

**Nos. 18-3717 & 18-3718**

**IN THE UNITED STATES COURT OF APPEALS  
FOR THE SEVENTH CIRCUIT**

VHC, INC. AND CONSOLIDATED SUBSIDIARIES,

*Petitioner-Appellant*

v.

COMMISSIONER OF INTERNAL REVENUE,

*Respondent-Appellee.*

On Appeal from the United States Tax Court  
Nos. 4756-15 & 21583-15, Judge Kathleen Kerrigan

**SEPARATE APPENDIX OF PETITIONER-APPELLANT**

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April 15, 2019

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<sup>1</sup> This citation is to the Record on Appeal in Case No. 21583-15; all other citations in this Index to the Record are to the Record on Appeal in Case No. 4756-15.



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VHC, INC. AND SUBSIDIARIES, 2015 AUG 25 AM 11:48 2015 AUG 25 AM 11:50

Petitioners, DEPUTY CLERK

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v.

Docket No. 21583-15

COMMISSIONER OF INTERNAL  
REVENUE,

Respondent.

### PETITION

The above-named Petitioner hereby petitions for redetermination of the deficiencies set forth by Respondent in a Notice of Deficiency dated May 28, 2015 and, as basis for this proceeding, allege as follows:

1. Petitioner's principal place of business is in Green Bay, Wisconsin.
2. The Notice of Deficiency was issued by Respondent. A true and complete copy is attached as Exhibit A.
3. The Respondent has determined deficiencies and penalties for the calendar years 2011 through 2013 ("Years in Issue"), all of which are in dispute.
4. In his determination of deficiencies set forth in the Notice of Deficiency, the Respondent erred as follows:
  - a. In determining that Petitioner had additional tax liabilities in the amounts stated in the Notice of Deficiency.

b. In determining that loans giving rise to certain bad debts deducted by Petitioner were not debts for federal income tax purposes.

c. In the alternative, by failing to decrease Petitioner's liability with respect to items of income accrued by Petitioner that were not income to the extent Respondent prevails on the issue set forth in paragraph 4(b), which could or should result in an overpayment of tax or refund of tax.

d. In determining that Petitioner did not establish the proper amount of debts that were partially worthless as claimed per the relevant tax returns.

e. In disallowing Petitioner's deduction of payments it made on guarantees of the debts of another debtor that had become insolvent and incapable of repaying its debts.

f. In disallowing an interest deduction by erroneously determining that the debt owed by Petitioner was not debt for federal tax purposes.

g. In making mechanical changes to items, including net operating loss deductions, as a result of the other erroneous determinations set forth in this paragraph 4.

5. The facts upon which Petitioner relies on in support of the foregoing assignments of error are as follows:

a. Petitioner correctly reported his tax liability on his returns for the Years in Issue.

b. If Respondent prevails on the issues addressed in paragraph 4, Petitioner's liability would be lower than the amount calculated by Respondent.

c. Petitioner has complied with all the requirements under Title 26 to substantiate all items at issue and, significantly, Respondent has not questioned the amounts of any items as recorded in Petitioner's records (only their proper treatment).

d. Petitioner used his best efforts to maintain all records required under Title 26 and has cooperated with reasonable requests by Respondent for witnesses, information, documents, meetings and interviews.

e. Petitioner has already provided voluminous, detailed information to Respondent which, if introduced at trial, will constitute credible evidence with respect to all facts at issue relevant to ascertaining the liability of Petitioner for the tax at issue in this case.

f. The issues of law and fact in this case are common to those in Docket No. 4756-15, which addresses tax years of the Petitioner prior to the Years at Issue in this case.

g. The bad debts in this case arose from a bona fide debtor-creditor relationship.

h. The loans giving rise to the bad debts in this case were a valid, enforceable obligations to pay fixed sums of money.

i. At all times, the Petitioner and the debtors on the bad debts treated the loans giving rise to the bad debts as debts.

j. At all times, both the Petitioner and debtor identified the loans giving rise to the bad debts as debts in their books and records.

k. The loans giving rise to the bad debts were due and payable on specific dates.

l. Petitioner made reasonable efforts to collect past due amount and did collect a substantial portion of the amounts lent to the debtors on the bad debts in years prior to the Years at Issue in this case.

m. Petitioner and the debtors on the bad debts expected that the loans giving rise to the bad debts would be repaid regardless of whether or not the debtors' business activities were successful.

n. Petitioner did not participate in the management of the debtors.

o. Petitioner and the debtors always intended for the loans giving rise to the bad debts to be repaid.

p. The debtors on the bad debts had adequate net worth at the time the Petitioner agreed to provide the loans that gave rise to the bad debts.

q. Petitioner never had any ownership interest in the debtors on the bad debts, and while one debtor (related to shareholders of Petitioner) owned a minority interest in Petitioner and some of Petitioner's shareholders owned

minority interests in other debtors (from about 1998 to 2003), the overlapping ownership was disproportionate and terminated prior to the Years at Issue.

r. Petitioner accrued and reported substantial interest income from the loans giving rise to the bad debts in years prior to the Years at Issue in this case.

s. The debtors on the bad debts in this case were also able to borrow significant sums from other lenders.

t. Petitioner exercised reasonable business judgment, supported by objective facts, in determining the amounts of the bad debts that became partially worthless.

u. Petitioner correctly deducted payments made pursuant to its guarantees when they were paid.

v. In the event that the bad debts are recast as equity rather than debt, the following items should be recast in a consistent fashion:

(i) If the bad debts are treated as equity, then the interest income accrued by Petitioner, and included in Petitioner's taxable income reported on its tax returns, should be reversed.

(1) If the bad debts are treated as equity, correlated interest payments should be considered distributions; or to the extent accrued but unpaid, the interest income should be deducted from the year accrued.

(2) The corporate debtors on the bad debts likely did not have earnings and profits such that the payments, if not treated as interest, would be a return of capital and not taxed as dividends.

(ii) If the bad debts are treated as equity, then the amounts accrued by Petitioner as income from services performed for the debtors should be reversed.

(iii) Certain years prior to the Years at Issue may not be open years under the statute of limitations such that income recorded in those years consistent with treatment of the bad debts as debt cannot be reversed. In such case, reversal of the bad debt deduction would effectively tax those income items twice—once as income in the closed year, and again when the bad debt deduction is disallowed. Any such items, even if outside the statute of limitations, should be treated properly so as to avoid unjust enrichment based on inconsistent taxes imposed on the same transaction. *Dean Epperson v. U.S.*, 44 AFTR 2d 79-6000 (DCWI) (1979); IRC § 1311-1312; Treas. Reg. § 1.1312-1(b).

w. The interest paid to (or accrued) on a loan contract from Ray Van Den Heuvel I and Petitioner is deductible because it was bona fide debt.

WHEREFORE, Petitioner prays:

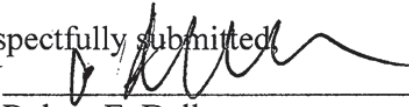
1. That the Court may hear this proceeding;
2. That the Court determine that there are no deficiencies in income tax (or additional tax liability) for the Years in Issue;



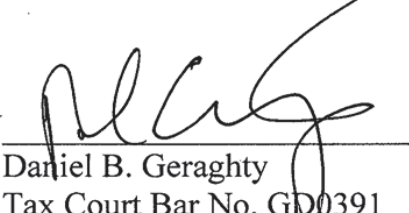
3. That the Court determine that there is an overpayment (or refund) of tax;
4. That the Court determine that the Respondent erred as alleged in paragraph 4 above;
5. That the Court find that the Respondent shall have the burden of proof with respect to the determination of the liabilities outlined above, pursuant to I.R.C. § 7491;
6. That the Court may give such other and further relief as it may deem just and appropriate.

Dated this 24th day of August, 2015.


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VHC, INC. AND SUBSIDIARIES,

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Petitioners,

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v.

Docket No. 4756-15

COMMISSIONER OF INTERNAL  
REVENUE,

Respondent.

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**PETITION**

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The above-named Petitioner hereby petitions for redetermination of the deficiencies set forth by Respondent in a Notice of Deficiency dated November 21, 2014 and, as basis for this proceeding, allege as follows:

1. Petitioner's principal place of business is in Green Bay, Wisconsin.
2. The Notice of Deficiency was issued by Respondent. A true and complete copy is attached as Exhibit A.
3. The Respondent has determined deficiencies and penalties for the calendar years 2004 through 2010 ("Years in Issue"), all of which are in dispute.
4. In his determination of deficiencies set forth in the Notice of Deficiency, the Respondent erred as follows:
  - a. In determining that Petitioner had additional tax liabilities in the amounts stated in the Notice of Deficiency.

WHD/10851040.47

**Address as Notice of Deficiency**

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b. In determining that certain bad debts deducted by Petitioner were not debts for federal income tax purposes.

c. In the alternative, by failing to decrease Petitioner's liability with respect to items of income accrued by Petitioner that were not income to the extent Respondent prevails on the issue set forth in paragraph 4(b), which could or should result in an overpayment of tax or refund of tax.

d. In determining that Petitioner did not establish the proper amount of debts that were partially worthless as claimed per the relevant tax returns.

e. In disallowing an interest deduction by erroneously determining that the debt owed by Petitioner was not debt for federal tax purposes.

f. In failing to allow Petitioner's claim for refund for the calendar year 2006.

g. In determining that a bad debt deduction in 2007 (related to a write-off of a debt owed by the Jedson Company, a company not related to the Petitioner or the Debtor (defined below)) should not be allowed without also reversing the income accrued in 2006 that created the liability.

h. In making mechanical changes to items, including charitable contribution deductions, as a result of the other erroneous determinations set forth in this paragraph 4.

