

United States Bankruptcy Court Eastern District of Virginia

Voluntary Petition

Name of Debtor (if individual, enter Last, First, Middle): Hertzler Clearing and Grading Corporation

Name of Joint Debtor (Spouse) (Last, First, Middle):

All Other Names used by the Debtor in the last 8 years (include married, maiden, and trade names):

All Other Names used by the Joint Debtor in the last 8 years (include married, maiden, and trade names):

Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN) No./Complete EIN (if more than one, state all) 54-1900458

Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN) No./Complete EIN (if more than one, state all)

Street Address of Debtor (No. and Street, City, and State): 9537 Barnes Road Toano, VA ZIP Code 23168

Street Address of Joint Debtor (No. and Street, City, and State): ZIP Code

County of Residence or of the Principal Place of Business: James City

County of Residence or of the Principal Place of Business:

Mailing Address of Debtor (if different from street address): P.O. Box 370 Toano, VA ZIP Code 23168

Mailing Address of Joint Debtor (if different from street address): ZIP Code

Location of Principal Assets of Business Debtor (if different from street address above): 9537 Barnes Road Toano, VA 23168

Type of Debtor (Form of Organization) (Check one box) Individual (includes Joint Debtors) See Exhibit D on page 2 of this form. Corporation (includes LLC and LLP) Partnership Other (If debtor is not one of the above entities, check this box and state type of entity below.)

Nature of Business (Check one box) Health Care Business Single Asset Real Estate as defined in 11 U.S.C. § 101 (51B) Railroad Stockbroker Commodity Broker Clearing Bank Other Tax-Exempt Entity (Check box, if applicable) Debtor is a tax-exempt organization under Title 26 of the United States Code (the Internal Revenue Code).

Chapter of Bankruptcy Code Under Which the Petition is Filed (Check one box) Chapter 7 Chapter 9 Chapter 11 Chapter 12 Chapter 13 Chapter 15 Petition for Recognition of a Foreign Main Proceeding Chapter 15 Petition for Recognition of a Foreign Nonmain Proceeding

Nature of Debts (Check one box) Debts are primarily consumer debts, defined in 11 U.S.C. § 101(8) as "incurred by an individual primarily for a personal, family, or household purpose." Debts are primarily business debts.

Filing Fee (Check one box) Full Filing Fee attached Filing Fee to be paid in installments (applicable to individuals only). Must attach signed application for the court's consideration certifying that the debtor is unable to pay fee except in installments. Rule 1006(b). See Official Form 3A. Filing Fee waiver requested (applicable to chapter 7 individuals only). Must attach signed application for the court's consideration. See Official Form 3B.

Chapter 11 Debtors Check one box: Debtor is a small business debtor as defined in 11 U.S.C. § 101(51D). Debtor is not a small business debtor as defined in 11 U.S.C. § 101(51D). Check if: Debtor's aggregate noncontingent liquidated debts (excluding debts owed to insiders or affiliates) are less than \$2,190,000. Check all applicable boxes: A plan is being filed with this petition. Acceptances of the plan were solicited prepetition from one or more classes of creditors, in accordance with 11 U.S.C. § 1126(b).

Statistical/Administrative Information Debtor estimates that funds will be available for distribution to unsecured creditors. Debtor estimates that, after any exempt property is excluded and administrative expenses paid, there will be no funds available for distribution to unsecured creditors. Estimated Number of Creditors Estimated Assets Estimated Liabilities

THIS SPACE IS FOR COURT USE ONLY

Voluntary Petition <i>(This page must be completed and filed in every case)</i>	Name of Debtor(s): Hertzler Clearing and Grading Corporation
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All Prior Bankruptcy Cases Filed Within Last 8 Years (If more than two, attach additional sheet)

Location Where Filed: - None -	Case Number:	Date Filed:
Location Where Filed:	Case Number:	Date Filed:

Pending Bankruptcy Case Filed by any Spouse, Partner, or Affiliate of this Debtor (If more than one, attach additional sheet)

Name of Debtor: - None -	Case Number:	Date Filed:
District:	Relationship:	Judge:

<p style="text-align: center;">Exhibit A</p> <p>(To be completed if debtor is required to file periodic reports (e.g., forms 10K and 10Q) with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and is requesting relief under chapter 11.)</p> <p><input type="checkbox"/> Exhibit A is attached and made a part of this petition.</p>	<p style="text-align: center;">Exhibit B</p> <p>(To be completed if debtor is an individual whose debts are primarily consumer debts.)</p> <p>I, the attorney for the petitioner named in the foregoing petition, declare that I have informed the petitioner that [he or she] may proceed under chapter 7, 11, 12, or 13 of title 11, United States Code, and have explained the relief available under each such chapter. I further certify that I delivered to the debtor the notice required by 11 U.S.C. §342(b).</p> <p>X _____ Signature of Attorney for Debtor(s) (Date)</p>
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Exhibit C

Does the debtor own or have possession of any property that poses or is alleged to pose a threat of imminent and identifiable harm to public health or safety?

Yes, and Exhibit C is attached and made a part of this petition.

No.

Exhibit D

(To be completed by every individual debtor. If a joint petition is filed, each spouse must complete and attach a separate Exhibit D.)

Exhibit D completed and signed by the debtor is attached and made a part of this petition.

If this is a joint petition:

Exhibit D also completed and signed by the joint debtor is attached and made a part of this petition.

Information Regarding the Debtor - Venue

(Check any applicable box)

Debtor has been domiciled or has had a residence, principal place of business, or principal assets in this District for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other District.

There is a bankruptcy case concerning debtor's affiliate, general partner, or partnership pending in this District.

Debtor is a debtor in a foreign proceeding and has its principal place of business or principal assets in the United States in this District, or has no principal place of business or assets in the United States but is a defendant in an action or proceeding [in a federal or state court] in this District, or the interests of the parties will be served in regard to the relief sought in this District.

Certification by a Debtor Who Resides as a Tenant of Residential Property

(Check all applicable boxes)

Landlord has a judgment against the debtor for possession of debtor's residence. (If box checked, complete the following.)

(Name of landlord that obtained judgment)

(Address of landlord)

Debtor claims that under applicable nonbankruptcy law, there are circumstances under which the debtor would be permitted to cure the entire monetary default that gave rise to the judgment for possession, after the judgment for possession was entered, and

Debtor has included in this petition the deposit with the court of any rent that would become due during the 30-day period after the filing of the petition.

Debtor certifies that he/she has served the Landlord with this certification. (11 U.S.C. § 362(l)).

Voluntary Petition
(This page must be completed and filed in every case)

Name of Debtor(s):
Hertzler Clearing and Grading Corporation

Signatures

Signature(s) of Debtor(s) (Individual/Joint)

I declare under penalty of perjury that the information provided in this petition is true and correct.
[If petitioner is an individual whose debts are primarily consumer debts and has chosen to file under chapter 7] I am aware that I may proceed under chapter 7, 11, 12, or 13 of title 11, United States Code, understand the relief available under each such chapter, and choose to proceed under chapter 7.
[If no attorney represents me and no bankruptcy petition preparer signs the petition] I have obtained and read the notice required by 11 U.S.C. §342(b).

I request relief in accordance with the chapter of title 11, United States Code, specified in this petition.

X _____
Signature of Debtor

X _____
Signature of Joint Debtor

Telephone Number (If not represented by attorney)

Date

Signature of a Foreign Representative

I declare under penalty of perjury that the information provided in this petition is true and correct, that I am the foreign representative of a debtor in a foreign proceeding, and that I am authorized to file this petition.

(Check only one box.)

I request relief in accordance with chapter 15 of title 11, United States Code. Certified copies of the documents required by 11 U.S.C. §1515 are attached.

Pursuant to 11 U.S.C. §1511, I request relief in accordance with the chapter of title 11 specified in this petition. A certified copy of the order granting recognition of the foreign main proceeding is attached.

X _____
Signature of Foreign Representative

Printed Name of Foreign Representative

Date

Signature of Attorney*

X /s/ Harry W. Jernigan, III
Signature of Attorney for Debtor(s)

Harry W. Jernigan, III 30278
Printed Name of Attorney for Debtor(s)

HARRY JERNIGAN CPA ATTORNEY, P.C.
Firm Name

258 N Witchduck Road
Suite C
Virginia Beach, VA 23462

Address

757-490-2200 Fax: 757-490-0280
Telephone Number

February 16, 2010
Date

*In a case in which § 707(b)(4)(D) applies, this signature also constitutes a certification that the attorney has no knowledge after an inquiry that the information in the schedules is incorrect.

Signature of Non-Attorney Bankruptcy Petition Preparer

I declare under penalty of perjury that: (1) I am a bankruptcy petition preparer as defined in 11 U.S.C. § 110; (2) I prepared this document for compensation and have provided the debtor with a copy of this document and the notices and information required under 11 U.S.C. §§ 110(b), 110(h), and 342(b); and, (3) if rules or guidelines have been promulgated pursuant to 11 U.S.C. § 110(h) setting a maximum fee for services chargeable by bankruptcy petition preparers, I have given the debtor notice of the maximum amount before preparing any document for filing for a debtor or accepting any fee from the debtor, as required in that section. Official Form 19 is attached.

