and services.
- Even if one assumes that the transactions between these related entities could be deemed to be "retail sales," it would appear that a vast majority of those sales would be sourced outside the Special Taxing District or would be invalid sales because Oread Wholesale improperly used a Kansas Resale Exemption Certificate.
- An examination of Oread Wholesale's underlying purchases, for which it sought reimbursement, reveals that 69% of the transactions are outside the Special Taxing District.
- It is our opinion that Oread Wholesale's sales tax returns (original and amended) are materially inaccurate.
- The totality of the circumstances strongly suggests that the creation and use of Oread Wholesale to purchase and to "resell" tangible personal property and services to Oread Inn and DFC was intentionally designed to manufacture sales within the Special Taxing District for the purpose of improperly increasing the sales tax reimbursements to Oread Inn.
- It is our opinion that the City was induced to provide reimbursements of sales tax to Oread Inn by Oread Wholesale's filing of materially inaccurate sales tax returns.
- Based on our analysis of the information and documents provided by the City and Oread Wholesale, we conclude that, for the period January 2010 through May 2015, Oread Inn has been over-reimbursed in the amount of \$429,594.74. With estimated interest, the total amount owed to the City, the County and the TDD taxpayers by Oread Inn is \$492,914.85.

Discussion

1. Oread Wholesale's reimbursement requests to Oread Inn and DFC are not retail sales

Based on our review of the transactions between Oread Wholesale and Oread Inn and DFC, Oread Wholesale's reimbursement requests to Oread Inn and to DFC do not appear to be "retail sales" within the meaning of the Kansas Retailers' Sales Tax Act. If the reimbursements are not retail sales, then Oread Wholesale should have paid the appropriate Kansas sales and use tax on all of its purchases and should not have included

(added) Kansas sales tax to its reimbursement requests.³ Because those reimbursement requests would not be "sales," Oread Inn would not be entitled to any sales tax reimbursements for those transactions under the Redevelopment Agreement.

K.S.A. 79-3602 provides the definitions that are relevant to this inquiry:

Except as otherwise provided, as used in the Kansas retailers' sales tax act:

(o) "Gross receipts" means the total selling price or the amount received as defined in this act, in money, credits, property or other consideration valued in money from sales at retail within this state; and embraced within the provisions of this act. The taxpayer, may take credit in the report of gross receipts for: (1) An amount equal to the selling price of property returned by the purchaser when the full sale price thereof, including the tax collected, is refunded in cash or by credit; and (2) an amount equal to the allowance given for the trade-in of property.

(r) "Lease or rental" means any transfer of possession or control of tangible personal property for a fixed or indeterminate term for consideration. A lease or rental may include future options to purchase or extend.

(ff) "Purchaser" means a person to whom a sale of personal property is made or to whom a service is furnished.

(ii) "Retailer" means a seller regularly engaged in the business of selling, leasing or renting tangible personal property at retail or furnishing electrical energy, gas, water, services or entertainment, and selling only to the user or consumer and not for resale.

(jj) "Retail sale" or "sale at retail" means any sale, lease or rental for any purpose other than for resale, sublease or subrent.

(kk) "Sale" or "sales" means the exchange of tangible personal property, as well as the sale thereof for money, and every transaction, conditional or otherwise, for a consideration, constituting a sale, including the sale or furnishing of electrical energy, gas, water, services or entertainment taxable under the terms of this act and including, except as provided in the following provision, the sale of the use of tangible personal property by way of a lease, license to use or the rental thereof regardless of the method by which the title, possession or right to use the tangible personal property is transferred. The term "sale" or "sales" shall not mean the sale of the use of any tangible personal property used as a dwelling by way of a lease or rental thereof for a term of more than 28 consecutive days.

(mm) "Seller" means a person making sales, leases or rentals of personal property or services.

³ In our opinion, Oread Wholesale should not have utilized a resale exemption certificate—Oread Wholesale is not a contractor-retailer and Oread Wholesale did not resell the products and services.

