

Department of the Treasury-Internal Revenue Service  
**Income Tax Examination Changes**  
(Unagreed and Excepted Agreed)

Name and Address of Taxpayer  
Khonkhor Enterprises, Inc.  
P.O. Box 10346  
Torrance, California 90505

Taxpayer Identification Number

Return Form No.:  
1120

Person with whom  
examination  
changes were  
discussed.

Name and Title:  
Thomas W. Ostrander  
Attorney

1. Adjustments to Income		Period End 12/31/2010	Period End 12/31/2011	Period End 12/31/2012
a.	Disallowed Personal Expenses	144,667.00	148,007.00	183,480.00
b.	Net operating loss deduction	19,881.00		10,460.00
c.	Unreported Income from Offshore Accounts	43,000.00	26,500.00	52,519.00
d.	Shareholder Loans		511,984.00	
e.	Gross receipts or sales	8,931.00	1,950.00	3,098.00
f.	The MMA Lab, LLC- loss		338,871.00	
g.				
h.				
i.				
j.				
k.				
l.				
m.				
n.				
o.				
p.				
<b>2. Total Adjustments</b>		<b>216,479.00</b>	<b>1,027,312.00</b>	<b>249,557.00</b>
<b>3. Taxable Income Per Return or as Previously Adjusted</b>		<b>0.00</b>	<b>(348,493.00)</b>	<b>0.00</b>
<b>4. Corrected Taxable Income</b>		<b>216,479.00</b>	<b>678,819.00</b>	<b>249,557.00</b>
Tax Method				
Filing Status				
<b>5. Tax</b>		<b>75,768.00</b>	<b>237,587.00</b>	<b>87,345.00</b>
<b>6. Additional Taxes / Alternative Minimum</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>7. Corrected Tax Liability</b>		<b>75,768.00</b>	<b>237,587.00</b>	<b>87,345.00</b>
<b>8. Less</b>				
<b>a. Credits</b>				
b.				
c.				
d.				
<b>9. Balance (Line 7 less total of Lines 8a thru 8d)</b>		<b>75,768.00</b>	<b>237,587.00</b>	<b>87,345.00</b>
<b>10. Plus</b>				
<b>a. Other</b>				
<b>b. Taxes</b>				
c.				
d.				
<b>11. Total Corrected Tax Liability (Line 9 plus Lines 10a thru 10d)</b>		<b>75,768.00</b>	<b>237,587.00</b>	<b>87,345.00</b>
<b>12. Total Tax Shown on Return or as Previously Adjusted</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>13. Adjustments to:</b>				
a.				
b.				
c.				
<b>14. Deficiency-Increase in Tax or (Overassessment - Decrease in Tax)</b> <i>(Line 11 less Line 12 adjusted by Lines 13a through 13c)</i>		<b>75,768.00</b>	<b>237,587.00</b>	<b>87,345.00</b>
<b>15. Adjustments to Prepayment Credits-Increase (Decrease)</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>16. Balance Due or (Overpayment) - (Line 14 adjusted by Line 15)</b> <i>(Excluding interest and penalties)</i>		<b>75,768.00</b>	<b>237,587.00</b>	<b>87,345.00</b>

17. Penalties/ Code Sections	Period End 12/31/2010	Period End 12/31/2011	Period End 12/31/2012
a. Civil Fraud	56,826.00	178,190.25	65,508.75
b. Delinquency	18,942.00	0.00	0.00
c.			
d.			
e.			
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
<b>18. Total Penalties</b>	<b>75,768.00</b>	<b>178,190.25</b>	<b>65,508.75</b>
Underpayment attributable to negligence: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.	0.00	0.00	0.00
Underpayment attributable to fraud: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.	0.00	0.00	0.00
Underpayment attributable to Tax Motivated Transactions (TMT). Interest will accrue and be assessed at 120% of underpayment rate in accordance with IRC 6621(c).	0.00	0.00	0.00
<b>19. Summary of Taxes, Penalties and Interest:</b>			
a. Balance due or (Overpayment) Taxes - (Line 16, Page 1)	75,768.00	237,587.00	87,345.00
b. Penalties (Line 18) - computed to 04/29/2015	75,768.00	178,190.25	65,508.75
c. Interest (IRC § 6601) - computed to 04/29/2015	0.00	0.00	0.00
d. TMT Interest - computed to 04/29/2015 (on TMT underpayment)	0.00	0.00	0.00
e. Amount due or refund - (sum of Lines a, b, c and d)	151,536.00	415,777.25	152,853.75

Other information:

Examiner's Signature: Name  <div style="text-align: center;">L. REYNOLDS</div>	Employee ID:  <div style="text-align: center;">0341670</div>	Office:  <div style="text-align: center;">RICHMOND, VA</div>	Date:  <div style="text-align: center;">03/30/2015</div>
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The Internal Revenue Service has agreements with state tax agencies under which information about federal tax, including increases or decreases, is exchanged with the states. If this change affects the amount of your state income tax, you should amend your state return by filing the necessary forms.

You may be subject to backup withholding if you underreport your interest, dividend, or patronage dividend income you earned and do not pay the required tax. The IRS may order backup withholding (withholding of a percentage of your dividend and/or interest payments) if the tax remains unpaid after it has been assessed and four notices have been issued to you over a 120-day period.