Printed Name and title, if any, of Bankruptcy Petition Preparer

Social-Security number (If the bankruptcy petition preparer is not an individual, state the Social Security number of the officer, principal, responsible person or partner of the bankruptcy petition preparer.) (Required by 11 U.S.C. § 110.)

Address

X _____
Date

Signature of Bankruptcy Petition Preparer or officer, principal, responsible person, or partner whose Social Security number is provided above.

Names and Social-Security numbers of all other individuals who prepared or assisted in preparing this document unless the bankruptcy petition preparer is not an individual:

If more than one person prepared this document, attach additional sheets conforming to the appropriate official form for each person.

A bankruptcy petition preparer's failure to comply with the provisions of title 11 and the Federal Rules of Bankruptcy Procedure may result in fines or imprisonment or both 11 U.S.C. §110; 18 U.S.C. §156.

Signature of Debtor (Corporation/Partnership)

I declare under penalty of perjury that the information provided in this petition is true and correct, and that I have been authorized to file this petition on behalf of the debtor.

The debtor requests relief in accordance with the chapter of title 11, United States Code, specified in this petition.

X /s/ Steven L. Hertzler
Signature of Authorized Individual

Steven L. Hertzler
Printed Name of Authorized Individual

President
Title of Authorized Individual

February 16, 2010
Date

RESOLUTION OF THE DIRECTORS AND SHAREHOLDERS

OF

HERTZLER CLEARING AND GRADING CORPORATION

**ACTION BY DIRECTORS AND SHARHOLDERS
WITHOUT A SPECIAL MEETING**

We, the undersigned, being all of the directors and shareholders of Hertzler Clearing and Grading Corporation, a Virginia corporation, do hereby unanimously consent, and agree to the adoption without a meeting of the following resolutions:


RESOLVED, that the corporation is hereby authorized to file a petition pursuant to Chapter 11, Title of the United States Code and thereafter proceed to effect a financial reorganization in accordance with the Federal Bankruptcy Code, and it is

RESOLVED, that the corporation engaged Harry Jernigan CPA Attorney, P.C. to represent the corporation during and in connection with the aforementioned bankruptcy proceedings and to perform all legal services as general counsel for the corporation, and it is


RESOLVED, that Steven L. Hertzler, President, will be the designated representative for the corporation, and it is

FURTHER RESOLVED, that the officers be authorized and directed to execute any and all documents and do all other things necessary to effect the intentions of the above resolutions.

There being no further resolutions required at this time, the above is hereby agreed and approved.



Steven L. Hertzler, Director and Shareholder



Mary E. Hertzler, Director and Shareholder

United States Bankruptcy Court
Eastern District of Virginia

In re **Hertzler Clearing and Grading Corporation**

Debtor(s)

Case No. _____

Chapter **11**

LIST OF CREDITORS HOLDING 20 LARGEST UNSECURED CLAIMS

Following is the list of the debtor's creditors holding the 20 largest unsecured claims. The list is prepared in accordance with Fed. R. Bankr. P. 1007(d) for filing in this chapter 11 [or chapter 9] case. The list does not include (1) persons who come within the definition of "insider" set forth in 11 U.S.C. § 101, or (2) secured creditors unless the value of the collateral is such that the unsecured deficiency places the creditor among the holders of the 20 largest unsecured claims. If a minor child is one of the creditors holding the 20 largest unsecured claims, state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See 11 U.S.C. § 112; Fed. R. Bankr. P. 1007(m).

(1)	(2)	(3)	(4)	(5)
<i>Name of creditor and complete mailing address including zip code</i>	<i>Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted</i>	<i>Nature of claim (trade debt, bank loan, government contract, etc.)</i>	<i>Indicate if claim is contingent, unliquidated, disputed, or subject to setoff</i>	<i>Amount of claim [if secured, also state value of security]</i>
Capital One P.O. Box 30285 Salt Lake City, UT 84130-0285	Capital One P.O. Box 30285 Salt Lake City, UT 84130-0285	Business Expenses		5,485.50
Caterpillar Financial Services Corporation 2120 West End Ave Nashville, TN 37203	Caterpillar Financial Services Corporation 2120 West End Ave Nashville, TN 37203			4,442.08 (0.00 secured)
Caterpillar Financial Services Corporation 2120 West End Ave Nashville, TN 37203	Caterpillar Financial Services Corporation 2120 West End Ave Nashville, TN 37203			3,309.40 (0.00 secured)
Caterpillar Financial Services Corporation 2120 West End Ave Nashville, TN 37203	Caterpillar Financial Services Corporation 2120 West End Ave Nashville, TN 37203			6,201.18 (0.00 secured)
Daniels' Welding & Tires, Inc. 8005 Hankins Industrial Park Toano, VA 23168	Daniels' Welding & Tires, Inc. 8005 Hankins Industrial Park Toano, VA 23168			3,023.20
Discover Card P.O. Box 71084 Charlotte, NC 28272-1084	Discover Card P.O. Box 71084 Charlotte, NC 28272-1084	Credit Card		7,299.56
Fuel Freedom P.O. Box 142 South Hill, VA 23970	Fuel Freedom P.O. Box 142 South Hill, VA 23970	Fuel Expenses		5,890.83
G&M Wood Processing, Inc. 14600 Stage Road Lanexa, VA 23089	G&M Wood Processing, Inc. 14600 Stage Road Lanexa, VA 23089	Business Services		5,000.00
Internal Revenue Service Centralized Insolvency Operati Operati P.O. Box 21126 Philadelphia, PA 19114	Internal Revenue Service Centralized Insolvency Operati Operati P.O. Box 21126 Philadelphia, PA 19114		Disputed	5,211.00 (0.00 secured)
Internal Revenue Service Centralized Insolvency Operati Operati P.O. Box 21126 Philadelphia, PA 19114	Internal Revenue Service Centralized Insolvency Operati Operati P.O. Box 21126 Philadelphia, PA 19114		Disputed	6,328.00 (0.00 secured)

Debtor(s)

LIST OF CREDITORS HOLDING 20 LARGEST UNSECURED CLAIMS

(Continuation Sheet)

(1) <i>Name of creditor and complete mailing address including zip code</i>	(2) <i>Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted</i>	(3) <i>Nature of claim (trade debt, bank loan, government contract, etc.)</i>	(4) <i>Indicate if claim is contingent, unliquidated, disputed, or subject to setoff</i>	(5) <i>Amount of claim [if secured, also state value of security]</i>
Internal Revenue Service Centralized Insolvency Operati P.O. Box 21126 Philadelphia, PA 19114	Internal Revenue Service Centralized Insolvency Operati P.O. Box 21126 Philadelphia, PA 19114		Disputed	29,319.00 (0.00 secured)
Internal Revenue Service Centralized Insolvency Operati P.O. Box 21126 Philadelphia, PA 19114	Internal Revenue Service Centralized Insolvency Operati P.O. Box 21126 Philadelphia, PA 19114			23,361.00 (0.00 secured)
Jack L. Massie Contractor, Inc 3900 Cokes Lane Williamsburg, VA 23188	Jack L. Massie Contractor, Inc 3900 Cokes Lane Williamsburg, VA 23188	Business Services		4,865.45
James River Equipment & Supply 17440 Warwick Blvd Newport News, VA 23603	James River Equipment & Supply 17440 Warwick Blvd Newport News, VA 23603	Business Supplies		11,223.00
Mail Processing Center HWI 3111 W. Dr. Martin Luther King #200 Tampa, FL 33607	Mail Processing Center HWI 3111 W. Dr. Martin Luther King #200 Tampa, FL 33607	BP / Cardmember Service		3,220.00
NAPA Auto Parts P.O. Box 68 Toano, VA 23168	NAPA Auto Parts P.O. Box 68 Toano, VA 23168	Business Parts		10,789.64
The PJ Casanave Land Clearing P.O. Box 370 Shacklefords, VA 23156	The PJ Casanave Land Clearing P.O. Box 370 Shacklefords, VA 23156	Refuse Services		2,568.67
Vico Construction Corporation P.O. Box 6186 Chesapeake, VA 23323	Vico Construction Corporation P.O. Box 6186 Chesapeake, VA 23323	Grinder Rental		4,222.50
Virginia Department of Taxation P.O. Box 2156 Richmond, VA 23218	Virginia Department of Taxation P.O. Box 2156 Richmond, VA 23218		Disputed	15,182.00 (0.00 secured)
Virginia Department of Taxation P.O. Box 2156 Richmond, VA 23218	Virginia Department of Taxation P.O. Box 2156 Richmond, VA 23218		Disputed	11,894.00 (0.00 secured)

In re Hertzler Clearing and Grading Corporation
Debtor(s)

Case No. _____

LIST OF CREDITORS HOLDING 20 LARGEST UNSECURED CLAIMS
(Continuation Sheet)

**DECLARATION UNDER PENALTY OF PERJURY
ON BEHALF OF A CORPORATION OR PARTNERSHIP**

I, the President of the corporation named as the debtor in this case, declare under penalty of perjury that I have read the foregoing list and that it is true and correct to the best of my information and belief.