The key definition is "sale" (K.S.A. 79-3602(kk)). There must be an exchange of tangible personal property or services for consideration. Oread Wholesale did not exchange any tangible personal property or perform any services with or for Oread Inn or DFC. Rather, Oread Wholesale merely requested that Oread Inn and DFC reimburse Oread Wholesale for Oread Wholesale's expenses. The addition of sales tax to the reimbursement requests does not convert the reimbursement requests to "retail sales" within the meaning of the Act. In fact, it merely reinforces our conclusion that Oread Wholesale should have paid the appropriate sales tax on its purchases.

That arrangement strongly suggests that Oread Wholesale acted as a "reseller" solely to manufacture sales within the Special Taxing District, thereby improperly increasing the City's sales tax reimbursements to Oread Inn.

Our conclusion -- while based on our review of all records provided to us -- is corroborated by a document provided to us by Oread Wholesale. Oread Wholesale purchased a computer hardware maintenance agreement and a laptop computer from a software consulting company. However, the Oread Hotel booked those purchases as a pre-paid expense and as a capital expense prior to the date of Oread Wholesale's "invoice" to Oread Inn for reimbursement of those expenses.

Because it appears that Oread Wholesale did not sell any tangible personal property or services to Oread Inn or to DFC, Oread Inn should not have been entitled to any reimbursements of sales tax under the Redevelopment Agreement.

Under this scenario, Oread Inn would owe the City a total of \$492,914.85. The break-down of that amount would be as follows: \$232,604.54 owed to the City, \$49,383.29 owed to the County, \$147,606.91 owed to TDD taxpayers, and \$63,320.11 would be interest on those amounts. We have attached our calculations as Exhibit 1. We also have attached Appendix A. Appendix A identifies each of the transactions at issue and contains data that may be deemed to be confidential taxpayer information.

2. The majority of Oread Wholesale's purported "sales" are outside the special taxing district or are otherwise invalid

Assuming for the purposes of argument that the reimbursement requests from Oread Wholesale to DFC and Oread Inn are retail sales within the meaning of the Kansas Retailers' Sales Tax Act, the sales tax sourcing rules would exclude from the Special Taxing District all of Oread Wholesale's sales to DFC. Additionally, Oread Wholesale's improper use of a Kansas Resale Exemption Certificate would exclude from the Special Taxing District the majority of Oread Wholesale's sales to Oread Inn.

Kansas sales tax is a transaction based tax. One analyzes the imposition and sourcing of sales tax on discrete transactions. In the present case, there are two discrete transactions: (1) the sale of property and services to Oread Wholesale and (2) the "resale" of the property and the services to DFC and Oread Inn. Each transaction stands on its own.

The Kansas sales tax sourcing rules are as follows:

(a) The retail sale, excluding lease or rental, of a product shall be sourced as follows:

(1) When the product is received by the purchaser at a business location of the seller, the sale is sourced to that business location;

(2) when the product is not received by the purchaser at a business location of the seller, the sale is sourced to the location where receipt by the purchaser, or the purchaser's donee, designated as such by the purchaser, occurs, including the location indicated by instructions for delivery to the purchaser or donee, known to the seller;

(3) when subsection (a)(1) and (a)(2) do not apply, the sale is sourced to the location indicated by an address for the purchaser that is available from the business records of the seller that are maintained in the ordinary course of the seller's business when use of this address does not constitute bad faith;

(4) when subsections (a)(1), (a)(2) and (a)(3) do not apply, the sale is sourced to the location indicated by an address for the purchaser obtained during the consummation of the sale, including the address of a purchaser's payment instrument, if no other address is available, when use of this address does not constitute bad faith;

(5) when none of the previous rules of subsection (a)(1), (a)(2), (a)(3) or (a)(4) apply, including the circumstance in which the seller is without sufficient information to apply the previous rules, then the location will be determined by the address from which tangible personal property was shipped, from which the digital good or the computer software delivered electronically was first available for transmission by the seller, or from which the service was provided, disregarding for these purposes any location that merely provided the digital transfer of the product sold.

K.S.A. 79-3670 (emphasis added).

With regard to the transactions between Oread Wholesale and its vendors, the traditional "destination-based" sourcing rules would apply. That is, the applicable sales tax would be charged at the delivery location for tangible personal property and at the service address for services. K.S.A. 79-3670(a)(2).