5. The facts upon which Petitioner relies on in support of the foregoing assignments of error are as follows:

- a. Petitioner correctly reported his tax liability on his returns for the Years in Issue.
- b. If Respondent prevails on the issues addressed in paragraph 4, Petitioner's liability would be lower than the amount calculated by Respondent.
- c. Petitioner's informal claim for refund is factually correct and based on appropriate legal principals.
- d. Petitioner has complied with all the requirements under Title 26 to substantiate all items at issue and, significantly, Respondent has not questioned the amounts of any items as recorded in Petitioners records (only their proper treatment).
- e. Petitioner used his best efforts to maintain all records required under Title 26 and has cooperated with reasonable requests by Respondent for witnesses, information, documents, meetings and interviews.
- f. Petitioner has already provided voluminous, detailed information to Respondent which, if introduced at trial, will constitute credible evidence with respect to all facts at issue relevant to ascertaining the liability of Petitioner for the tax at issue in this case.

**Description of Petitioner**

g. Petitioner is a holding company and owns all of the stock of a number of companies including Vos Electric, Inc. (“Vos”), Best Built Inc. (“Best Built”), Spirit Fabs Inc., Spirit Construction Services, Inc. (“Spirit”), and VDH Electric, Inc.

h. Petitioner’s core businesses are electrical construction and installation of manufacturing equipment with a particular focus on the paper mill industry.

i. Petitioner’s ownership structure includes:

(i) From at least 1998 through 2010 (the “Relevant Time”) members of the Van Den Heuvel family (mostly adult siblings), their spouses and former spouses owned most of the outstanding stock of Petitioner, but 35% was owned by non-family third parties (who are or were) employees of Petitioner (“Unrelated Shareholders”). The Unrelated Shareholders held voting and nonvoting stock; the Van Den Heuvel family always held more than 50% of the Voting Stock.

(ii) The directors and officers of Petitioner owed a fiduciary duty to the minority shareholders. *See, e.g., McGivern v. Amasu Lumber Co.*, 77 Wis. 2d 241 (1977).

(iii) Ron Van Den Heuvel (the “Debtor”) was a member of the Van Den Heuvel family and he and his children owned relatively small

amounts of voting and nonvoting shares in Petitioner (less than 15%), but he never had direct or indirect (actual or effective) control over Petitioner.

(iv) During the Relevant Time, the relationship between the Debtor and his siblings became very strained (primarily due to the unpaid debts that are the subject of Respondent's determination) with the Debtor becoming an "outcast."

(v) Petitioner's president, Dave Van Den Heuvel, is a member of the Van Den Heuvel family with a reputation as an expert in construction projects within the paper industry.

**Key Background Prior to 2002**

j. Petitioner began as a small electrical contracting firm founded by Raymond Van Den Heuvel I (who was the father or grandfather of most of the Van Den Heuvel family shareholders in Petitioner during the Years at Issue).

k. Petitioner experienced significant expansion from the late 1980s through the 1990s.

(i) Other shareholders and employees of Petitioner as well as bank executives and other business leaders in Green Bay attribute the Petitioner's significant expansion of business in years prior to the Relevant Time to the success and efforts of the Debtor.

(ii) The Debtor led a team that established and ran a successful operation in Georgia, which led to a significant amount of work for Petitioner in that state, and which continues to this day.

(iii) The Debtor was involved in and became a part owner of a paper mill in Clarion, Pennsylvania. This also led to significant work for the Petitioner.

(iv) The Debtor was instrumental in the formation and expansion of the major subsidiaries of Petitioner, including Spirit and Vos.

1. In the mid-1990's the Debtor began plans to enter the paper mill business and beginning around 1997 he began to organize or purchase companies involved in the paper industry; eventually owning control of the following entities: Partners Concepts Development, Inc. ("PCDI"), Oconto Falls Tissue Inc. ("OFTI"), Tissue Products Technology Ltd. ("TPTC"), the ReBox Project ("RPI") (a mill located in DePere, Wisconsin involving entities known as EcoFibre, Inc. and Recovering Aqua Resources); Nature's Way Tissue Corporation ("NWTC") (though the Debtor held slightly less than 50% of the shares of NWTC with the balance owned by parties unrelated to either Petitioner or Debtor), Tissue Technologies, LLC ("TTL") and several other smaller entities (the "Debtor's Companies").

m. The Debtor approached Petitioner and its owners regarding potential investment in his new business venture, but Petitioner declined to invest

because it would have placed Petitioner in direct competition with some of its major customers.

(i) At a shareholder meeting in August 1997, Petitioner's shareholders discussed whether Petitioner would invest in the Debtor's Companies and it was decided the Petitioner would not invest in the Debtor's Companies.

(ii) Individual shareholders could invest in the Debtor's Companies (and some did), but none of them could acquire more than 5% of the Debtor's Companies.

(iii) The Debtor has maintained and exercised control over his companies at all times since their formation through the Relevant Time; and at no point has Petitioner controlled, directly or indirectly, the Debtor's Companies; and at no time has the Debtor controlled, directly or indirectly, Petitioner.

(iv) There was no significant overlap between the management, directors, and shareholders of the Debtor's Companies and Petitioner's and its affiliates though there was insignificant overlap of personnel.

(v) At the time the Debtor began his mill operations, his role with Petitioner was eliminated except that:

(1) Petitioner was required to keep the Debtor on as a director of certain subsidiaries to maintain certain trade licenses until the licenses could be transferred to other individuals;



(2) Petitioner continued the Debtor's employment as a sales person until 2009 so that Petitioner (through the Debtor's contacts) could maintain important customer relationships for Petitioner with certain large customers; however, Debtor was not permitted to work at Petitioner's offices after (and possibly earlier than) 2001 due to potential conflicts with other customers that owned paper mills.

n. As early as 1997, Petitioner began, and then continued, to extend credit to the Debtor's Companies (through promissory notes, as co-borrower and as guarantor) based on its knowledge as to the following:

- (i) The Debtor's prior history of success;
- (ii) The payment history of the Debtor and Debtor's Companies;
- (iii) The profitability of the Debtor's Companies and their business plans demonstrating anticipated future success;
- (iv) The significant loans made by numerous banks to the Debtor's Companies (including: Associated Bank, Johnson Bank, Nicolet Bank, Baylake Bank, Marine Bank, and Bank PNB Paribas).
- (v) The planned investment by major companies (including, Enron, which purchased equity in the Debtor's Companies for \$5 million and extended approximately \$5 million of credit in 1998).

(vi) Various letters of interest and commitments from major banks to finance the ReBox project, including BNP Paribas (a large French bank), GE Capital, Bank of Nova Scotia and Scotia Capital. These commitments ranged from around \$50 million to over \$100 million.

(vii) Valuations of the Debtor's Companies showing asset values that were far in excess of their debts.

(viii) The purchasing (and timely payment for) significant services from Petitioner by Debtor's Companies.

o. Shortly after the Debtor began his paper mill operation, a significant suitor, UAE Investment, Ltd. ("UAEI") (an entity that invested on behalf of the United Arab Emirates) began researching and negotiating the purchase of the Debtor's Companies operations related to a paper mill in Oconto Falls, Wisconsin for a price that far exceeded all the liabilities of the Debtor's Companies.

(i) One major extension of credit by Petitioner to the Debtor's Companies was for the installation of a machine that made paper from cotton fiber (often referred to as "machine number 2") at the request of UAEI in 1999.

(ii) UAEI acquired Purely Cotton, Inc. to serve as the acquirer in the planned sale and to partner with Debtor's Companies to develop and patent a process for making paper from cotton fiber.



(iii) The deal with UAEI was fully negotiated by 2001.

(iv) The Debtor's Companies received a contract deposit of \$2 million from UAEI and provided confirmation to Petitioner in August of 2001 that final payments would be received within 90 days.

(v) For months UAEI had at least one employee in Green Bay that was preparing for the transition.

(vi) UAEI withdrew from the deal after the attacks of September 11, 2001 made the prospects for a middle-eastern company operating in the United States extremely uncertain.

p. Also in 2001, Enron, who had invested and was interested in purchasing an interest in the Debtor's Companies' mill in DePere, Wisconsin, filed for bankruptcy.

(i) While not as significant as the UAEI deal, a transaction with Enron would have also provided the Debtor's Companies with significant debt relief and operating liquidity.

q. With the collapse of both deals, lenders began contacting Petitioner about accelerating repayment of the loans to the Debtor's Companies and calling in the guarantees of Petitioner.

r. By the end of 2002, the majority of the credit extended by Petitioner to the Debtor's Companies (including guarantees and other

commitments that led to additional loans and expenditures in later years) had already been made, as noted in the board minutes of Petitioner, including:

- (i) Approximately \$31.5 million of outstanding advances.
- (ii) Approximately \$25 million in guarantees of other debts.

s. Petitioner generally extended additional credit after the loss of the two suitors so that the Debtor's Companies would have time to regroup and to eliminate or forestall creditors with smaller balances that were threatening to foreclose and trigger a cascade of loan defaults that would have forced a fire sale of the Debtor's Companies' assets.