Date February 16, 2010

Signature /s/ Steven L. Hertzler
Steven L. Hertzler
President

Penalty for making a false statement or concealing property: Fine of up to \$500,000 or imprisonment for up to 5 years or both.
18 U.S.C. §§ 152 and 3571.

**United States Bankruptcy Court
Eastern District of Virginia**

In re Hertzler Clearing and Grading Corporation
Debtor(s)

Case No. _____
Chapter 11

DISCLOSURE OF COMPENSATION OF ATTORNEY FOR DEBTOR(S)

1. Pursuant to 11 U.S.C. § 329(a) and Bankruptcy Rule 2016(b), I certify that I am the attorney for the above-named debtor(s) and that compensation paid to me, for services rendered or to be rendered on behalf of the debtor(s) in contemplation of or in connection with the bankruptcy case is as follows:

For legal services, I have agreed to accept.....	\$	<u>hourly rates</u>
Prior to the filing of this statement I have received.....	\$	<u>1,500.00</u>
Balance Due.....	\$	<u>0.00</u>

2. \$ 1,039.00 of the filing fee has been paid.
3. The source of the compensation paid to me was:
 Debtor Other (*specify*)
4. The source of compensation to be paid to me is:
 Debtor Other (*specify*)
5. I have not agreed to share the above-disclosed compensation with any other person unless they are members and associates of my law firm.
 I have agreed to share the above-disclosed compensation with a person or persons who are not members or associates of my law firm. A copy of the agreement, together with a list of the names of the people sharing in the compensation, is attached.
6. In return for the above-disclosed fee, I have agreed to render legal service for all aspects of the bankruptcy case, including:
- a. Other provisions as needed:
Analysis of debtor's financial situation.
Preparation and filing of Petition and related Schedules, Statements, and Plans, including a comprehensive attorney review with client;
Representation of debtor at 341 Meeting of Creditors, but not including continuances;
Representation of debtor with audits or other inquiries by the Office of the US Trustee, but not including contesting or appealing of audit determinations;
Confirmation Hearing if case is under Chapter 13; and
See attached Engagement Letter, which is incorporated herein by reference.
7. By agreement with the debtor(s), the above-disclosed fee does not include the following services:
Amendments to Schedules, Statements, Plans and other documents filed with the Bankruptcy Court;
Reaffirmation Hearings and related services, including negotiations with secured creditors;
Relief from Stay Motions and Hearings and related services, including negotiations with creditors;
Any other Motions filed with the Court and all Adversary Proceedings and related services;
2004 Examinations and related services;
Continued 341 Meeting of Creditors;
Contesting or appealing audit determinations; and
See attached Engagement Letter, which is incorporated herein by reference.

CERTIFICATION

I certify that the foregoing is a complete statement of any agreement or arrangement for payment to me for representation of the debtor(s) in this bankruptcy proceeding.

February 16, 2010

Date

/s/ Harry W. Jernigan, III

Harry W. Jernigan, III 30278

Signature of Attorney

HARRY JERNIGAN CPA ATTORNEY, P.C.

Name of Law Firm

258 N Witchduck Road

Suite C

Virginia Beach, VA 23462

757-490-2200 Fax: 757-490-0280

For use in Chapter 13 Cases where Fees Requested Not in Excess of \$3,000
(For all Cases Filed on or after 10/17/2005)

NOTICE TO DEBTOR(S) AND STANDING TRUSTEE
PURSUANT TO INTERIM PROCEDURE 2016-1(C)(7)

Notice is hereby given that pursuant to Local Bankruptcy Rule 2016-1(C)(7)(a), you have ten (10) business days from the meeting of creditors in this case in which to file an objection with the court to the fees requested in this disclosure of compensation opposing said fees in their entirety, or in a specific amount.

PROOF OF SERVICE

The undersigned hereby certifies that on this date the foregoing Notice was served upon the debtor(s), the standing Chapter 13 Trustee, and U. S. Trustee pursuant to Interim Procedure 2016-1(C)(7)(a) and Local Bankruptcy Rule 2002-1(D)(1)(f), by first-class mail or electronically.

Date

Signature of Attorney

THE LAW FIRM OF
HARRY JERNIGAN
ATTORNEY AT LAW • CERTIFIED PUBLIC ACCOUNTANT

Harry W. Jernigan, III, CPA, Esq.
Carolyn L. Camardo, Esq.
Steven A. Mirman, M.P.H., Esq.
Jennifer T. Atkinson, Esq.
Todd D. Rothlisberger, Esq.
Shreen N. Mahmoud, Esq.
Sylvia P. O'Brien, Esq.

Harry Jernigan CPA Attorney, P.C.
258 North Witchduck Road, Suite C
Virginia Beach, Virginia 23462
(757) 490-2200 Office
(757) 490-0280 Fax
(866) 850-7347 Toll Free
www.hjlaw.com

February 16, 2010

Hertzler Clearing and Grading Corporation
Steven L. Hertzler, President
Mary E. Hertzler, Secretary
9537 Barnes Road
P.O. Box 370
Toano, Virginia 23168

Dear Mr. and Mrs. Hertzler:

Now that you have decided to file a petition for relief under Chapter 11 of the Bankruptcy Code, it is necessary to memorialize our agreement concerning compensation for legal services. The purpose of this letter is to set forth the terms that will apply to legal services performed by this law firm during the times we prepare your petition, lists, schedules and statements, and after the case commences. I will also describe some other expenses you will incur while you are a Chapter 11 debtor.

Chapter 11 bankruptcy requires an extensive amount of highly specialized legal work within extremely short time frames before and after filing the case. The Bankruptcy Code restricts the timing of fee payments once the case is filed. Therefore, we asked for and you have agreed to pay \$3,000.00, an advance to be applied towards legal fees and out-of-pocket expenses already incurred, and the expected legal fees to be earned and expenses to be incurred after the filing. The advance will be apportioned \$1,500.00, for fees earned and to be earned, and \$1,500.00, for costs incurred and to be incurred. These amounts will be initially deposited into escrow accounts and thereafter drawn upon by this firm in accordance with the provisions of the next paragraphs. The corporation's check for the advance must clear before the Chapter 11 petition is filed.

Immediately before your Chapter 11 petition is filed we will bill you for all professionals' and para-professional's services, calculated by multiplying each individual's hourly rate (stated below) by the hours each individual devoted to your case, plus the out of pocket expenses incurred to that date. I do not expect that will exceed the escrowed funds. You will be provided with that statement. The amount of the statement is deducted from the escrowed funds.

Once your Chapter 11 case commences, we will file an application with the Court to approve the firm acting as your counsel in its Chapter 11 case. The Bankruptcy Code strictly limits the firm's legal services to those required by you. Therefore, please, recognize that so long as we are your counsel and afterward that we will be prohibited from personally

HARRY JERNIGAN CPA ATTORNEY, P.C.

Hertzler Clearing and Grading Corporation
Steven L. Hertzler, President
Mary E. Hertzler, Secretary
RE: Chapter 11 Bankruptcy Engagement
February 16, 2010
Page 2 of 5

representing you, any family member or a related company without prior permission from the Bankruptcy Court.

Except as otherwise stated below, the Chapter 11 case and any associated proceedings, matters and legal services will be handled on a time-spent basis calculated by tenths of an hour. Charges for attorney's time will be at each attorney's standard rate at the time of rendition of the service.

You will be responsible for those fees once they are approved by the Bankruptcy Court.

You will also be responsible for this firm's out of pocket expenses, such as filing fees, court costs, courier services, copying, long distance telephone, telefax, automated data research, documents preparation, court fees, and transportation expenses. The initial court filing fee for a Chapter 11 case is \$830.00, which must be paid to the Clerk of Court at the time of the filing, and will be paid out of the cost advance set forth above.

Additionally, Chapter 11 allows the U. S. Trustee to appoint committees to represent creditors of different classes, and for the court to approve the appointment of counsel for each committee. If three or more unsecured creditors desire to form a creditors committee then the U. S. Trustee's Office will appoint one. If one should be formed, you will be liable for the committee members' expenses, the committee's counsels' fees and expenses, as well as those of an accountant that may be employed with the bankruptcy court's permission.

The Bankruptcy Code subject to prior Court approval all legal fees and expenses that are payable from assets of the bankruptcy estate once a Chapter 11 case is filed. We will, of course, comply with these requirements. We reserve the right to request the Court to approve fees in excess of those reflected by the hourly rates if the results achieved are beyond what could ordinarily be expected through the expenditure of that amount of time.