With regard to the transactions between Oread Wholesale and DFC, the traditional "destination-based" sourcing rules would not apply. Oread Wholesale did not sell (or deliver) tangible personal property and did not provide any services; Oread Wholesale sought only to be reimbursed for its expenses. Therefore, the third sourcing rule (bolded above) would apply. K.S.A. 79-3670(a)(3). Oread Wholesale's sales to DFC would be

sourced to DFC's address. DFC's address is 643 Massachusetts. This address is not within the Special Taxing District and, thus, all of Oread Wholesales "sales" to DFC would be excluded from the Special Taxing District and would be excluded from reimbursement under the Redevelopment Agreement.

With regard to the transactions between Oread Wholesale and Oread Inn, we excluded many of the transactions because Oread Wholesale improperly used a Kansas Resale Exemption Certificate for purchases that Oread Wholesale later "resold" to Oread Inn. For example, Oread Wholesale utilized a Resale Exemption Certificate to purchase consulting services. That is a misuse of the Kansas Resale Exemption Certificate.

Under this approach, Oread Inn would owe the City a total of \$477,688.11. The breakdown of that amount would be as follows: \$225,313.14 owed to the City, \$47,828.29 owed to the County, \$142,981.49 owed to TDD taxpayers, and \$61,565.19 would be interest on those amounts. We have attached our calculations as Exhibit 2. We also have attached Appendix B. Appendix B identifies each of the transactions at issue and contains data that may be deemed to be confidential taxpayer information.

3. A majority of Oread Wholesale's purchases are outside the Special Taxing District

Even if one assumes that the Special Taxing District reimbursement analysis should focus on the transactions between Oread Wholesale and its vendors (*i.e.*, Oread Wholesale's purchases that it "resold" to Oread Inn and DFC) the result is that Oread Inn would owe the City a total of \$439,744.29. The break-down of that amount would be as follows: \$207,304.52 owed to the City, \$44,023.07 owed to the County, \$131,554.97 owed to TDD taxpayers, and \$56,861.73 would be interest on those amounts. We have attached our calculations as Exhibit 3. We also have attached Appendix C. Appendix C identifies each of the transactions at issue and contains data that may be deemed to be confidential taxpayer information.

We reviewed all of the transactions (purchases) between Oread Wholesale and its vendors, applied the Kansas sales tax sourcing rules and excluded all transactions that were or should have been sourced outside the Special Taxing District.

As noted above, Oread Wholesale utilized a Kansas Resale Exemption Certificate for all of its purchases, including materials used in the construction of Varsity House. In fact, a majority of the excluded transactions relate to the construction of Varsity House. The vendors either delivered property to the Varsity House address directly or performed services at Varsity House. Varsity House is outside the Special Taxing District.

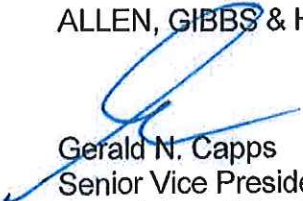
It is our opinion that Oread Wholesale's use of a Kansas Resale Exemption Certificate in this instance is a violation of Kansas law. DFC, as contractor, would have been barred from using a Resale Exemption Certificate to purchase materials to construct Varsity House. Kan. Admin. Reg. § 92-19-66. Inserting Oread Wholesale as the "purchaser" and using a Kansas Resale Exemption Certificate are, in our opinion, legal fictions and have been

ignored for purposes of this analysis. Oread Wholesale and DFC may not avoid the Kansas sales tax laws by doing indirectly that which would be unlawful if done directly.

AGH did not perform any attestation services in connection with the engagement.