**History from 2003 through 2007**

t. In 2003, the Debtor's Companies remained current on payables for services but began missing payments on debt.

u. In 2003, Petitioner began having weekly meetings with the Debtor and his key employees (including heads of operations and accounting) in an attempt to work out a plan for repayment of all the debts and the Debtor (and his employees) presented many alternative proposals for repayment that reinforced Petitioner's continued expectation that all loans and other obligations would be repaid to Petitioner. These weekly meetings (which were often heated) continued until 2006 when the Debtor effectively ceded operational control of his companies to another creditor's representative.

v. After 2003, increases in the amounts owed by the Debtor to Petitioner were extended essentially (1) to prevent acceleration of previously existing obligations to the point of overwhelming both the Debtor's Companies and the Petitioner, (2) on account of pre-existing guarantees or other obligations (like "co-maker" loans) and commitments, or (3) were on account of services provided to maintain the assets of the Debtor's Companies for future sale.

w. Petitioner (like the Debtor's other major creditors) did not seek to force the Debtor or his companies into bankruptcy or liquidation because (1) very little repayment was expected if the assets were liquidated in a "fire sale" and (2) the Debtor continually presented proposals that (at the time) were credible proposals to generate cash flow to pay the Petitioner from either new business or the sale of the Debtor's Companies such that Petitioner (and other creditors) continued to expect full payment, including:

(i) In 2003, Petitioner was aware that Wausau Paper Company ("Wausau") began due diligence for the purchase of the operations at the Oconto Falls mill at an original offer of interest of over \$80 million; a price that would have repaid all creditors.

(1) In 2004, Wausau, after due diligence, significantly reduced its offer for the Oconto Falls operations such that all creditors would not be paid thus causing the deal to fall through. The revised offer was around \$64 million.

(ii) In 2004, Debtor informed his creditors that he was negotiating an “off-take” agreement (an agreement to take all production of the mill) with SCA Tissue North America LLC (“SCA”), a major company in the industry, as an alternative to the sale to Wausau. The proposed off-take agreement with SCA would have significantly increased the cash flow to the Debtor’s Companies to pay down the debts to Petitioner.

(iii) In 2005, as the off-take agreement failed to produce the expected cash flow, a new buyer, ST Paper (with support from Goldman Sachs), began negotiation to purchase the Debtor’s Companies at a significantly higher price (initially close to \$120 million) and Petitioner did not deduct any bad debt in that year.

(iv) After 2005, no loans or other amounts were extended to (or on behalf of) Debtor or Debtor’s Companies other than amounts required by Petitioner’s previous guarantees or to forestall other creditors from forcing the Debtor’s Companies to sell assets at liquidation value.

x. In 2006, negotiations with ST Paper progressed to a phased agreement with phase one, the sale of the mill, closing in April of 2007.

(i) The total price, including all notes, was over \$100 million.

(ii) Later phases were to include an expansion of operations by building two new tissue mills and various enhancements to existing mills, with the cost (\$550-\$600 million) to be financed by Goldman Sachs.

y. In February of 2007, just before the phase one sale in April 2007 (but before Petitioner filed its returns for 2006), Petitioner learned that the payment terms had changed and that much of the expected purchase price was to be received as seller notes that were contingent on the performance of the mill.

(i) Petitioner's only payment from the sale would be a pledge as collateral of these notes (and it would not receive any cash).

(ii) Of the purchase price, over \$40 million was received in the form of notes.

z. The notes received on the sale were for principal amounts far lower than the total amount owed to Petitioner at that time and Petitioner claimed additional worthless debt deductions for 2006.

(i) The deduction did not encompass the entire excess of the amount it was owed by the Debtor over the principal amount of the seller notes assigned to it.

(ii) For 2006, Petitioner made an informal claim for refund based on the amount of the excess not already deducted for tax year 2006.

**PETITIONER PROPERLY DEDUCTED BAD DEBTS IN THE YEARS AT ISSUE**

aa. Petitioner deducted bad debts based on (i) the sound business judgment of its President in consultation with its stockholders, employees, and outside accountants (Schenck, S.C.) and (ii) Petitioner's unsuccessful attempts to collect the debt.

bb. Specific items supporting the judgment of the Petitioner in each of the Years In Issue are as follows:

**2004**

(i) The basis for Petitioner's partial bad debt deduction claimed for the calendar year 2004 also included:

(1) The Debtor's Companies ceased making payments on its outstanding loans to Petitioner and other creditors for a period of time beginning in 2003 and ceased making payments on invoices for a period of time beginning in 2004;

(2) Petitioner received a letter dated December 9, 2004 from an independent third party (a bank) questioning the value of the Petitioner's notes (which evidenced loans to the Debtor's Companies) as an asset on Petitioner's books; and

(3) In a 2004 letter to Petitioner, its attorney (who was knowledgeable about the facts) opined that neither the Debtor nor the Debtor's Companies had any net worth.

(ii) Petitioner calculated the amount of the worthlessness based on:

(1) The Wausau offer (which the Debtor would have accepted but for the fact that the offer did not pay off 100% of the debt of the potential seller);

(2) The business judgment and experience of its President who had experience in estimating the cost to replace and install equipment as well as his knowledge of the negotiations with Wausau (which were derived from the weekly meetings with Debtor and his employees); and

(3) The Petitioner's outside accounting firm also recommended that Petitioner deduct the loans as partially worthless in 2004.

(iii) Petitioner's 2004 deduction was also confirmed in a report on the Debtor's Companies prepared in 2012 by LeRoy Matuszak, CPA and a certified valuation analyst. In the report, Mr. Matuszak concluded that the bad debt deduction for 2004, using the Wausau offer as a base for value, was reasonable given the application of standard valuation multiples.

## **2006**

(iv) The basis for Petitioner's partial bad debt deduction claimed for the calendar year 2006 also included:

(1) The ST Paper transaction, including the "sources and uses of funds" statement that Petitioner received in December 2006 from the



parties to the transaction such that Petitioner estimated it would receive approximately \$9 million of the \$28 million loan balance;

(2) Petitioner learning (prior to filing its returns) that it would not receive the expected payment from closing on the sale to ST Paper;

(3) The Debtor's Companies continued delinquencies;  
and

(4) During an IRS audit of 2006 (occurring in 2009), Petitioner recognized it should have deducted all debts owed to it by the Debtor and the Debtor's Companies, over the principal amount of the assigned notes, and Petitioner made an informal claim for refund for tax year 2006 based on the amount not deducted.

## **2007**

(v) The basis for Petitioner's partial bad debt deduction claimed for the calendar year 2007 also included:

(1) In 2007, Petitioner analyzed the various obligations of the Debtor's Companies and concluded that accounts receivable for services rendered to EcoFibre (\$ 37,106), Nature's Way (\$142,980), OFTI (\$1,431,390), ReBox (\$24,730) and TPTC (\$6,057) were uncollectible. These balances had been outstanding for years and the companies had significantly contracted after the sale to ST Paper in 2007.



(2) All of the net proceeds from the sale to ST Paper consisted of seller notes rather than cash to pay Petitioner.

(3) Petitioner refrained from deducting all the amounts in excess of the value of the notes (which were collaterally assigned to it) because it was assured that the notes would be paid and that additional amounts owed would be paid by Debtor out of proceeds from later phases of the deal with ST Paper.

## **2008**

(vi) The basis for Petitioner's partial bad debt deduction claimed for the calendar year 2008 also included:

(1) In 2008, Petitioner determined that the likelihood that the Debtor's Companies could repay the loans was even more diminished as their financial situation continued to deteriorate rather than improve.

(2) Later phases of the Debtor's deal with ST Paper either did not progress or did not afford sufficient cash flow for Petitioner to receive payment.

(3) Since the Petitioner was holding equipment as collateral and a portion of the seller notes as further collateral, Petitioner did not deduct the full balances owed by the Debtor and his companies.

**2009**

(vii) The basis for Petitioner's partial bad debt deduction claimed for the calendar year 2009 also included:

(1) This amount consisted of payments on prior guarantees Petitioner made for loans to several of the Debtor's Companies.

(2) The remaining portion of the balance in bad debts reflected a change in company policy to begin expensing bank guarantees when paid rather than treating the payments as additional receivables from the Debtor or his companies.

**2010**

(viii) The basis for Petitioner's partial bad debt deduction claimed for the calendar year 2010 also included:

(1) In 2010, Petitioner wrote-off principal amounts due from two of the Debtor's Companies that no longer had assets (\$305,924 Purely Cotton and \$1,209,764 CPPI).

(2) Petitioner also wrote-off additional accrued interest from the Debtor's Companies that was still on its books (\$80,098 Purely Cotton, \$668,212 TPTC, \$1,965,567 PCDI, \$2,247,431 EcoFibre, \$6,016 OFTI, \$10,451 Care For All Ages, \$310,789 CPPI and \$8,585 Tissue Technology).

(3) Petitioner also wrote off \$2 million of rental income from CPPI and NWTC, companies that had become defunct.

(4) Petitioner also wrote-off guarantee payments it made to Nicolet National Bank (\$1,408,884) as there was no longer a reasonable prospect that these additional amounts could be recovered from the Debtor or his companies.

(5) The financial condition of the Debtor and his companies continued to deteriorate and no payments were made.