In addition, and subject to the Bankruptcy Court's review, the following will apply: We will periodically send proforma invoices and statements to you that will include our fees and expenses, but will not be payable until court approval has been obtained. However, once the total fees and expenses exceed 2/3 of the escrowed funds you are to remit each month to this firm, within 15 days after the mailing of each statement, an amount to be held in escrow pending court approval, equal to the amount by which the total fees and expenses exceed 2/3 of the escrowed funds. Billing on a periodical basis and escrowing payment is to your benefit in that it will permit you to closely monitor the cost of the proceeding.

Any invoices not paid within thirty (30) days of the invoice date will accrue interest at the rate of 18% per annum, retroactive to the invoice date. In the event collection activities are required for any invoice, jurisdiction shall be in the City of Virginia Beach, 25% attorney fees plus court costs and related collection costs which will cover process server fees, retail alliance fees, etc. in order to collect the balance due our firm shall be added to the delinquent balance. There will be a \$35.00 fee charged on all returned checks.

HARRY JERNIGAN CPA ATTORNEY, P.C.

Hertzler Clearing and Grading Corporation
Steven L. Hertzler, President
Mary E. Hertzler, Secretary
RE: Chapter 11 Bankruptcy Engagement
February 16, 2010
Page 3 of 5

Each Chapter 11 debtor is also responsible for paying the United States Trustee a quarterly fee on a graduated schedule fixed by statute based on the debtor's quarterly disbursements. The minimum quarterly fee is \$325.00 for quarterly disbursements of \$15,000.00 or less; the maximum quarterly fee is \$10,000.00 if your quarterly disbursements exceed \$5,000,000.00. Your first quarterly fee will be due for the first quarter of 2010, covering the period of time from the date your case starts through March 31, 2010, and it must be paid by April 30, 2010. Each succeeding quarterly fee must be paid by the end of the month following the end of each succeeding quarter until your case is closed, converted or dismissed. I recommend you escrow money for these fees monthly.

You are also responsible for preparing and timely filing monthly reports with the Court and the U. S. Trustee. Those reports include detailed analyses of your monthly income, expenses, and bank reconciliations. It is your responsibility to prepare those reports in time for them to be filed by the 15th day of the next month. As the corporation's president, you will be responsible for signing each report under penalty of perjury.

I am confident that we can represent your interests capably and professionally. However, should you wish to terminate our services at any time, you are free to do so by written notice to this firm. Should we determine that we cannot adequately represent your interest, or that professional or ethical requirements demand that we terminate our representation, or if fees approved by the Court are not paid, we will be entitled, subject to court approval, to terminate our services by written notice to you.

Thank you for the confidence you have placed in this firm. I look forward to a lasting and mutually beneficial relationship. If the above terms are agreeable to you, please sign and return the enclosed copy of this letter.

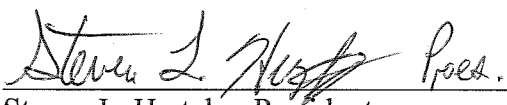
Sincerely,
HARRY JERNIGAN, CPA ATTORNEY, P.C.


Harry W. Jernigan, III, CPA, Esquire

HWJ/eemt
Enclosure(s)

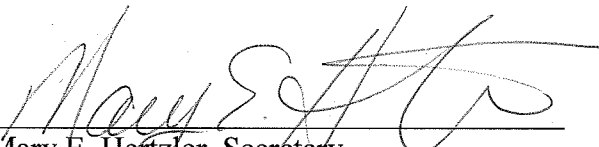
Agreed:

HERTZLER CLEARING AND GRADING CORPORATION


Steven L. Hertzler, President

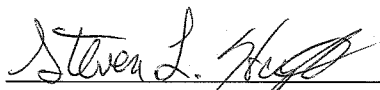
HARRY JERNIGAN CPA ATTORNEY, P.C.

Hertzler Clearing and Grading Corporation
Steven L. Hertzler, President
Mary E. Hertzler, Secretary
RE: Chapter 11 Bankruptcy Engagement
February 16, 2010
Page 4 of 5

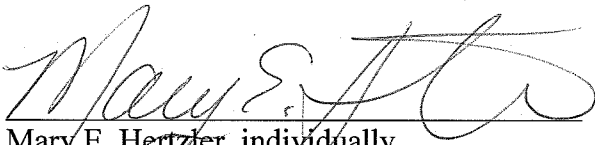


Mary E. Hertzler, Secretary

We, hereby, personally guarantee all balances owed or that shall be incurred by Hertzler Clearing and Grading Corporation for fees for services rendered and for costs incurred pursuant to this Agreement.



Steven L. Hertzler, individually



Mary E. Hertzler, individually

Current hourly rate schedule as of January 5, 2009 is as follows:

a) Harry W. Jernigan, III, CPA, Esquire	\$295.00/hr
b) Carolyn L. Camardo, Esquire	\$250.00/hr
c) Steven A. Mirman, Esquire	\$195.00/hr
d) Jennifer T. Atkinson, Esquire	\$195.00/hr
e) Todd D. Rothlisberger, Esquire	\$195.00/hr
f) Shreen N. Mahmoud, Esquire	\$195.00/hr
g) Sylvia P. O'Brien, Esquire	\$195.00/hr
h) IRS Enrolled Agent	\$165.00/hr
i) Paralegal/Para-Professional (Senior)	\$120.00/hr
j) Paralegal/Para-Professional (Intermediate)	\$ 95.00/hr
k) Paralegal/Para-Professional	\$ 85.00/hr
l) Secretary/Courier (Senior)	\$ 85.00/hr
m) Secretary/Courier (Intermediate)	\$ 65.00/hr
n) Secretary/Courier	\$ 55.00/hr

HARRY JERNIGAN CPA ATTORNEY, P.C.

Hertzler Clearing and Grading Corporation
Steven L. Hertzler, President
Mary E. Hertzler, Secretary
RE: Chapter 11 Bankruptcy Engagement
February 16, 2010
Page 5 of 5

HARRY JERNIGAN, CPA ATTORNEY, P.C. Privacy Policy

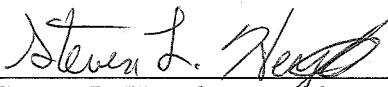
Your privacy is important to us.

We collect nonpublic personal information about you from the following sources:

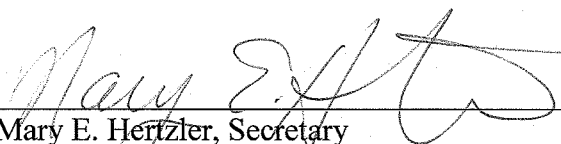
- 1) Information we receive from you on applications, tax preparation worksheets, or other documents we use in preparing forms and services.
- 2) Information about your transactions with us or others, and
- 3) Information we receive from a consumer reporting agency.

We do not disclose any nonpublic personal information about you to anyone, except as permitted by law. If you decide to close your account (s) or become an inactive customer, we will adhere to the privacy policies and practices as described in this notice.

Reviewed by: HERTZLER CLEARING AND GRADING CORPORATION



Steven L. Hertzler, President



Mary E. Hertzler, Secretary

**United States Bankruptcy Court
Eastern District of Virginia**

In re Hertzler Clearing and Grading Corporation,
Debtor

Case No. _____

Chapter 11

LIST OF EQUITY SECURITY HOLDERS

Following is the list of the Debtor's equity security holders which is prepared in accordance with Rule 1007(a)(3) for filing in this chapter 11 case.

Name and last known address or place of business of holder	Security Class	Number of Securities	Kind of Interest
Mary E. Hertzler 9537 Barnes Road Toano, VA 23168	common stock	51%	equity
Steven L. Hertzler 9537 Barnes Road Toano, VA 23168	common stock	49%	equity

DECLARATION UNDER PENALTY OF PERJURY ON BEHALF OF CORPORATION OR PARTNERSHIP

I, the President of the corporation named as the debtor in this case, declare under penalty of perjury that I have read the foregoing List of Equity Security Holders and that it is true and correct to the best of my information and belief.

Date February 16, 2010

Signature /s/ Steven L. Hertzler
Steven L. Hertzler
President

Penalty for making a false statement or concealing property: Fine of up to \$500,000 or imprisonment for up to 5 years or both.
18 U.S.C §§ 152 and 3571.