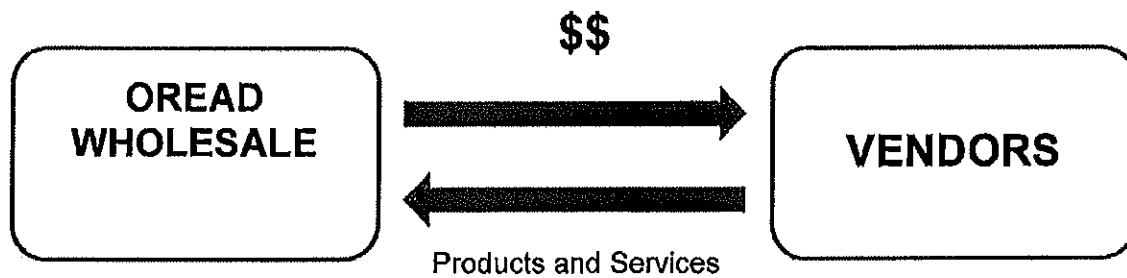
Respectfully submitted,

ALLEN, GIBBS & HOULIK, L.C.

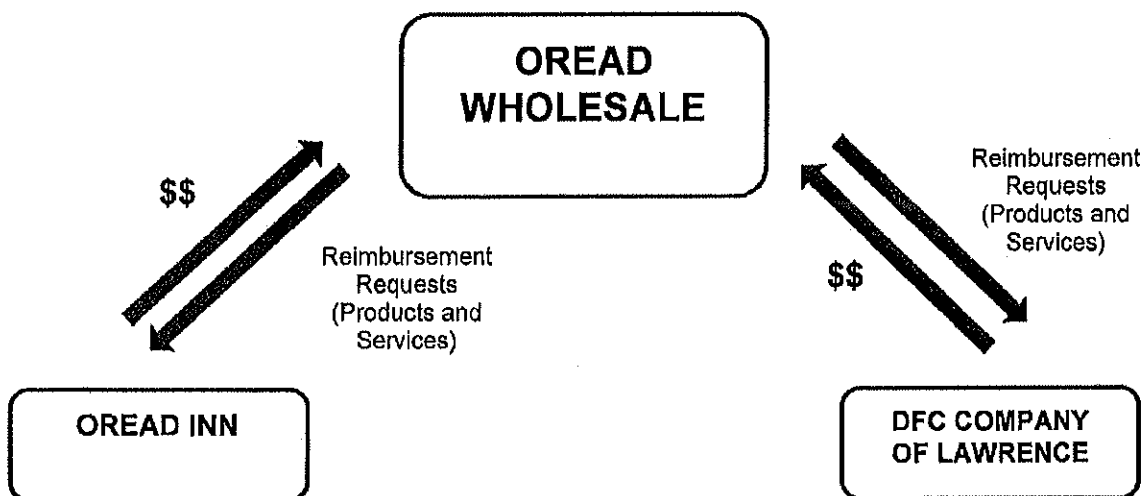


Gerald N. Capps
Senior Vice President
State & Local Tax Services

GNC:me
Enclosures



- Vendors did not charge Kansas Sales Tax
- Oread Wholesale used a Kansas Resale Exemption Certificate



- Oread Wholesale added sales tax to the reimbursement requests (Special Taxing District rate)