**PETITIONER MADE SUFFICIENT COLLECTION EFFORTS**

cc. As discussed in paragraph 5(u), above, Petitioner (between 2003 and 2006) had weekly meetings with the Debtor and his employees in an attempt to work out a plan for repayment of all the debts and the Debtor presented many alternative proposals for repayment that reinforced Petitioner's continued expectation that all amounts would be repaid.

dd. In addition, Petitioner took several other actions in its attempt to collect on the debts owed by the Debtor and the Debtor's Companies, including:

(i) In 2003, Petitioner engaged an attorney to determine if the Debtor and the Debtor's Companies had any additional assets that Petitioner could recover as it considered filing a lawsuit against the Debtor and his companies to enforce its promissory notes and the other obligations of the Debtor and his companies. The conclusion was that there were very few assets that could be recovered and that the Debtor and the Debtor's Companies' net worth was very small or nonexistent.

(ii) In 2004, Petitioner again requested that its attorney conduct a search for assets of the Debtor and the Debtor's Companies as it continued to consider filing a lawsuit against the Debtor or the Debtor's Companies to enforce its rights under the promissory notes (as well as other obligations of the Debtor and Debtor's Companies). The conclusion was, again, that there were no assets to be recovered and that the Debtor and the Debtor's Companies had little or no net worth.

(iii) Between 2003 and 2006, Petitioner insisted on receiving (and received) regular, updated financial information and projections with regard to payment from the Debtor and the Debtor's Companies. For example, it was fully aware of the proposals to increase cash flow outlined in paragraph 5(w), above.

ee. Petitioner's decision not to pursue litigation and to ensure debts were not accelerated so that the Debtor's Companies could retain value as operating businesses was rational and consistent with what other creditors were doing, both in general and specifically in dealing with the Debtor's Companies. This strategy was confirmed in a number of letters Petitioner provided to Respondent:

(i) An executive of a national bank noted that he worked at three banks during this time and none had tried to force the Debtor or his companies into bankruptcy or otherwise force him to take actions that might have

devalued his companies (although, as noted, certain creditors did try to force one of the Debtor's Companies into involuntary bankruptcy in 2006);

(ii) An insider at the Debtor's Companies noted that most of the debtors pursued collection but "held off action" so that the Debtor could operate;

(iii) A former president of a local bank (presently a minister) commented that in his experience as president of a local bank that the "general philosophy" for creditors of the Debtor's Companies was to refrain from taking actions that would prevent the Debtor from operating and potentially repaying the debts;

(iv) In a July 2010 letter to Petitioner, another Green Bay attorney opined (at the request of Petitioner) that filing a lawsuit would not have been worthwhile;

(v) Another experienced lender stated that it was the common strategy for creditors of the Debtor's Companies to refrain from filing a lawsuit; and

(vi) A Green Bay attorney, who has represented both parties over the years, commented in 2014 that, (between 2005 and 2011) it would have been "fruitless" to commence litigation against the Debtor's Companies.

**THE LOANS WERE NOT EQUITY**

ff. The Debtor's Companies, Petitioner, and the Shareholders of those companies always viewed these advances as debt and treated them as such for all purposes.

gg. All other creditors of the Debtor and his companies, as well as the Petitioner's bonding companies, treated the amounts owed to Petitioner as debt and none of them treated Petitioner as an investor or owner of the Debtor's Companies.

hh. The loans were made with the expectation of repayment as evidenced by all records of the Petitioner.

ii. The loans were evidenced by signed promissory notes that:

(i) Required adequate interest;

(ii) Provided adequate rights for enforcement;

(iii) Provided that the obligations of the Debtor's Companies would be completely satisfied by the repayment of principal plus interest (in other words, there was no equity participation);

(iv) Resulted in significant interest and principal that was paid with respect to the notes.

jj. Petitioner reported significant interest income from the loans on its tax returns.



kk. There was no significant overlap between the management, directors, and shareholders of the Debtor's Companies and Petitioner's companies; though approximately five persons worked for both over the Relevant Time but never for both at the same time. Several persons held shares in both but not a controlling interest.

**ASSUMING, ARGUENDO, THAT THE LOANS WERE EQUITY, THEN INCOME SHOULD NOT BE RECOGNIZED**

ll. In the event that the bad debts are recast as equity rather than debt, the following items should be recast in a consistent fashion:

(i) If the bad debts are treated as equity, then the interest income accrued by Petitioner, and included in Petitioner's taxable income reported on its tax returns, should be reversed.

(1) If the bad debts are treated as equity, correlated interest payments should be considered distributions; or to the extent accrued but unpaid, the interest income should be deducted from the year accrued.

(2) The Debtor's Companies likely did not have earnings and profits for many of the Years at Issue such that the distributions would be a return of capital and not taxed as dividends.

(ii) If the bad debts are treated as equity, then the amounts accrued by Petitioner as income from services performed for the Debtor's Companies, should be reversed.

(iii) Years prior to the Years at Issue may not be open years under the statute of limitations such that income recorded in those years consistent with treated the loans to the Debtor's Companies as debt cannot be reversed. In such case, reversal of the bad debt deduction would effectively tax those income items twice—once as income in the closed year, and again when the bad debt deduction is disallowed. Any such items, even if outside the statute of limitations, should be treated properly so as to avoid unjust enrichment based on inconsistent taxes imposed on the same transaction. *Dean Epperson v. U.S.*, 44 AFTR 2d 79-6000 (DCWI) (1979); IRC § 1311-1312; Treas. Reg. § 1.1312-1(b).

#### **OTHER ISSUES**

mm. The accrual of income as to a contract between Petitioner and Jedson was incorrect in 2006 as the “all events test” was not satisfied, as noted in the Notice of Proposed Audit changes prepared by the examiner.

nn. The interest paid to (or accrued) on a loan contract from Ray Van Den Heuvel I and Petitioner is deductible because it was bona fide debt.

WHEREFORE, Petitioner prays:


1. That the Court may hear this proceeding;
2. That the Court determine that there are no deficiencies in income tax (or additional tax liability) for the Years in Issue;
3. That the Court determine that there is an overpayment (or refund) of tax;



4. That the Court determine that the Respondent erred as alleged in paragraph 4 above;
5. That the Court find that the Respondent shall have the burden of proof with respect to the determination of the liabilities outlined above, pursuant to I.R.C. § 7491;
6. That the Court may give such other and further relief as it may deem just and appropriate.

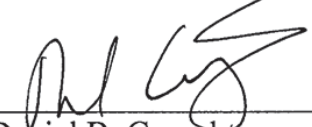
Dated this 18th day of February, 2015.

WHYTE HIRSCHBOECK DUDEK S.C.  
555 East Wells Street, Suite 1900  
Milwaukee, Wisconsin 53202-3819  
414-273-2100  
414-223-5000 (fax)  
rdallman@whdlaw.com

Respectfully submitted,  
BY  2.18.15  
Robert E. Dallman  
Tax Court Bar No. DR0504  
Attorney for Petitioners


**ADMITTED**

WHYTE HIRSCHBOECK DUDEK S.C.  
555 East Wells Street, Suite 1900  
Milwaukee, Wisconsin 53202-3819  
414-273-2100  
414-223-5000 (fax)  
dgeraghty@whdlaw.com

BY   
Daniel B. Geraghty  
Tax Court Bar No. GD0391  
Attorney for Petitioners

**ADMITTED**

WHYTE HIRSCHBOECK DUDEK S.C.  
555 East Wells Street, Suite 1900  
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414-273-2100  
414-223-5000 (fax)  
tvance@whdlaw.com

BY   
Thomas R. Vance  
Tax Court Bar No. VT0064  
Attorney for Petitioners

**ADMITTED**

**Internal Revenue Service**

200 West Adams; Suite 600  
Chicago, Illinois 60606

**CERTIFIED MAIL**

Date: NOV 21 2014

**Department of the Treasury****Person to Contact:**

Terrence Brennan

**Employee Identification Number:**

0243568

**Telephone Number:**

(312) 582-6941

**Fax Number:**

(312) 582-6925

**Refer Reply to:**

AP:FW:IL:CHI:TPB:CV

**Form Number:**

1120

**Taxpayer Identification Number:****Tax Type:**

Income Tax Liability

**Last Day to File a Petition with the United States Tax Court:**

FEB 19 2015

VHC, Inc. and Subsidiaries  
3090 Holmgren Way  
Green Bay, Wisconsin 54304-5736

Tax Year Ended	Tax Deficiency
December 31, 2004	\$2,507,262.00
December 31, 2005	\$1,360,723.00
December 31, 2006	\$1,462,854.00
December 31, 2007	\$929,853.00
December 31, 2008	\$5,393,079.00
December 31, 2009	\$2,607,540.00
December 31, 2010	\$3,437,475.00

7012 1640 0001 1818 0208

Dear Taxpayer:

**NOTICE OF DEFICIENCY**

We've determined that you and your affiliated companies have a deficiency in your tax accounts. This means you owe additional tax, other amounts such as penalties or additions to tax, or both, as shown above. This letter is your NOTICE OF DEFICIENCY that the law requires. The enclosed statement shows how we figured your deficiency.