Bank of America
P.O. Box 15026
Wilmington, DE 19850-5026

Capital One
P.O. Box 30285
Salt Lake City, UT 84130-0285

Carquest Auto Parts
P.O. Box 445
Toano, VA 23168

Caterpillar AccessAccount
P.O. Box 905229
Charlotte, NC 28290-5229

Caterpillar Financial Services
Corporation
2120 West End Ave
Nashville, TN 37203

Daniels' Welding & Tires, Inc.
8005 Hankins Industrial Park
Toano, VA 23168

Discover Card
P.O. Box 71084
Charlotte, NC 28272-1084

Fuel Freedom
P.O. Box 142
South Hill, VA 23970

G&M Wood Processing, Inc.
14600 Stage Road
Lanexa, VA 23089

GC Services Limited Partnershi
6330 Gulfton
Collection Agency Division
Houston, TX 77081

Internal Revenue Service
Centralized Insolvency Operati
P.O. Box 21126
Philadelphia, PA 19114

Jack L. Massie Contractor, Inc
3900 Cokes Lane
Williamsburg, VA 23188

James River Equipment & Supply
17440 Warwick Blvd
Newport News, VA 23603

Lowe's Commercial Services
P.O. Box 530970
Atlanta, GA 30353-0970

Mail Processing Center HWI
3111 W. Dr. Martin Luther King
#200
Tampa, FL 33607

NAPA Auto Parts
P.O. Box 68
Toano, VA 23168

Staples Credit Plan
P.O. Box 689020
Des Moines, IA 50368-9020

Steven L. Hertzler
9537 Barnes Road
Toano, VA 23168

Terry Pierce
319 Bernard Drive
Newport News, VA 23602

The PJ Casanave Land Clearing
P.O. Box 370
Shacklefords, VA 23156

Tim Fannin
100 Hermitage Road
Newport News, VA 23606

Vico Construction Corporation
P.O. Box 6186
Chesapeake, VA 23323

Virginia Department of
Taxation
P.O. Box 2156
Richmond, VA 23218

**United States Bankruptcy Court
Eastern District of Virginia**

In re Hertzler Clearing and Grading Corporation

Debtor(s)

Case No. _____

Chapter 11

CORPORATE OWNERSHIP STATEMENT (RULE 7007.1)

Pursuant to Federal Rule of Bankruptcy Procedure 7007.1 and to enable the Judges to evaluate possible disqualification or recusal, the undersigned counsel for Hertzler Clearing and Grading Corporation in the above captioned action, certifies that the following is a (are) corporation(s), other than the debtor or a governmental unit, that directly or indirectly own(s) 10% or more of any class of the corporation's(s') equity interests, or states that there are no entities to report under FRBP 7007.1:

None [*Check if applicable*]

February 16, 2010

Date

/s/ Harry W. Jernigan, III

Harry W. Jernigan, III 30278

Signature of Attorney or Litigant

Counsel for Hertzler Clearing and Grading Corporation

HARRY JERNIGAN CPA ATTORNEY, P.C.

258 N Witchduck Road

Suite C

Virginia Beach, VA 23462

757-490-2200 Fax:757-490-0280

Form **1120S**

Department of the Treasury
Internal Revenue Service

U.S. Income Tax Return for an S Corporation

▶ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.
▶ See separate instructions.

OMB No. 1545-0130

2008

For calendar year 2008 or tax year beginning , 2008, ending ,

A S election effective date 07/01/98	Use the IRS label. Otherwise, print or type.	Name Hertzler Clearing and Grading Corp.	D Employer identification number 54-1900458
B Business activity code number (see instrs) 238900		Number, street, and room or suite no. If a P.O. box, see instructions. P.O. Box 370	E Date incorporated 05/22/98
C Check if Sch M-3 attached <input type="checkbox"/>		City or town, state, and ZIP code Toano VA 23168	F Total assets (see instructions) \$ 144,082.

G Is the corporation electing to be an S corporation beginning with this tax year? Yes No If 'Yes,' attach Form 2553 if not previously filed

H Check if: (1) Final return (2) Name change (3) Address change
(4) Amended return (5) S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year ▶ 1

Caution. Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

I N C O M E	1a	Gross receipts or sales 641,483.	b	Less returns and allowances		c	1c	641,483.
	2	Cost of goods sold (Schedule A, line 8)				2	451,354.	
	3	Gross profit. Subtract line 2 from line 1c				3	190,129.	
	4	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)				4		
	5	Other income (loss) (attach statement) * . STMT.				5	25,355.	
	6	Total income (loss). Add lines 3 through 5				6	215,484.	
D E D U C T I O N S	7	Compensation of officers				7	24,000.	
	8	Salaries and wages (less employment credits)				8	7,000.	
	9	Repairs and maintenance				9		
	10	Bad debts				10		
	11	Rents				11		
	12	Taxes and licenses				12	23,228.	
	13	Interest				13	2,477.	
	14	Depreciation not claimed on Schedule A or elsewhere on return (attach Form 4562)				14	57,660.	
	15	Depletion (Do not deduct oil and gas depletion.)				15		
	16	Advertising				16	1,455.	
	17	Pension, profit-sharing, etc, plans				17		
	18	Employee benefit programs				18	19,332.	
	19	Other deductions (attach statement) * . STMT.				19	71,561.	
	20	Total deductions. Add lines 7 through 19				20	206,713.	
	21	Ordinary business income (loss). Subtract line 20 from line 6				21	8,771.	
T A X A N D P A Y M E N T S	22a	Excess net passive income or LIFO recapture tax (see instructions)	22a					
	22b	Tax from Schedule D (Form 1120S)	22b					
	22c	Add lines 22a and 22b (see instructions for additional taxes)				22c		
	23a	2008 estimated tax payments and 2007 overpayment credited to 2008	23a					
	23b	Tax deposited with Form 7004	23b		0.			
	23c	Credit for federal tax paid on fuels (attach Form 4136)	23c					
	23d	Add lines 23a through 23c				23d	0.	
	24	Estimated tax penalty (see instructions). Check if Form 2220 is attached				24		
	25	Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed				25	0.	
	26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid				26		
27	Enter amount from line 26 Credited to 2009 estimated tax ▶ Refunded ▶				27			

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 taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer _____ Date _____ Title **President**

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Preparer's signature _____ Date _____ Check if self-employed Preparer's SSN or PTIN **P00230519**

Paid Preparer's Use Only

Firm's name (or yours if self-employed), address, and ZIP code **BLACKHEATH COMPANY PLC**
11832 FISHING POINT DR SUITE 100
NEWPORT NEWS VA 23606

EIN **20-5964074** Phone no. **(757) 596-9300**

Schedule A Cost of Goods Sold (see instructions)			
1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	168,369.
4	Additional section 263A costs (attach statement)	4	
5	Other costs (attach statement) *.. STMT.	5	282,985.
6	Total. Add lines 1 through 5	6	451,354.
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	451,354.

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 if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ▶

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

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? Yes No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If 'Yes,' attach explanation Yes No

Schedule B Other Information (see instructions)		Yes	No
1	Check accounting method: a <input checked="" type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶		
2	See the instructions and enter the: a Business activity ▶ <u>Service</u> b Product or service ... ▶ <u>Clearing & Grading</u>		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a QSub election made?		X
4	Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
5	Check this box if the corporation issued publicly offered debt instruments with original issue discount ▶ <input type="checkbox"/> If checked, the corporation may have to file Form 8281 , Information Return for Publicly Offered Original Issue Discount Instruments.		
6	If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain (defined in section 1374(d)(1)) in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years ▶ \$		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year \$		
8	Are the corporation's total receipts (see instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If 'Yes,' the corporation is not required to complete Schedules L and M-1		X

Schedule K Shareholders' Pro Rata Share Items		Total amount	
I N C O M E (L O S S)	1 Ordinary business income (loss) (page 1, line 21)	1	8,771.
	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 statement)	3b	
	c Other net rental income (loss). Subtract line 3b from line 3a	3c	
	4 Interest income	4	
	5 Dividends: a Ordinary dividends	5a	
	b Qualified dividends	5b	
	6 Royalties	6	
	7 Net short-term capital gain (loss) (attach Schedule D (Form 1120S))	7	
8a Net long-term capital gain (loss) (attach Schedule D (Form 1120S))	8a		
b Collectibles (28%) gain (loss)	8b		
c Unrecaptured section 1250 gain (attach statement)	8c		
9 Net section 1231 gain (loss) (attach Form 4797)	9		
10 Other income (loss) (see instructions)	10		

Shareholders' Pro Rata Share Items (continued)		Total amount	
Deductions	11 Section 179 deduction (attach Form 4562)	11	
	12a Contributions Cash contribution (50%)	12a	2,400.
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures (1) Type (2) Amount	12c (2)	
	d Other deductions (see instructions) Type	12d	
Credits	13a Low-income housing credit (section 42(j)(5))	13a	
	b Low-income housing credit (other)	13b	
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)	13c	
	d Other rental real estate credits (see instrs) Type	13d	
	e Other rental credits (see instrs) Type	13e	
	f Alcohol and cellulosic biofuel fuels credit (attach Form 6478)	13f	
	g Other credits (see instructions) Type	13g	
Foreign Transactions	14a Name of country or U.S. possession		
	b Gross income from all sources	14b	
	c Gross income sourced at shareholder level <i>Foreign gross income sourced at corporate level</i>	14c	
	d Passive category	14d	
	e General category	14e	
	f Other (attach statement) <i>Deductions allocated and apportioned at shareholder level</i>	14f	
	g Interest expense	14g	
	h Other <i>Deductions allocated and apportioned at corporate level to foreign source income</i>	14h	
	i Passive category	14i	
	j General category	14j	
	k Other (attach statement) <i>Other information</i>	14k	
	l Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	14l	
	m Reduction in taxes available for credit <i>(attach statement)</i>	14m	
	n Other foreign tax information (attach statement)		
Alternative Minimum Tax (AMT) Items	15a Post-1986 depreciation adjustment	15a	-12,652.
	b Adjusted gain or loss	15b	
	c Depletion (other than oil and gas)	15c	
	d Oil, gas, and geothermal properties – gross income	15d	
	e Oil, gas, and geothermal properties – deductions	15e	
	f Other AMT items (attach statement)	15f	
Items Affecting Shareholder Basis	16a Tax-exempt interest income	16a	
	b Other tax-exempt income	16b	
	c Nondeductible expenses	16c	
	d Property distributions	16d	
	e Repayment of loans from shareholders	16e	
Other Information	17a Investment income	17a	
	b Investment expenses	17b	
	c Dividend distributions paid from accumulated earnings and profits	17c	
	d Other items and amounts <i>(attach statement)</i>		
Reconciliation	18 Income/loss reconciliation. Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and lines 14l	18	6,371.