Overpayment Calculations Based on 100% Over-Reimbursement

RETURN	REIMBURSEMENT (actual)	REIMBURSEMENT CORRECTED	OVERPAYMENT	INTEREST	TOTAL
1/10	\$0.00	\$0.00	\$0.00		
2/10	\$0.00	\$0.00	\$0.00		
3/10	\$233.94	\$0.00	\$233.94		
4/10	\$0.00	\$0.00	\$0.00		
5/10	\$0.00	\$0.00	\$0.00		
6/10	\$86.45	\$0.00	\$86.45		
7/10	\$5,904.38	\$0.00	\$5,904.38		
8/10	\$10,415.92	\$0.00	\$10,415.92		
9/10	\$8,665.76	\$0.00	\$8,665.76		
10/10	\$14,457.91	\$0.00	\$14,457.91		
11/10	\$11,798.16	\$0.00	\$11,798.16		
12/10	\$16,499.24	\$0.00	\$16,499.24	\$15,313.90	
1/11	\$10,202.38	\$0.00	\$10,202.38		
2/11	\$0.00	\$0.00	\$0.00		
3/11	\$6,592.06	\$0.00	\$6,592.06		
4/11	\$11,376.96	\$0.00	\$11,376.96		
5/11	\$4,960.02	\$0.00	\$4,960.02		
6/11	\$16,796.82	\$0.00	\$16,796.82		
7/11	\$19,197.78	\$0.00	\$19,197.78		
8/11	\$9,118.15	\$0.00	\$9,118.15		
9/11	\$6,298.76	\$0.00	\$6,298.76		
10/11	\$7,671.47	\$0.00	\$7,671.47		
11/11	\$6,928.38	\$0.00	\$6,928.38		
12/11	\$2,441.52	\$0.00	\$2,441.52	\$18,285.17	
1/12	\$30,879.16	\$0.00	\$30,879.16		
2/12	\$11,911.11	\$0.00	\$11,911.11		
3/12	\$9,631.08	\$0.00	\$9,631.08		
4/12	\$7,598.35	\$0.00	\$7,598.35		
5/12	\$13,308.67	\$0.00	\$13,308.67		
6/12	\$17,778.62	\$0.00	\$17,778.62		
7/12	\$7,340.61	\$0.00	\$7,340.61		
8/12	\$17,265.15	\$0.00	\$17,265.15		
9/12	\$21,692.01	\$0.00	\$21,692.01		
10/12	\$19,487.69	\$0.00	\$19,487.69		
11/12	\$16,739.80	\$0.00	\$16,739.80		
12/12	\$13,362.01	\$0.00	\$13,362.01	\$25,244.23	
1/13	\$6,054.29	\$0.00	\$6,054.29		
2/13	\$4,155.01	\$0.00	\$4,155.01		
3/13	\$3,091.33	\$0.00	\$3,091.33		
4/13	\$3,837.85	\$0.00	\$3,837.85		
5/13	\$3,627.57	\$0.00	\$3,627.57		
6/13	\$4,900.25	\$0.00	\$4,900.25		
7/13	\$3,369.09	\$0.00	\$3,369.09		
8/13	\$5,219.73	\$0.00	\$5,219.73		
9/13	\$3,512.37	\$0.00	\$3,512.37		
10/13	\$1,667.77	\$0.00	\$1,667.77		
11/13	\$2,894.31	\$0.00	\$2,894.31		
12/13	\$1,384.23	\$0.00	\$1,384.23	\$3,934.24	
1/14	\$691.22	\$0.00	\$691.22		
2/14	\$911.90	\$0.00	\$911.90		
3/14	\$532.98	\$0.00	\$532.98		
4/14	\$763.08	\$0.00	\$763.08		
5/14	\$740.32	\$0.00	\$740.32		
6/14	\$499.73	\$0.00	\$499.73		
7/14	\$767.46	\$0.00	\$767.46		
8/14	\$520.36	\$0.00	\$520.36		

EXHIBIT 1

Overpayment Calculations Based on 100% Over-
Reimbursement

9/14	\$289.08	\$0.00	\$289.08		
10/14	\$718.47	\$0.00	\$718.47		
11/14	\$0.00	\$0.00	\$0.00		
12/14	\$5,622.55	\$0.00	\$5,622.55	\$542.57	
1/15	\$4,975.58	\$0.00	\$4,975.58		
2/15	\$5,808.02	\$0.00	\$5,808.02		
3/15	\$6,399.85	\$0.00	\$6,399.85		
	\$ 429,594.74	\$ -	\$429,594.74	\$63,320.11	\$492,914.85

Oread Wholesale – Corrected Net Sales for the
Period January 2012 through June 2015