If you disagree with this notice of deficiency, you may petition the United States Tax Court for a redetermination of your deficiency. You have 90 days from the date of this letter (150 days if this letter is addressed to you outside of the United States) to file your petition. Send your completed petition form, a copy of this letter, and copies of all statements and/or schedules you received with this letter, to the United States Tax Court. You may get a petition form and a copy of the rules for filing a petition by writing to the following address:

United States Tax Court  
400 Second Street, NW  
Washington, DC 20217

The Tax Court has a simplified procedure for small tax cases when the amount in dispute for each tax year is \$50,000 or less. If you intend to file a petition for multiple tax years and the total amount in dispute for any one or more of the tax years exceeds \$50,000, this simplified procedure is not available to you. If you use this simplified procedure, you cannot appeal the Tax Court's decision. You can get information pertaining to the simplified procedure for small cases from the Tax Court by writing to the court at the above address or from the court's internet site at [www.ustaxcourt.gov](http://www.ustaxcourt.gov).

(continued on following page)

Letter 901 (CG) (Rev. 4-2004)



SA 0034

If you intend to file a petition with the Tax Court, you should do so promptly. The court cannot consider your case if you file the petition late. The law considers your petition as filed on time if the postmarked date falls within the 90 or 150 day period allowed, and the envelope containing the petition is properly addressed with the correct postage.

The time allowed to file a petition with the Tax Court cannot be extended or suspended because the time is set by law. Requesting more information, or receiving other correspondence from the Internal Revenue Service (IRS) will not change the time allowed by law to file your petition.

If you agree with this notice of deficiency and do not intend to petition the Tax Court for a redetermination, please sign the enclosed waiver form and return it to us at the IRS address at the top of the first page of this letter. This will permit us to assess the deficiency quickly, and may limit the accumulation of interest you may owe. We've enclosed an envelope for your convenience.

If you decide not to send the IRS your signed waiver, and also not to file a petition with the Tax Court within the time limit, the law requires us to assess the deficiency and bill you after 90 days (150 days if this letter is addressed to you outside of the United States) from the date of this letter. This bill may include interest. If you are a C corporation, under Internal Revenue Code Section 6621(c), large corporate underpayments may be subject to a higher rate of interest than the normal rate of interest for underpayments.

If you have questions about this letter, you may call or write to the contact person whose name appears on the first page of this letter. If you write to us, please include: (1) a copy of this letter to help us to identify your account; and (2) your telephone number, including the area code, and the best time for us to call you. If you send a copy of this letter to us, we recommend you keep the original for your records. If you call us and our telephone number is outside your local calling area, please remember there will be a long distance charge from your telephone company.

The contact person listed on the front of this letter can access your tax information and help you get answers. In addition to help from this contact person, you may ask for help from the Taxpayer Advocate by calling 1-877-777-4778, or contacting the Taxpayer Advocate for the IRS office that issued this notice of deficiency by calling (312) 566-3800 or writing to: 230 South Dearborn St., Stop 1005-CHI, Chicago, IL 60604. Taxpayer Advocate assistance is not a substitute for established IRS procedures. The Taxpayer Advocate can help you to understand your tax situation, provide account information and make sure that your problem is handled promptly and properly. However, the Taxpayer Advocate cannot reverse legally correct tax determinations, or extend the time the law allows you to file a petition with the United States Tax Court.

Thank you for your cooperation.

Sincerely,

John A. Koskinen  
Commissioner  
By



Scott W. Hultsch  
Appeals Team Manager

Enclosures:

Envelope  
Copy of this Letter  
Explanation of Tax Changes  
Statement - Income Tax Changes  
Form 4089, Notice of Deficiency Waiver  
Statutory Notice Statement (Schedule A)

Form <b>4089</b> (Rev. January 1983)	Department of the Treasury - Internal Revenue Service <b>Notice of Deficiency - Waiver</b>	Symbols: AP:FW:IL:CHI:TPB:CV
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Name, SSN or EIN, and Address of Taxpayer(s): SSN or EIN: [REDACTED]

VHC, Inc. and Subsidiaries  
3090 Holmgren Way  
Green Bay, Wisconsin 54304-5736

Kind of Tax:	<input checked="" type="checkbox"/> Copies to Authorized Representatives:	
	William Meulbroek Schenck, S.C. Post Office Box 23819 Green Bay, Wisconsin 54305	and Robert Dallman Whyte Hirschboeck Dudek, S.C. 555 East Wells Street, Suite 1900 Milwaukee, Wisconsin 53202
Income		
Deficiency		
Tax Year Ended	Increase in Tax	
	Tax Deficiency	
December 31, 2004	\$2,507,262.00	
December 31, 2005	\$1,360,723.00	
December 31, 2006	\$1,462,854.00	
December 31, 2007	\$929,853.00	
December 31, 2008	\$5,393,079.00	
December 31, 2009	\$2,607,540.00	
December 31, 2010	\$3,437,475.00	

The tax liability of VHC, Inc. and each subsidiary company named in the attached Schedule A is stated as provided for by regulations prescribed under section 1502 of the Internal Revenue Code.


The deficiencies shown above will be assessed severally against each corporation named in accordance with regulations prescribed under section 1502 of the Internal Revenue Code.


Interest, as provided by law, will be charged on the unpaid liability until it is paid in full.


Interest for the tax years ended December 31, 2004 and December 31, 2005 will be computed under section 6601(d) of the Internal Revenue Code.

**See the attached explanation for the above deficiencies**


I consent to the immediate assessment and collection of the deficiencies (increase in tax and penalties) shown above, plus any interest provided by law.


Your Signature  ..... (Date signed)

Spouse's Signature, If A Joint Return Was Filed  ..... (Date signed)

Taxpayer's Representative Sign Here  ..... (Date signed)

Corporate Name: .....

Corporate Officers Sign Here  ..... (Signature) ..... (Title) ..... (Date signed)

 ..... (Signature) ..... (Title) ..... (Date signed)

**Note:**

If you consent to the assessment of the amounts shown in this waiver, please sign and return it in order to limit the accumulation of interest and expedite our bill to you. Your consent will not prevent you from filing a claim for refund (after you have paid the tax) if you later believe you are entitled to a refund. It will not prevent us from later determining, if necessary, that you owe additional tax; nor will it extend the time provided by law for either action.

If you later file a claim and the Internal Revenue Service disallows it, you may file suit for refund in a district court or in the United States Claims Court, but you may not file a petition with the United States Tax Court.

**Who Must Sign**

If this waiver is for any year(s) for which you filed a joint return, both you and your spouse must sign the original and duplicate of this form. Sign your name exactly as it appears on the return. If you are acting under power of attorney for your spouse, you may sign as agent for him or her.

For an agent or attorney acting under a power of attorney, a power of attorney must be sent with this form if not previously filed.

For a person acting in a fiduciary capacity (executor, administrator, trustee), file Form 56, Notice Concerning Fiduciary Relationship, with this form if not previously filed.

For a corporation, enter the name of the corporation followed by the signature and title of the officer(s) authorized to sign.

**If you agree, please sign one copy and return it; keep the other copy for your records.**

Form **4089** (Rev 1-83)

SA 0036



AP:FW:IL:CHI:TPB:CV

Schedule A

## STATUTORY NOTICE STATEMENT

VHC, Inc. and Subsidiaries  
3090 Holmgren Way  
Green Bay, Wisconsin 54304-5736

## Returns Examined

Parent Company	EIN	Tax Years Ended
1) VHC, Inc. 3090 Holmgren Way Green Bay, Wisconsin 54304	[REDACTED]	12/31/04, 12/31/05, 12/30/06, 12/31/07, 12/31/08, 12/31/09, and 12/31/10
<b>Subsidiary Companies</b>		
2) VDH Electric, Inc. 3080 Holmgren Way Green Bay, Wisconsin 54304	[REDACTED]	12/31/04, 12/31/05, 12/30/06, 12/31/07, 12/31/08, 12/31/09, and 12/31/10
3) VOS Electric, Inc. 3131 Market Street Green Bay, Wisconsin 54304	[REDACTED]	12/31/04, 12/31/05, 12/30/06, 12/31/07, 12/31/08, 12/31/09, and 12/31/10
4) Best Built, Inc. 3100 Holmgren Way Green Bay, Wisconsin 54304	[REDACTED]	12/31/04, 12/31/05, 12/30/06, 12/31/07, 12/31/08, 12/31/09, and 12/31/10
5) Spirit Construction Services, Inc. 118 Coleman Boulevard Savannah, Georgia 31408	[REDACTED]	12/31/04, 12/31/05, 12/30/06, 12/31/07, 12/31/08, 12/31/09, and 12/31/10
6) Spirit Fabs, Inc. 3261 Spirit Way Green Bay, Wisconsin 54304	[REDACTED]	12/31/04, 12/31/05, 12/30/06, 12/31/07, 12/31/08, 12/31/09, and 12/31/10