BAA

Form 1120S (2008)

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
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 (see instructions)				
6	Other current assets (attach stmt) Ln 6 St		500.		500.
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets	690,058.		690,058.	
b	Less accumulated depreciation	504,896.	185,162.	562,556.	127,502.
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)	53,663.		53,663.	
b	Less accumulated amortization	34,005.	19,658.	37,583.	16,080.
14	Other assets (attach stmt)				
15	Total assets		205,320.		144,082.
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach stmt) Ln 18 St		134,549.		137,839.
19	Loans from shareholders		62,718.		35,776.
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach statement) Ln 21 St		76,596.		32,639.
22	Capital stock		190.		190.
23	Additional paid-in capital		810.		810.
24	Retained earnings		-69,543.		-63,172.
25	Adjustments to shareholders' equity (att stmt)				
26	Less cost of treasury stock				
27	Total liabilities and shareholders' equity		205,320.		144,082.

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

Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more – see instructions

1	Net income (loss) per books	6,371.	5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):		a	Tax-exempt interest \$ _____	
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12, and 14l (itemize):		6	Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize):	
a	Depreciation \$ _____		a	Depreciation \$ _____	
b	Travel and entertainment \$ _____		7	Add lines 5 and 6	
4	Add lines 1 through 3	6,371.	8	Income (loss) (Schedule K, ln 18). Ln 4 less ln 7	6,371.

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see instructions)

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1	Balance at beginning of tax year	-69,543.	0.
2	Ordinary income from page 1, line 21	8,771.	
3	Other additions		
4	Loss from page 1, line 21		
5	Other reductions * STMT	2,400.	
6	Combine lines 1 through 5	-63,172.	0.
7	Distributions other than dividend distributions		
8	Balance at end of tax year. Subtract line 7 from line 6	-63,172.	0.

**Depreciation and Amortization
(Including Information on Listed Property)**

Department of the Treasury
Internal Revenue Service (99)

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

Attachment
Sequence No. **67**

Name(s) shown on return

Hertzler Clearing and Grading Corp.

Identifying number

54-1900458

Business or activity to which this form relates

Form 1120S Line 21

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	\$250,000.
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	\$800,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2007 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2009. Add lines 9 and 10, less line 12	▶ 13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	0.

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2008	17	51,830.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B — Assets Placed in Service During 2008 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only — see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C — Assets Placed in Service During 2008 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV Summary (See instructions.)

21	Listed property. Enter amount from line 28	21	5,830.
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions	22	57,660.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	▶ 23	

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A – Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No									24b If 'Yes,' is the evidence written? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost			
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)								25			
26 Property used more than 50% in a qualified business use:											
F350 Pickup Truck	10/05/99	100.00	4,400.	2,189.	5.00	200DB/HY	0.				
Trailer	05/30/00	100.00	1,450.	0.	5.00	200DB/HY	0.				
* STMT							5,830.				
27 Property used 50% or less in a qualified business use:											
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1								28	5,830.		
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1								29			

Section B – Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other 'more than 5% owner,' or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
30 Total business/investment miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C – Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
39 Do you treat all use of vehicles by employees as personal use?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Note: If your answer to 37, 38, 39, 40, or 41 is 'Yes,' do not complete Section B for the covered vehicles.		

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year	
42 Amortization of costs that begins during your 2008 tax year (see instructions):						
43 Amortization of costs that began before your 2008 tax year					43	3,578.
44 Total. Add amounts in column (f). See the instructions for where to report					44	3,578.

Schedule K-1 (Form 1120S)

2008

Final K-1 Amended K-1

Department of the Treasury Internal Revenue Service

For calendar year 2008, or tax year beginning ending

Shareholder's Share of Income, Deductions, Credits, etc. See page 2 of form and separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number 54-1900458
B Corporation's name, address, city, state, and ZIP code Hertzler Clearing and Grading Corp. P.O. Box 370 Toano, VA 23168
C IRS Center where corporation filed return Cincinnati, OH 45999-0013

Part II Information About the Shareholder

D Shareholder's identifying number -0217
E Shareholder's name, address, city, state, and ZIP code Steven Hertzler 9537 Barnes Road Toano, VA 23168
F Shareholder's percentage of stock ownership for tax year 100.00000 %

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

Table with 3 columns: Line number, Description, and Amount. Rows include Ordinary business income (8,771), Net rental real estate income, Other net rental income, Interest income, Ordinary dividends, Qualified dividends (14), Foreign transactions, Royalties, Net short-term capital gain (loss), Net long-term capital gain (loss), Collectibles (28%) gain (loss), Unrecaptured section 1250 gain, Net section 1231 gain (loss), Other income (loss) (15), Alternative minimum tax (AMT) items (-12,652), Section 179 deduction (16), Items affecting shareholder basis, Other deductions (2,400), and Other information (17).

FOR IRS USE ONLY

*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

	<i>Code</i>	<i>Report on</i>
1 Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:		
Passive loss		See the Shareholder's Instructions
Passive income		Schedule E, line 28, column (g)
Nonpassive loss		Schedule E, line 28, column (h)
Nonpassive income		Schedule E, line 28, column (i)
2 Net rental real estate income (loss)		See the Shareholder's Instructions
3 Other net rental income (loss)		
Net income		Schedule E, line 28, column (g)
Net loss		See the Shareholder's Instructions
4 Interest income		Form 1040, line 8a
5a Ordinary dividends		Form 1040, line 9a
5b Qualified dividends		Form 1040, line 9b
6 Royalties		Schedule E, line 4
7 Net short-term capital gain (loss)		Schedule D, line 5, column (f)
8a Net long-term capital gain (loss)		Schedule D, line 12, column (f)
8b Collectibles (28%) gain (loss)		28% Rate Gain Worksheet, line 4 (Schedule D instructions)
8c Unrecaptured section 1250 gain		See the Shareholder's Instructions
9 Net section 1231 gain (loss)		See the Shareholder's Instructions
10 Other income (loss)		
<i>Code</i>		
A Other portfolio income (loss)		See the Shareholder's Instructions
B Involuntary conversions		See the Shareholder's Instructions
C Section 1256 contracts and straddles		Form 6781, line 1
D Mining exploration costs recapture		See Pub 535
E Other income (loss)		See the Shareholder's Instructions
11 Section 179 deduction		See the Shareholder's Instructions
12 Other deductions		
A Cash contributions (50%)	} See the Shareholder's Instructions	
B Cash contributions (30%)		
C Noncash contributions (50%)		
D Noncash contributions (30%)		
E Capital gain property to a 50% organization (30%)		
F Capital gain property (20%)		
G Contributions (100%)		
H Investment interest expense		Form 4952, line 1
I Deductions — royalty income		Schedule E, line 18
J Section 59(e)(2) expenditures		See the Shareholder's Instructions
K Deductions — portfolio (2% floor)		Schedule A, line 23
L Deductions — portfolio (other)		Schedule A, line 28
M Preproductive period expenses		See the Shareholder's Instructions
N Commercial revitalization deduction from rental real estate activities		See Form 8582 instructions
O Reforestation expense deduction		See the Shareholder's Instructions
P Domestic production activities information		See Form 8903 instructions
Q Qualified production activities income		Form 8903, line 7
R Employer's Form W-2 wages		Form 8903, line 15
S Other deductions		See the Shareholder's Instructions
13 Credits		
A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings		See the Shareholder's Instructions
B Low-income housing credit (other) from pre-2008 buildings		See the Shareholder's Instructions
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings		Form 8586, line 11
D Low-income housing credit (other) from post-2007 buildings		Form 8586, line 11
E Qualified rehabilitation expenditures (rental real estate)	} See the Shareholder's Instructions	
F Other rental real estate credits		
G Other rental credits		
H Undistributed capital gains credit		Form 1040, line 68, box a
I Alcohol and cellulosic biofuel fuels credit		Form 6478, line 9
J Work opportunity credit		Form 5884, line 3
K Disabled access credit		See the Shareholder's Instructions
L Empowerment zone and renewal community employment credit		Form 8844, line 3
	<i>Code</i>	<i>Report on</i>
	M Credit for increasing research activities	See the Shareholder's Instructions
	N Credit for employer social security and Medicare taxes	Form 8846, line 5
	O Backup withholding	Form 1040, line 62
	P Other credits	See the Shareholder's Instructions
14 Foreign transactions		
A Name of country or U.S. possession	} Form 1116, Part I	
B Gross income from all sources		
C Gross income sourced at shareholder level		
<i>Foreign gross income sourced at corporate level</i>		
D Passive category	} Form 1116, Part I	
E General category		
F Other		
<i>Deductions allocated and apportioned at shareholder level</i>		
G Interest expense		Form 1116, Part I
H Other		Form 1116, Part I
<i>Deductions allocated and apportioned at corporate level to foreign source income</i>		
I Passive category	} Form 1116, Part I	
J General category		
K Other		
<i>Other information</i>		
L Total foreign taxes paid		Form 1116, Part II
M Total foreign taxes accrued		Form 1116, Part II
N Reduction in taxes available for credit		Form 1116, line 12
O Foreign trading gross receipts		Form 8873
P Extraterritorial income exclusion		Form 8873
Q Other foreign transactions		See the Shareholder's Instructions
15 Alternative minimum tax (AMT) items		
A Post-1986 depreciation adjustment	} See the Shareholder's Instructions and the Instructions for Form 6251	
B Adjusted gain or loss		
C Depletion (other than oil & gas)		
D Oil, gas, & geothermal — gross income		
E Oil, gas, & geothermal — deductions		
F Other AMT items		
16 Items affecting shareholder basis		
A Tax-exempt interest income		Form 1040, line 8b
B Other tax-exempt income	} See the Shareholder's Instructions	
C Nondeductible expenses		
D Property distributions		
E Repayment of loans from shareholders		
17 Other information		
A Investment income		Form 4952, line 4a
B Investment expenses		Form 4952, line 5
C Qualified rehabilitation expenditures (other than rental real estate)		See the Shareholder's Instructions
D Basis of energy property		See the Shareholder's Instructions
E Recapture of low-income housing credit (section 42(j)(5))		Form 8611, line 8
F Recapture of low-income housing credit (other)		Form 8611, line 8
G Recapture of investment credit		See Form 4255
H Recapture of other credits		See the Shareholder's Instructions
I Look-back interest — completed long-term contracts		See Form 8697
J Look-back interest — income forecast method		See Form 8866
K Dispositions of property with section 179 deductions	} See the Shareholder's Instructions	
L Recapture of section 179 deduction		
M Section 453(l)(3) information		
N Section 453A(c) information		
O Section 1260(b) information		
P Interest allocable to production expenditures		
Q CCF nonqualified withdrawals		
R Depletion information — oil and gas		
S Amortization of reforestation costs		
T Other information		