PERIOD	CORRECTED LAWT2 NET SALES
12-Jan	\$6,253.26
12-Feb	\$16,710.87
12-Mar	\$19,685.81
12-Apr	\$7,768.39
12-May	\$17,414.05
12-Jun	\$10,197.78
12-Jul	\$13,093.29
12-Aug	\$14,757.83
12-Sep	\$11,250.37
12-Oct	\$9,349.23
12-Nov	\$6,717.93
12-Dec	\$9,854.46
13-Jan	\$3,978.48
13-Feb	\$8,541.86
13-Mar	\$7,011.30
13-Apr	\$7,952.76
13-May	\$5,274.23
13-Jun	\$6,415.06
13-Jul	\$7,584.46
13-Aug	\$4,437.02
13-Sep	\$3,597.98
13-Oct	\$6,472.84
13-Nov	\$15,838.96
13-Dec	\$5,907.80
14-Jan	\$7,002.12
14-Feb	\$11,759.54
14-Mar	\$5,469.85
14-Apr	\$7,768.20
14-May	\$10,563.03
14-Jun	\$5,340.82
14-Jul	\$8,776.30
14-Aug	\$1,523.02
14-Sep	\$2,356.52
14-Oct	\$4,185.77
14-Nov	\$5,916.89
14-Dec	\$4,924.84
15-Jan	\$3,492.20
15-Feb	\$6,428.99
15-Mar	\$4,957.50
15-Apr	\$21,088.26
15-May	\$6,267.69
15-Jun	<u>\$5,059.29</u>
	<u>\$348,946.85</u>

EXHIBIT 2

Overpayment Calculation Based on 100% Exclusion
of DFC Transactions, a Majority of Oread Inn
Transactions and 2.52% Projection ratio for March
2010 through December 2011

RETURN	REIMBURSEMENT (actual)	REIMBURSEMENT CORRECTED with 2.52% projection	OVERPAYMENT	INTEREST	TOTAL
1/10	\$0.00	\$0.00	\$0.00		
2/10	\$0.00	\$0.00	\$0.00		
3/10	\$233.94	\$5.90	\$228.04		
4/10	\$0.00	\$0.00	\$0.00		
5/10	\$0.00	\$0.00	\$0.00		
6/10	\$86.45	\$2.18	\$84.27		
7/10	\$5,904.38	\$148.79	\$5,755.59		
8/10	\$10,415.92	\$262.48	\$10,153.44		
9/10	\$8,665.76	\$218.38	\$8,447.38		
10/10	\$14,457.91	\$364.34	\$14,093.57		
11/10	\$11,798.16	\$297.31	\$11,500.85		
12/10	\$16,499.24	\$415.78	\$16,083.46	\$14,927.99	
1/11	\$10,202.38	\$257.10	\$9,945.28		
2/11	\$0.00	\$96.44	(\$96.44)		
3/11	\$6,592.06	\$283.09	\$6,308.96		
4/11	\$11,376.96	\$194.40	\$11,182.56		
5/11	\$4,960.02	\$153.90	\$4,806.12		
6/11	\$16,796.82	\$487.14	\$16,309.68		
7/11	\$19,197.78	\$273.63	\$18,924.15		
8/11	\$9,118.16	\$234.57	\$8,883.58		
9/11	\$6,298.76	\$162.62	\$6,136.14		
10/11	\$7,671.47	\$362.17	\$7,309.30		
11/11	\$6,928.38	\$174.72	\$6,753.67		
12/11	\$2,441.52	\$61.97	\$2,379.55	\$17,791.66	
1/12	\$30,879.16	\$183.36	\$30,695.80		
2/12	\$11,911.11	\$489.99	\$11,421.11		
3/12	\$9,631.08	\$577.23	\$9,053.86		
4/12	\$7,598.35	\$227.78	\$7,370.56		
5/12	\$13,308.67	\$510.61	\$12,798.06		
6/12	\$17,778.62	\$299.02	\$17,479.61		
7/12	\$7,340.61	\$383.92	\$6,956.69		
8/12	\$17,265.15	\$432.73	\$16,832.42		
9/12	\$21,692.01	\$329.88	\$21,362.13		
10/12	\$19,487.69	\$274.14	\$19,213.56		
11/12	\$16,739.80	\$196.98	\$16,542.82		
12/12	\$13,362.01	\$288.95	\$13,073.06	\$24,677.96	
1/13	\$6,054.29	\$116.65	\$5,937.64		
2/13	\$4,155.01	\$250.45	\$3,904.56		
3/13	\$3,091.33	\$205.57	\$2,885.76		
4/13	\$3,837.85	\$233.18	\$3,604.67		
5/13	\$3,627.57	\$154.64	\$3,472.93		
6/13	\$4,900.25	\$188.09	\$4,712.16		
7/13	\$3,369.09	\$222.43	\$3,146.67		
8/13	\$5,219.73	\$130.12	\$5,089.60		
9/13	\$3,512.37	\$105.52	\$3,406.85		
10/13	\$1,667.77	\$189.83	\$1,477.95		
11/13	\$2,894.31	\$464.51	\$2,429.80		
12/13	\$1,384.23	\$173.26	\$1,210.97	\$3,715.16	
1/14	\$691.22	\$205.40	\$485.82		
2/14	\$911.90	\$344.96	\$566.94		
3/14	\$532.98	\$160.46	\$372.53		
4/14	\$763.08	\$227.88	\$535.21		
5/14	\$740.32	\$309.86	\$430.46		
6/14	\$499.73	\$156.67	\$343.06		