<b>Form 5278</b> (Rev. June 2004)		Department of the Treasury - Internal Revenue Service		Schedule
		<b>Statement - Income Tax Changes</b>		<b>1</b>
1. Name(s) of taxpayer(s) <b>VHC, Inc. and Subsidiaries</b>		2. <input checked="" type="checkbox"/> Notice of Deficiency <input type="checkbox"/> Other (specify) <input type="checkbox"/> Settlement Computation		
3. Taxpayer Identification Number [REDACTED]		4. Form Number <b>1120</b>	5. Docket Number	6. Office Symbols AP:FW:IL:CHI:TPB:CV
		Tax years ended		
7. Adjustment to income	<b>12/31/04</b>	<b>12/31/05</b>	<b>12/31/06</b>	
a. Bad Debts - Related Party	<b>5,889,650</b>	-----	<b>10,039,574</b>	
b. Bad Debts - Unrelated Party	-----	-----	-----	
c. Interest Expense	-----	-----	-----	
d. Charitable Contributions	-----	-----	<b>(250,289)</b>	
e. Net Operating Loss Carryback from 2006	<b>0</b>	<b>0</b>	-----	
f.				
g.				
h.				
i.				
j.				
8. Total adjustments	<b>5,889,650</b>	<b>0</b>	<b>9,789,285</b>	
9. Taxable income as shown in:				
<input type="checkbox"/> Preliminary letter dated _____				
<input type="checkbox"/> Notice of deficiency dated _____				
<input checked="" type="checkbox"/> Return as filed	<b>1,551,640</b>	<b>4,383,552</b>	<b>(5,486,774)</b>	
10. Taxable income as revised	<b>7,441,290</b>	<b>4,383,552</b>	<b>4,302,511</b>	
11. Tax				
Tax method _____				
Filing status _____	<b>2,530,039</b>	<b>1,490,408</b>	<b>1,462,854</b>	
12. Alternative tax, if applicable				
13. Alternative minimum tax (Starting tax year 2000)	<b>0</b>	<b>0</b>	<b>0</b>	
14. Corrected tax liability (lesser of line 11 or 12 plus line 13)	<b>2,530,039</b>	<b>1,490,408</b>	<b>1,462,854</b>	
15. Less credits				
a.				
b.				
c.				
16. Balance (line 14 less total of lines 15a - 15c)	<b>2,530,039</b>	<b>1,490,408</b>	<b>1,462,854</b>	
17. Plus other taxes				
a.				
b.				
c.				
18. Total corrected tax liability (line 16 plus lines 17a - 17c)	<b>2,530,039</b>	<b>1,490,408</b>	<b>1,462,854</b>	
19. Total tax shown on return or as previously adjusted	<b>22,777</b>	<b>129,685</b>	<b>0</b>	
20. Adjustments: increase (decrease) to:				
a. Earned income credit				
b. Additional child tax credit				
c. Fuels credits / other				
21. Deficiency-Increase in tax (overassessment-decrease in tax) (line 20 adjusted by lines 20a - 20c)	<b>2,507,262</b>	<b>1,360,723</b>	<b>1,462,854</b>	
22. Adjustments to prepayment credits - Increase (decrease)				
23. Balance due or (overpayment) excluding interest and penalties (line 21 adjusted by line 22)	<b>2,507,262</b>	<b>1,360,723</b>	<b>1,462,854</b>	
24. Penalties and/or Additions to Tax (listed below)				

Form 5278 (Rev. June 2004)



<b>Form 5278</b> (Rev. June 2004)		Department of the Treasury - Internal Revenue Service		Schedule	
		<b>Statement - Income Tax Changes</b>		<b>2</b>	
1. Name(s) of taxpayer(s) <b>VHC, Inc. and Subsidiaries</b>		2. <input checked="" type="checkbox"/> Notice of Deficiency <input type="checkbox"/> Other (specify) <input type="checkbox"/> Settlement Computation			
3. Taxpayer Identification Number [REDACTED]		4. Form Number <b>1120</b>	5. Docket Number	6. Office Symbols AP:FW:IL:CHI:TPB:CV	
		Tax years ended			
7. Adjustment to income		12/31/07	12/31/08	12/31/09	
a. Bad Debts - Related Party		1,642,373	15,448,547	7,562,648	
b. Bad Debts - Unrelated Party		1,092,489	-----	-----	
c. Interest Expense		-----	-----	75,000	
d. Charitable Contributions		-----	-----	-----	
e.					
f.					
g.					
h.					
i.					
j.					
8. Total adjustments		2,734,862	15,448,547	7,637,648	
9. Taxable income as shown in:					
<input checked="" type="checkbox"/> Previous adjustment (2009)					
<input type="checkbox"/> Notice of deficiency dated _____					
<input checked="" type="checkbox"/> Return as filed (2007 and 2008)		3,613,577	1,815,796	96,664	
10. Taxable income as revised		6,348,439	17,264,343	7,734,312	
11. Tax					
Tax method _____					
Filing status _____		2,158,469	6,010,450	2,629,666	
12. Alternative tax, if applicable					
13. Alternative minimum tax (Starting tax year 2000)		0	0	0	
14. Corrected tax liability (lesser of line 11 or 12 plus line 13)		2,158,469	6,010,450	2,629,666	
15. Less credits					
a.					
b.					
c.					
16. Balance (line 14 less total of lines 15a - 15c)		2,158,469	6,010,450	2,629,666	
17. Plus other taxes					
a.					
b.					
c.					
18. Total corrected tax liability (line 16 plus lines 17a - 17c)		2,158,469	6,010,450	2,629,666	
19. Total tax shown on return or as previously adjusted		1,228,616	617,371	22,126	
20. Adjustments: increase (decrease) to:					
a. Earned income credit					
b. Additional child tax credit					
c. Fuels credits / other					
21. Deficiency - Increase in tax (overassessment - decrease in tax) (line 20 adjusted by lines 20a - 20c)		929,853	5,393,079	2,607,540	
22. Adjustments to prepayment credits - Increase (decrease)					
23. Balance due or (overpayment) excluding interest and penalties (line 21 adjusted by line 22)		929,853	5,393,079	2,607,540	
24. Penalties and/or Additions to Tax (listed below)					

Form 5278 (Rev. June 2004)

<b>Form 5278</b> (Rev. June 2004)	Department of the Treasury - Internal Revenue Service <b>Statement - Income Tax Changes</b>	Schedule <b>3</b>
1. Name(s) of taxpayer(s) <b>VHC, Inc. and Subsidiaries</b>		
2. <input checked="" type="checkbox"/> Notice of Deficiency <input type="checkbox"/> Other (specify) _____ <input type="checkbox"/> Settlement Computation		
3. Taxpayer Identification Number	4. Form Number <b>1120</b>	5. Docket Number
		6. Office Symbols AP:FW:IL:CHI:TPB:CV
Tax years ended		
7. Adjustment to income	12/31/10	
a. Bad Debts - Related Party	10,175,075	
b. Bad Debts - Unrelated Party	-----	
c. Interest Expense	75,000	
d. Charitable Contributions	-----	
e.		
f.		
g.		
h.		
i.		
j.		
8. Total adjustments	10,250,075	
9. Taxable income as shown in:		
<input type="checkbox"/> Preliminary letter dated _____		
<input type="checkbox"/> Notice of deficiency dated _____		
<input checked="" type="checkbox"/> Return as filed	(143,003)	
10. Taxable income as revised	10,107,072	
11. Tax		
Tax method _____		
Filing status _____	3,437,475	
12. Alternative tax, if applicable		
13. Alternative minimum tax (Starting tax year 2000)	0	
14. Corrected tax liability (lesser of line 11 or 12 plus line 13)	3,437,475	
15. Less credits		
a.		
b.		
c.		
16. Balance (line 14 less total of lines 15a - 15c)	3,437,475	
17. Plus other taxes		
a.		
b.		
c.		
18. Total corrected tax liability (line 16 plus lines 17a - 17c)	3,437,475	
19. Total tax shown on return or as previously adjusted	0	
20. Adjustments: increase (decrease) to:		
a. Earned income credit		
b. Additional child tax credit		
c. Fuels credits / other		
21. Deficiency - Increase in tax (overassessment - decrease in tax) (line 20 adjusted by lines 20a - 20c)	3,437,475	
22. Adjustments to prepayment credits - Increase (decrease)		
23. Balance due or (overpayment) excluding interest and penalties (line 21 adjusted by line 22)	3,437,475	
24. Penalties and/or Additions to Tax (listed below)		

Form 5278 (Rev. June 2004)

Form 886-A	<b>EXPLANATION OF ADJUSTMENTS</b>	<b>SCHEDULE 4</b>
Name of Taxpayer:		Tax Years 2004, 2005, 2006, 2007, 2008, 2009 and 2010
<b>VHC, Inc. and Subsidiaries</b>		

**7.a. Bad Debts - Related Party**

It is determined that you did not establish that the amounts of \$5,889,650; \$10,039,574; \$1,642,373; \$15,448,547; \$7,562,648; and \$10,175,075, deducted on your 2004, 2006, 2007, 2008, 2009 and 2010 returns, respectively, were bad debts arising from a true debtor-creditor relationship. Accordingly, your income for the taxable years ended December 31, 2004; December 31, 2006; December 31, 2007; December 31, 2008; December 31, 2009; and December 31, 2010 is increased by the amounts of \$5,889,650; \$10,039,574; \$1,642,373; \$15,448,547; \$7,562,648; and \$10,175,075, respectively.

Alternatively, you have failed to establish that the debts were wholly or partially worthless during the tax years 2004, 2006, 2007, 2008, 2009 and 2010, and, therefore, no bad debt deductions are allowed. Accordingly, your income for the taxable years ended December 31, 2004; December 31, 2006; December 31, 2007; December 31, 2008; December 31, 2009; and December 31, 2010 is increased by the amounts of \$5,889,650; \$10,039,574; \$1,642,373; \$15,448,547; \$7,562,648; and \$10,175,075, respectively.