Form 1120S, Page 1, Line 5

Other Income (Loss)

Misc.	25,355.
Total	<u>25,355.</u>

Form 1120S, Page 1, Line 19

Other Deductions

Amortization	3,578.
Bank charges	11,523.
Dues and subscriptions	415.
Insurance	28,542.
Legal and professional	12,846.
Miscellaneous	137.
Office expense	3,668.
Telephone	9,589.
Tools	626.
Training & education	637.
Total	<u>71,561.</u>

Form 1120S, Page 2, Schedule A, Line 5

Schedule A, Other Costs

Materials	91,559.
Dump Fees	48,047.
Subcontractors	5,250.
Fuel	102,721.
Equipment repairs	28,038.
Equipment rental	527.
Supplies	6,843.
Total	<u>282,985.</u>

Other Current Assets:

1120S, Schedule L, Line 6

Other Current Assets:	Beginning of tax year	End of tax year
Deposits	500.	500.
Total	<u>500.</u>	<u>500.</u>

Other Current Liabilities:

1120S, Schedule L, Line 18

Other Current Liabilities:	Beginning of tax year	End of tax year
Payroll taxes payable	97,501.	96,554.
Simple plan payable	18,206.	14,104.

Other Current Liabilities:
1120S, Schedule L, Line 18

Continued

Other Current Liabilities:	Beginning of tax year	End of tax year
Cash deficit	18,842.	27,181.
Total	<u>134,549.</u>	<u>137,839.</u>

Other Liabilities:
1120S, Schedule L, Line 21

Other Liabilities:	Beginning of tax year	End of tax year
Notes Payable	76,596.	32,639.
Total	<u>76,596.</u>	<u>32,639.</u>

Form 1120S, Page 4, Schedule M-2, Line 5
Schedule M-2, Other Reductions

Charitable contributions	2,400.	
Total	<u>2,400.</u>	

Form 4562, line 26

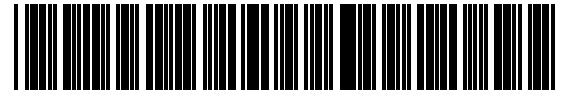
Additional Listed Property Statement

(a) Type of property	(b) Date placed in service	(c) Business/ investmnt use %	(d) Cost or other basis	(e) Basis for depreciation	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
98 dodge 350	03/15/01	100.00	28,662.	28,662.	5.00	200DB/HY	0.	
2004 Dodge Ram 25	03/18/04	100.00	30,166.	30,166.	5.00	200DB/HY	3,475.	
2004 Dodge	03/09/04	100.00	30,218.	30,218.	5.00	200DB/HY	1,875.	
Chip truck	01/30/07	100.00	1,500.	1,500.	5.00	200DB/HY	480.	
Total							<u>5,830.</u>	

2008 Virginia Form 502

Department of Taxation
P.O. Box 1500
Richmond, VA 23218-1500

**Pass-Through Entity
Return of Income and Return of
Nonresident Withholding Tax**



FISCAL or SHORT Year Filer: Beginning Date _____

Check if:

- Initial return Name change Address change Change in fiscal year

Ending Date _____

Federal Employer ID Number 54-1900458		Official use only
Entity Name Hertzler Clearing and Grading Corp.		
Number and Street P.O. Box 370		
Address continued		
City or Town Toano		State ZIP Code VA 23168
Date of Formation 05/22/98	Date Operations Began in Virginia 05/22/98	State or Country Where Incorporated or Organized Virginia
Entity Type (Enter Code - See instructions) SC	NAICS 238900	Description of Business Activity Service

- Amended return Final return Unified nonresident return filed
- Electing large partnership Subject to bank franchise tax

Number And Types Of Owners

Count all owners that were issued a federal Schedule K-1 for the taxable year and enter:

- a The Total Number Of Owners (Include individuals and any other entity types) a 1
- b The Total Number Of Nonresident Individual Owners (See Instructions) b _____
- c Total Amount Withheld for Nonresident owners (Total of "line e" from all VK-1's with withholding amounts) c .00
- d If entity is exempt from withholding enter exemption code (see instructions) d _____

Distributive Or Pro Rata Income and Deductions

See instructions.

- 1 Total Of Taxable Income Amounts 1 8771.00
- 2 Total Of Deductions 2 2,400.00
- 3 Tax-exempt Interest Income 3 .00

Allocation And Apportionment

- 4 Income Allocated To Virginia (From Schedule 502A, Part A, Line 2) 4 .00
- 5 Income Allocated Outside Of Virginia (From Schedule 502A, Part A, Line 3e) 5 .00
- 6 Apportionable Income (From Schedule 502A, Part A, Line 4) 6 8771.00
- 7 Virginia Apportionment Percentage (From Schedule 502A, Part B or Part C or 100%) 7 100.00%

Virginia Additions – See Schedule 502ADJ For Other Additions

- 8 Fixed-date Conformity – Depreciation 8 0.00
- 9 Fixed-date Conformity – Other 9 0.00
- 10 Net Income Tax Or Other Tax Used As A Deduction In Determining Taxable Income (See Instructions) .. 10 .00
- 11 Interest On Municipal or State Obligations Other Than From Virginia 11 .00
- 12 Total additions from attached Schedule 502ADJ, Section A, line 5 12 .00
- 13 Total additions (Line 8-12) 13 0.00

Virginia Subtractions – See Schedule 502ADJ For Other Subtractions

- 14 Fixed-date Conformity – Depreciation 14 .00
- 15 Fixed-date Conformity – Other 15 .00

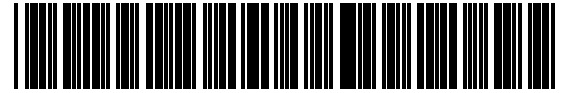


Table with 3 columns: Line number, Description, Amount. Rows 16-18 showing Income From Obligations and Subtractions.

Virginia Tax Credits And Related Information From Schedule 502ADJ

Table with 3 columns: Line number, Description, Amount. Rows 19-20 showing nonrefundable and refundable credits.

Reconciliation of Withholding, Penalties, Interest and Overpayment/Tax Due

Section 1: Withholding Payment Reconciliation

Table with 3 columns: Line number, Description, Amount. Rows 1-4 showing withholding tax due, paid, overpayment, and balance due.

Section 2: Penalty and Interest Charges on Withholding Tax

Table with 3 columns: Line number, Description, Amount. Rows 5-8 showing extension, late filing, interest, and total penalty charges.