Overpayment Calculation Based on 100% Exclusion
of DFC Transactions, a Majority of Oread Inn
Transactions and 2.52% Projection ratio for March
2010 through December 2011

7/14	\$767.46	\$257.49	\$509.98		
8/14	\$520.36	\$44.68	\$475.67		
9/14	\$289.08	\$60.76	\$228.32		
10/14	\$718.47	\$107.92	\$610.55		
11/14	\$0.00	\$0.00	\$0.00		
12/14	\$5,622.55	\$126.98	\$5,495.57	\$452.43	
1/15	\$4,975.58	\$89.90	\$4,885.68		
2/15	\$6,808.02	\$166.49	\$5,642.53		
3/15	\$6,399.85	\$127.62	\$6,272.24		
	\$429,594.74	\$13,471.82	\$416,122.92	\$61,565.19	\$477,688.12

Oread Wholesale – Corrected Net Sales for the
Period January 2012 through June 2015

PERIOD	CORRECTED LAWT2 NET SALES
12-Jan	\$8,050.03
12-Feb	\$25,643.03
12-Mar	\$38,095.46
12-Apr	\$28,940.32
12-May	\$55,376.83
12-Jun	\$58,625.66
12-Jul	\$72,566.33
12-Aug	\$52,689.69
12-Sep	\$43,005.75
12-Oct	\$45,877.73
12-Nov	\$105,989.88
12-Dec	\$123,703.96
13-Jan	\$33,798.17
13-Feb	\$42,662.02
13-Mar	\$27,393.52
13-Apr	\$23,743.03
13-May	\$7,343.81
13-Jun	\$20,508.82
13-Jul	\$10,374.74
13-Aug	\$14,876.28
13-Sep	\$11,193.48
13-Oct	\$12,142.26
13-Nov	\$19,544.16
13-Dec	\$11,269.69
14-Jan	\$9,425.29
14-Feb	\$15,323.86
14-Mar	\$8,244.43
14-Apr	\$10,470.71
14-May	\$12,092.53
14-Jun	\$7,543.25
14-Jul	\$10,531.12
14-Aug	\$3,523.43
14-Sep	\$4,336.00
14-Oct	\$11,379.67
14-Nov	\$10,624.93
14-Dec	\$25,766.71
15-Jan	\$28,930.65
15-Feb	\$16,672.70
15-Mar	\$15,011.91
15-Apr	\$113,927.97
15-May	\$12,124.09
15-Jun	<u>\$12,486.89</u>

EXHIBIT 3

\$1,221,830.79

Overpayment Calculations Based on Review of
Oread Wholesale's Purchases and 8.83% Projection
ratio for March 2010 through December 2011