	Per Return	Per Audit	Adjustment
December 31, 2004	\$5,904,404	\$14,754	\$5,889,650
December 31, 2006	\$10,040,847	\$1,273	\$10,039,574 *
December 31, 2007	\$2,742,620	\$1,100,247 **	\$1,642,373 **
December 31, 2008	\$15,590,109	\$141,562	\$15,448,547
December 31, 2009	\$8,020,233	\$457,585	\$7,562,648
December 31, 2010	\$10,220,661	\$45,586	\$10,175,075

\* Since the net operating loss in 2006, on which the carrybacks to 2004 and 2005 are based, is disallowed, carrybacks in the amounts of \$1,551,640 and \$3,935,552 for the taxable years ended December 31, 2004 and 2005, respectively, are disallowed.

\*\* See Line 7.b. below for further adjustment.

**7.b. Bad Debts - Unrelated Party**

It is determined that since you did not establish that the amount of \$1,092,489, deducted on your 2007 return, was a bad debt arising from a true debtor-creditor relationship based upon a valid and legally enforceable obligation and that it became worthless during the year, it is disallowed. Accordingly, your taxable income for the tax year ended December 31, 2007 is increased by \$1,092,489.

**7.c. Interest Expense**

It is determined that the amounts of \$75,000 and \$75,000 deducted on your 2009 and 2010 returns as interest expense are, in fact, dividend payments and are disallowed because it has not been established that these amounts were paid for interest on a bona fide debt. Accordingly, your taxable income for the tax years ended December 31, 2009 and December 31, 2010 is increased by \$75,000 and \$75,000, respectively.

**ALTERNATIVE POSITION:** In the event that it is established that the amounts were paid for interest on a bona fide debt, it is determined that this is an above-market loan which should be adjusted to reflect an arm's-length transaction at interest rates of 3.84% and 4.01% for 2009 and 2010, respectively, resulting in interest deductions of \$28,800 and \$30,075. Accordingly, your taxable income for the tax years ended December 31, 2009 and December 31, 2010 is increased by \$46,200 and \$44,925, respectively.

**7.d. Charitable Contributions**

As a result of the change in taxable income caused by the other adjustments in this notice, your charitable contributions limitation for 2006 is increased from \$ -0- to \$250,289. Accordingly, your taxable income for the tax year ended December 31, 2006 is decreased by \$250,289.

**7.e. Net Operating Loss Carryback from 2006**

As a result of the adjustments shown in this notice, you did not sustain a net operating loss in the taxable year 2006. Consequently, there is no net operating loss carryback to either 2004 or 2005, and the tentative allowances for those years of \$504,781 and \$1,360,723 are to be recaptured in full. Accordingly, your tax for the tax years ended December 31, 2004 and December 31, 2005 is increased by \$504,781 and \$1,360,723, respectively.

**13. Alternative Minimum Tax - Schedule 11 Attached**

As a result of the adjustments shown in this notice, your alternative minimum tax for 2009 is \$ -0-, as computed on the attached schedule, rather than the \$3,024 shown on your return. Accordingly, your tax for the tax year ended December 31, 2009 is decreased by \$3,024.

## SCHEDULE 6

Name of Taxpayer:

VHC, Inc. and Subsidiaries

## Form 5278, Line 19 (Tax shown on return or as previously adjusted)

	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
Tax per return.....	527,558	1,490,408	0	1,228,616	617,371	19,188	0
Tentative allowance (2006 carryback)...	(504,781)	(1,360,723)	-----	-----	-----	-----	-----
Previous tax increase.....	-----	-----	-----	-----	-----	2,938	-----
Tax as previously adjusted.....	<u>22,777</u>	<u>129,685</u>	<u>0</u>	<u>1,228,616</u>	<u>617,371</u>	<u>22,126</u>	<u>0</u>



Form <b>4626</b>		<b>Alternative Minimum Tax - Corporations</b>		SCHEDULE 6 <b>2004</b>	
Name <b>VHC, Inc. and Subsidiaries</b>					
<b>1</b>	Taxable income or (loss) before net operating loss deduction.....	<b>1</b>			7,441,290
<b>2</b>	<b>Adjustments and preferences:</b>				
<b>a</b>	Depreciation of post-1986 property.....	<b>2a</b>			47,084
<b>b</b>	Amortization of certified pollution control facilities.....	<b>2b</b>			
<b>c</b>	Amortization of mining exploration and development costs.....	<b>2c</b>			
<b>d</b>	Amortization of circulation expenditures (personal holding companies only).....	<b>2d</b>			
<b>e</b>	Adjusted gain or loss.....	<b>2e</b>			(26,167)
<b>f</b>	Long-term contracts.....	<b>2f</b>			
<b>g</b>	Merchant marine capital construction funds.....	<b>2g</b>			
<b>h</b>	Section 833(b) deduction (Blue Cross, Blue Shield, and similar organizations).....	<b>2h</b>			
<b>i</b>	Tax shelter farm activities (personal service corporations only).....	<b>2i</b>			
<b>j</b>	Passive activities (closely held and personal service corporations only).....	<b>2j</b>			(27,527)
<b>k</b>	Loss limitations.....	<b>2k</b>			
<b>l</b>	Depletion.....	<b>2l</b>			
<b>m</b>	Tax-exempt interest from specified private activity bonds.....	<b>2m</b>			
<b>n</b>	Intangible drilling costs.....	<b>2n</b>			
<b>o</b>	Other adjustments and preferences.....	<b>2o</b>			
<b>3</b>	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o.....	<b>3</b>			7,434,680
<b>4</b>	<b>Adjusted current earnings (ACE) adjustment:</b>				
<b>a</b>	ACE from line 10 of the worksheet.....	<b>4a</b>			7,416,055
<b>b</b>	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative number (see instructions for examples).....	<b>4b</b>			(18,625)
<b>c</b>	Multiply line 4b by 75%. Enter the result as a positive number.....	<b>4c</b>			13,969
<b>d</b>	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. <b>Note:</b> You <i>must</i> enter an amount on line 4d.....	<b>4d</b>			180,691
<b>e</b>	ACE adjustment: • If line 4b is -0- or more, enter the amount from line 4c • If line 4b is less than -0-, enter the smaller of lines 4c or 4d as a negative amount	<b>4e</b>			(13,969)
<b>5</b>	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT.....	<b>5</b>			7,420,711
<b>6</b>	Alternative tax net operating loss deduction (see instructions).....	<b>6</b>			0
<b>7</b>	<b>Alternative minimum taxable income.</b> Subtract line 6 from line 5.....	<b>7</b>			7,420,711
<b>8</b>	Exemption phase-out computation (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):				
<b>a</b>	Subtract \$150,000 from line 7 (if you are completing this line for a member of a controlled group of corporations, see instructions). If zero or less, enter -0-.....	<b>8a</b>			
<b>b</b>	Multiply line 8a by 25%.....	<b>8b</b>			
<b>c</b>	Exemption. Subtract line 8b from \$40,000 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-.....	<b>8c</b>			0
<b>9</b>	Subtract line 8c from line 7. If zero or less, enter -0-.....	<b>9</b>			7,420,711
<b>10</b>	Multiply line 9 by 20%.....	<b>10</b>			1,484,142
<b>11</b>	Alternative minimum tax foreign tax credit. (See instructions for limitations.).....	<b>11</b>			
<b>12</b>	Tentative minimum tax. Subtract line 11 from line 10.....	<b>12</b>			1,484,142
<b>13</b>	Regular tax liability before all credits except the foreign tax credit and possessions tax credit.....	<b>13</b>			2,530,039
<b>14</b>	<b>Alternative minimum tax.</b> Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 4, or the appropriate line of the corporation's income tax return.....	<b>14</b>			0

Form 4626 (2004)