Section 3: Penalty for Late Filing of Form 502

Table with 3 columns: Line number, Description, Amount. Row 9 showing penalty for late filing.

Section 4: Disposition of Overpayment

Table with 3 columns: Line number, Description, Amount. Rows 10-12 showing net overpayment and amounts to be credited/refunded.

Section 5: Total Payment Due With Form 502

Table with 3 columns: Line number, Description, Amount. Rows 13-16 showing total payment due from various sources.

By checking the box to the right, I (we) authorize the Department of Taxation to discuss this return with the undersigned preparer [X]

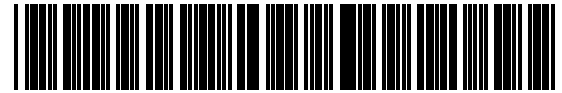
I, the undersigned owner and authorized representative of the pass-through entity for which this return is made, declare under the penalties provided by law that this return (including any accompanying schedules and statements and attachments) has been examined by me and is, to the best of my knowledge and belief, a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the tax laws of the Commonwealth of Virginia. A preparer other than the authorized representative declares the same, and such declaration is based on all information of which he or she has any knowledge.

Signature and title section for the owner/authorized representative and preparer. Includes fields for name, title, address, phone number, FEIN/PTIN/SSN, and vendor code.

Attach a copy of your Federal Return and Schedule VK-1 for each owner to the Form 502. Do Not Attach Form 765 With This Return - Mail to Address On Form 765

**2008 VIRGINIA
Schedule VK-1
(Form 502)**

**Owner's Share of Income And
Virginia Modifications And Credits**



Check If -

Final

Amended Return

Check Here if Owner is Participating in an Individual Unified Nonresident Return

Owner Information

Pass-Through Entity (PTE) Information

Name Steven Hertzler	FEIN or SSN -0217
Address 9537 Barnes Road	
City or Town Toano	
State VA	ZIP Code 23168

Name Hertzler Clearing and Gra	FEIN 54-1900458
Address P.O. Box 370	
City or Town Toano	
State VA	ZIP Code 23168

Additional Owner Information

- a Date Owner Acquired Interest In The Pass-Through Entity (MM/DD/YYYY) 05/22/1998
- b Owner's Entity Type (Enter code; see instructions) RES
- c Owner's Participation Type (Enter code; see instructions) SHR
- d Owner's Participation Percentage (Example 47.35% – see instructions) 100.00 %
- e Amount Withheld by PTE for Owner
- f If Owner or Entity is exempt from withholding enter exemption code (see instructions)

Distributive or Pro Rata Income and Deductions

See instructions.

- 1 Total of Taxable Income Amounts 1 8771 .00
- 2 Total of Deductions 2 2400 .00
- 3 Tax-exempt Interest Income 3 .00

Allocation And Apportionment

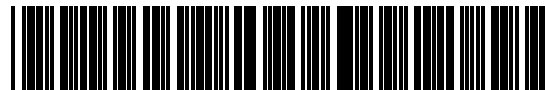
- 4 Income Allocated To Virginia (Owner's Share From PTE's Schedule 502A, Part A, Line 2) 4 .00
- 5 Income Allocated Outside Of Virginia (Owner's Share From PTE's Schedule 502A, Part A, Line 3e) 5 .00
- 6 Apportionable Income (Owner's Share From PTE's Schedule 502A, Part A, Line 4) 6 8771 .00
- 7 Virginia Apportionment Percentage (From PTE's Schedule 502A, Part B or Part C or 100%) 7 100.00 %

Virginia Additions – Owner's Share

- 8 Fixed-date Conformity – Depreciation 8 0 .00
 - 9 Fixed-date Conformity – Other 9 0 .00
 - 10 Net Income Tax Or Other Tax Used As A Deduction In Determining Taxable Income (See Instructions) .. 10 .00
 - 11 Interest On Municipal Or State Obligations Other Than From Virginia 11 .00
 - 12 Other additions (see instructions for addition codes)
- | | | | |
|------------------------------|------------|------------------------------|------------|
| Code | Amount | Code | Amount |
| 12a <input type="checkbox"/> | <u>.00</u> | 12b <input type="checkbox"/> | <u>.00</u> |
| 12c <input type="checkbox"/> | <u>.00</u> | 12d <input type="checkbox"/> | <u>.00</u> |
- 13 Total Additions (add lines 8-11 and 12a-12d) 13 0 .00

Virginia Subtractions – Owner's Share

- 14 Fixed-date Conformity – Depreciation 14 .00
 - 15 Fixed-date Conformity – Other 15 .00
 - 16 Income From Obligations of the United States 16 .00
 - 17 Other subtractions (see instructions for subtraction codes)
- | | | | |
|------------------------------|------------|------------------------------|------------|
| Code | Amount | Code | Amount |
| 17a <input type="checkbox"/> | <u>.00</u> | 17b <input type="checkbox"/> | <u>.00</u> |
| 17c <input type="checkbox"/> | <u>.00</u> | 17d <input type="checkbox"/> | <u>.00</u> |
- 18 Total Subtractions (Add lines 14-16 and 17a-17d) 18 .00



Steven Hertzler

SECTION C – Virginia Tax Credits And Related Information

Nonrefundable Credits

1	State Income Tax Paid (See instructions)	1	<u>.00</u>
2	Neighborhood Assistance Act Credit	2	<u>.00</u>
3	Enterprise Zone Act General Tax Credit	3	<u>.00</u>
4	Enterprise Zone Act Zone Investment Tax Credit	4	<u>.00</u>
5	Reserved for future use	5	<u>.00</u>
6	Conservation Tillage Equipment Credit	6	<u>.00</u>
7	Bio-Diesel Credit	7	<u>.00</u>
8	Fertilizer & Pesticide Application Equipment Credit	8	<u>.00</u>
9	Recyclable Materials Processing Equipment Credit	9	<u>.00</u>
10	Rent Reduction Program Credit	10	<u>.00</u>
11	Vehicle Emissions Testing Equipment Credit	11	<u>.00</u>
12	Major Business Facility Job Tax Credit	12	<u>.00</u>
13	Clean Fuel Vehicle Job Creation Tax Credit	13	<u>.00</u>
14	Day-care Facility Investment Tax Credit	14	<u>.00</u>
15	Low-income Housing Tax Credit	15	<u>.00</u>
16	Agricultural Best Management Practices Tax Credit	16	<u>.00</u>
17	Worker Retraining Credit	17	<u>.00</u>
18	Waste Motor Oil Burning Equipment Credit	18	<u>.00</u>
19	Riparian Forest Buffer Protection For Waterways	19	<u>.00</u>
20	Virginia Coal And Production Incentive Tax Credit	20	<u>.00</u>
21	Enter the amount of credit assigned to another party	21	<u>.00</u>
22	Virginia Coal And Production Incentive Tax Credit available for use by owner (Subtract line 21 from line 20)	22	<u>.00</u>
23	Historic Rehabilitation Tax Credit	23	<u>.00</u>
24	Land Preservation Tax Credit	24	<u>.00</u>
25	Qualified Equity & Subordinated Debt Investments Tax Credit	25	<u>.00</u>
26	Total Nonrefundable credits (Total lines 1-19 and 22-25)	26	<u>.00</u>

Refundable Credits

27	100% Coalfield Employment Enhancement and/or Virginia Coal Employment and Production Incentive Tax Credits from Line 1 of your 2008 Schedule 306B	27	<u>.00</u>
28	25% Coalfield Employment Enhancement Tax Credit from Line 2 of your 2008 Schedule 306B	28	<u>.00</u>
29	Full credit: Enter amount from 2008 Form 306, line 12a	29	<u>.00</u>
30	Full credit: Enter amount from your 2008 Form 306, line 12b	30	<u>.00</u>
31	85% Credit: Enter amount from 2008 Form 306, line 13a	31	<u>.00</u>
32	90% Credit: Enter amount from your 2008 Form 306, line 13b	32	<u>.00</u>
33	Total Coal Related Tax Credits allowable this year: Add Lines 29, 30, 31 and 32	33	<u>.00</u>
34	2008 Coalfield Employment Enhancement Tax Credit earned to be used when completing your 2011 return. Enter amount from your 2008 Form 306, Line 11	34	<u>.00</u>

Notice

You have received this Schedule VK-1 because the above named Pass-through Entity (PTE) earned income from Virginia sources and has passed through to you a portion of that Virginia source income based on your ownership of the PTE. A copy of this schedule has been filed with the Virginia Department of Taxation. Everyone who receives Virginia source income is subject to taxation by Virginia regardless of state of residency or domicile. You may be required to file a Virginia tax return even though you may be a nonresident individual or a business domiciled outside of Virginia. To determine if you are required to file a Virginia income tax return, consult your tax professional. Information and forms may be obtained at www.tax.virginia.gov. or call the Virginia Department of Taxation at 804-367-8031 (individuals) or 804-367-8037 (businesses).