RETURN	REIMBURSEMENT (actual)	REIMBURSEMENT CORRECTED with 8.83% projection	OVERPAYMENT	INTEREST	TOTAL
1/10	\$0.00	\$0.00	\$0.00		
2/10	\$0.00	\$0.00	\$0.00		
3/10	\$233.94	\$20.66	\$213.28		
4/10	\$0.00	\$0.00	\$0.00		
5/10	\$0.00	\$0.00	\$0.00		
6/10	\$86.45	\$7.63	\$78.82		
7/10	\$5,904.38	\$521.36	\$5,383.03		
8/10	\$10,415.92	\$919.73	\$9,496.19		
9/10	\$8,665.76	\$765.19	\$7,900.57		
10/10	\$14,457.91	\$1,276.63	\$13,181.28		
11/10	\$11,798.16	\$1,041.78	\$10,756.38		
12/10	\$16,499.24	\$1,456.88	\$15,042.36	\$13,961.68	
1/11	\$10,202.38	\$900.87	\$9,301.51		
2/11	\$0.00	\$337.93	(\$337.93)		
3/11	\$6,592.06	\$991.95	\$5,600.10		
4/11	\$11,376.96	\$681.19	\$10,695.78		
5/11	\$4,960.02	\$539.27	\$4,420.75		
6/11	\$16,796.82	\$1,706.93	\$15,089.89		
7/11	\$19,197.78	\$958.78	\$18,239.00		
8/11	\$9,118.15	\$821.94	\$8,296.21		
9/11	\$6,298.76	\$569.82	\$5,728.94		
10/11	\$7,671.47	\$1,269.05	\$6,402.42		
11/11	\$6,928.38	\$612.20	\$6,316.18		
12/11	\$2,441.52	\$217.14	\$2,224.38	\$16,555.90	
1/12	\$30,879.16	\$236.04	\$30,643.12		
2/12	\$11,911.11	\$746.62	\$11,164.48		
3/12	\$9,631.08	\$1,117.03	\$8,514.05		
4/12	\$7,598.35	\$848.59	\$6,749.76		
5/12	\$13,308.67	\$1,623.75	\$11,684.91		
6/12	\$17,778.62	\$1,719.02	\$16,059.61		
7/12	\$7,340.61	\$2,127.78	\$5,212.83		
8/12	\$17,265.15	\$1,544.96	\$15,720.19		
9/12	\$21,692.01	\$1,261.01	\$20,431.00		
10/12	\$19,487.69	\$1,345.22	\$18,142.47		
11/12	\$16,739.80	\$3,107.82	\$13,631.98		
12/12	\$13,362.01	\$3,627.23	\$9,734.78	\$22,638.04	
1/13	\$6,054.29	\$990.97	\$5,063.32		
2/13	\$4,155.01	\$1,250.86	\$2,904.15		
3/13	\$3,091.33	\$803.18	\$2,288.15		
4/13	\$3,837.85	\$696.15	\$3,141.70		
5/13	\$3,627.57	\$215.32	\$3,412.25		
6/13	\$4,900.25	\$601.32	\$4,298.93		
7/13	\$3,369.09	\$314.82	\$3,054.28		
8/13	\$5,219.73	\$436.27	\$4,783.45		
9/13	\$3,512.37	\$328.27	\$3,184.10		
10/13	\$1,667.77	\$356.09	\$1,311.68		
11/13	\$2,894.31	\$573.17	\$2,321.14		
12/13	\$1,384.23	\$330.50	\$1,053.73	\$3,313.52	
1/14	\$691.22	\$276.49	\$414.74		
2/14	\$911.90	\$449.52	\$462.38		
3/14	\$532.98	\$241.85	\$291.14		
4/14	\$763.08	\$307.15	\$455.93		
5/14	\$740.32	\$354.73	\$385.59		
6/14	\$499.73	\$221.28	\$278.45		

Overpayment Calculations Based on Review of
Oread Wholesale's Purchases and 8.83% Projection
ratio for March 2010 through December 2011

7/14	\$767.46	\$308.97	\$458.49		
8/14	\$520.36	\$103.37	\$416.98		
9/14	\$289.08	\$111.79	\$177.28		
10/14	\$718.47	\$293.40	\$425.07		
11/14	\$0.00	\$0.00	\$0.00		
12/14	\$5,622.55	\$664.34	\$4,958.21	\$392.59	
1/15	\$4,975.58	\$744.73	\$4,230.85		
2/15	\$5,808.02	\$429.19	\$5,378.84		
3/15	\$6,399.85	\$386.43	\$6,013.42		
	\$429,594.74	\$46,712.19	\$382,882.56	\$56,861.73	\$439,744.29

APPENDIX A

APPENDIX B

APPENDIX C

REDACTED—MAY BE DEEMED TO CONTAIN
CONFIDENTIAL TAXPAYER INFORMATION