Form <b>4626</b>		<b>Alternative Minimum Tax - Corporations</b>		<b>SCHEDULE 7</b>		<b>2005</b>	
Name <b>VHC, Inc. and Subsidiaries</b>							
<b>1</b>	Taxable income or (loss) before net operating loss deduction.....			<b>1</b>	4,383,552		
<b>2</b>	<b>Adjustments and preferences:</b>						
<b>a</b>	Depreciation of post-1986 property.....			<b>2a</b>	(72,178)		
<b>b</b>	Amortization of certified pollution control facilities.....			<b>2b</b>			
<b>c</b>	Amortization of mining exploration and development costs.....			<b>2c</b>			
<b>d</b>	Amortization of circulation expenditures (personal holding companies only).....			<b>2d</b>			
<b>e</b>	Adjusted gain or loss.....			<b>2e</b>	(5,562)		
<b>f</b>	Long-term contracts.....			<b>2f</b>			
<b>g</b>	Merchant marine capital construction funds.....			<b>2g</b>			
<b>h</b>	Section 833(b) deduction (Blue Cross, Blue Shield, and similar organizations).....			<b>2h</b>			
<b>i</b>	Tax shelter farm activities (personal service corporations only).....			<b>2i</b>			
<b>j</b>	Passive activities (closely held and personal service corporations only).....			<b>2j</b>			
<b>k</b>	Loss limitations.....			<b>2k</b>			
<b>l</b>	Depletion.....			<b>2l</b>			
<b>m</b>	Tax-exempt interest from specified private activity bonds.....			<b>2m</b>			
<b>n</b>	Intangible drilling costs.....			<b>2n</b>			
<b>o</b>	Other adjustments and preferences.....			<b>2o</b>			
<b>3</b>	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o.....			<b>3</b>	4,305,812		
<b>4</b>	<b>Adjusted current earnings (ACE) adjustment:</b>						
<b>a</b>	ACE from line 10 of the worksheet.....		<b>4a</b>	4,297,394			
<b>b</b>	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative number (see instructions for examples).....		<b>4b</b>	(8,418)			
<b>c</b>	Multiply line 4b by 75%. Enter the result as a positive number.....		<b>4c</b>	6,314			
<b>d</b>	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. <b>Note: You must enter an amount on line 4d.</b> .....		<b>4d</b>	166,722			
<b>e</b>	ACE adjustment: • If line 4b is -0- or more, enter the amount from line 4c • If line 4b is less than -0-, enter the smaller of lines 4c or 4d as a negative amount		<b>4e</b>	(6,314)			
<b>5</b>	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT.....			<b>5</b>	4,299,498		
<b>6</b>	Alternative tax net operating loss deduction (see instructions).....			<b>6</b>	0		
<b>7</b>	<b>Alternative minimum taxable income.</b> Subtract line 6 from line 5.....			<b>7</b>	4,299,498		
<b>8</b>	Exemption phase-out computation (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):						
<b>a</b>	Subtract \$150,000 from line 7 (if you are completing this line for a member of a controlled group of corporations, see instructions). If zero or less, enter -0-.....		<b>8a</b>				
<b>b</b>	Multiply line 8a by 25%.....		<b>8b</b>				
<b>c</b>	Exemption. Subtract line 8b from \$40,000 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-.....		<b>8c</b>	0			
<b>9</b>	Subtract line 8c from line 7. If zero or less, enter -0-.....			<b>9</b>	4,299,498		
<b>10</b>	Multiply line 9 by 20%.....			<b>10</b>	859,900		
<b>11</b>	Alternative minimum tax foreign tax credit. (See instructions for limitations.).....			<b>11</b>			
<b>12</b>	Tentative minimum tax. Subtract line 11 from line 10.....			<b>12</b>	859,900		
<b>13</b>	Regular tax liability before all credits except the foreign tax credit and possessions tax credit.....			<b>13</b>	1,490,408		
<b>14</b>	<b>Alternative minimum tax.</b> Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 4, or the appropriate line of the corporation's income tax return.....			<b>14</b>	0		

Form 4626 (2005)



Form <b>4626</b>		<b>Alternative Minimum Tax - Corporations</b>		SCHEDULE 8 <b>2006</b>	
Name <b>VHC, Inc. and Subsidiaries</b>					
<b>1</b>	Taxable income or (loss) before net operating loss deduction.....	<b>1</b>		<b>4,302,511</b>	
<b>2</b>	<b>Adjustments and preferences:</b>				
<b>a</b>	Depreciation of post-1986 property.....	<b>2a</b>		<b>(54,072)</b>	
<b>b</b>	Amortization of certified pollution control facilities.....	<b>2b</b>			
<b>c</b>	Amortization of mining exploration and development costs.....	<b>2c</b>			
<b>d</b>	Amortization of circulation expenditures (personal holding companies only).....	<b>2d</b>			
<b>e</b>	Adjusted gain or loss.....	<b>2e</b>		<b>(32,383)</b>	
<b>f</b>	Long-term contracts.....	<b>2f</b>			
<b>g</b>	Merchant marine capital construction funds.....	<b>2g</b>			
<b>h</b>	Section 833(b) deduction (Blue Cross, Blue Shield, and similar organizations).....	<b>2h</b>			
<b>i</b>	Tax shelter farm activities (personal service corporations only).....	<b>2i</b>			
<b>j</b>	Passive activities (closely held and personal service corporations only).....	<b>2j</b>			
<b>k</b>	Loss limitations.....	<b>2k</b>			
<b>l</b>	Depletion.....	<b>2l</b>			
<b>m</b>	Tax-exempt interest from specified private activity bonds.....	<b>2m</b>			
<b>n</b>	Intangible drilling costs.....	<b>2n</b>			
<b>o</b>	Other adjustments and preferences.....	<b>2o</b>		<b>167,237</b>	
<b>3</b>	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o.....	<b>3</b>		<b>4,383,293</b>	
<b>4</b>	<b>Adjusted current earnings (ACE) adjustment:</b>				
<b>a</b>	ACE from line 10 of the ACE worksheet.....	<b>4a</b>		<b>4,383,286</b>	
<b>b</b>	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see instructions).....	<b>4b</b>		<b>(7)</b>	
<b>c</b>	Multiply line 4b by 75%. Enter the result as a positive amount.....	<b>4c</b>		<b>5</b>	
<b>d</b>	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. <b>Note:</b> You must enter an amount on line 4d.....	<b>4d</b>		<b>160,408</b>	
<b>e</b>	ACE adjustment: • If line 4b is -0- or more, enter the amount from line 4c • If line 4b is less than -0-, enter the smaller of lines 4c or 4d as a negative amount	<b>4e</b>		<b>(5)</b>	
<b>5</b>	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT.....	<b>5</b>		<b>4,383,288</b>	
<b>6</b>	Alternative tax net operating loss deduction (see instructions).....	<b>6</b>			
<b>7</b>	<b>Alternative minimum taxable income.</b> Subtract line 6 from line 5.....	<b>7</b>		<b>4,383,288</b>	
<b>8</b>	Exemption phase-out computation (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):				
<b>a</b>	Subtract \$150,000 from line 7 (if you are completing this line for a member of a controlled group of corporations, see instructions). If zero or less, enter -0-.....	<b>8a</b>			
<b>b</b>	Multiply line 8a by 25%.....	<b>8b</b>			
<b>c</b>	Exemption. Subtract line 8b from \$40,000 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-.....	<b>8c</b>		<b>0</b>	
<b>9</b>	Subtract line 8c from line 7. If zero or less, enter -0-.....	<b>9</b>		<b>4,383,288</b>	
<b>10</b>	Multiply line 9 by 20%.....	<b>10</b>		<b>876,658</b>	
<b>11</b>	Alternative minimum tax foreign tax credit. (See instructions).....	<b>11</b>			
<b>12</b>	Tentative minimum tax. Subtract line 11 from line 10.....	<b>12</b>		<b>876,658</b>	
<b>13</b>	Regular tax liability before applying all credits except the foreign tax credit and the American Samoa economic development credit.....	<b>13</b>		<b>1,462,854</b>	
<b>14</b>	<b>Alternative minimum tax.</b> Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 3, or the appropriate line of the corporation's income tax return.....	<b>14</b>		<b>0</b>	

Form 4626 (2006)

Form <b>4626</b>		<b>Alternative Minimum Tax - Corporations</b>		SCHEDULE 9 <b>2007</b>		
Name <b>VHC, Inc. and Subsidiaries</b>						
<b>1</b>	Taxable income or (loss) before net operating loss deduction.....				<b>1</b>	6,348,439
<b>2</b>	<b>Adjustments and preferences:</b>					
<b>a</b>	Depreciation of post-1986 property.....				<b>2a</b>	(57,932)
<b>b</b>	Amortization of certified pollution control facilities.....				<b>2b</b>	
<b>c</b>	Amortization of mining exploration and development costs.....				<b>2c</b>	
<b>d</b>	Amortization of circulation expenditures (personal holding companies only).....				<b>2d</b>	
<b>e</b>	Adjusted gain or loss.....				<b>2e</b>	949
<b>f</b>	Long-term contracts.....				<b>2f</b>	
<b>g</b>	Merchant marine capital construction funds.....				<b>2g</b>	
<b>h</b>	Section 833(b) deduction (Blue Cross, Blue Shield, and similar organizations).....				<b>2h</b>	
<b>i</b>	Tax shelter farm activities (personal service corporations only).....				<b>2i</b>	
<b>j</b>	Passive activities (closely held and personal service corporations only).....				<b>2j</b>	
<b>k</b>	Loss limitations.....				<b>2k</b>	
<b>l</b>	Depletion.....				<b>2l</b>	
<b>m</b>	Tax-exempt interest from specified private activity bonds.....				<b>2m</b>	
<b>n</b>	Intangible drilling costs.....				<b>2n</b>	
<b>o</b>	Other adjustments and preferences.....				<b>2o</b>	44,589
<b>3</b>	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o.....				<b>3</b>	6,336,045
<b>4</b>	<b>Adjusted current earnings (ACE) adjustment:</b>					
<b>a</b>	ACE from line 10 of the ACE worksheet.....				<b>4a</b>	6,336,045
<b>b</b>	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see instructions).....				<b>4b</b>	0
<b>c</b>	Multiply line 4b by 75%. Enter the result as a positive amount.....				<b>4c</b>	0
<b>d</b>	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. <b>Note:</b> You <i>must</i> enter an amount on line 4d.....				<b>4d</b>	160,403
<b>e</b>	ACE adjustment: • If line 4b is -0- or more, enter the amount from line 4c • If line 4b is less than -0-, enter the smaller of lines 4c or 4d as a negative amount				<b>4e</b>	0
<b>5</b>	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT.....				<b>5</b>	6,336,045
<b>6</b>	Alternative tax net operating loss deduction (see instructions).....				<b>6</b>	0
<b>7</b>	<b>Alternative minimum taxable income.</b> Subtract line 6 from line 5.....				<b>7</b>	6,336,045
<b>8</b>	<b>Exemption phase-out</b> (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):					
<b>a</b>	Subtract \$150,000 from line 7 (if you are completing this line for a member of a controlled group of corporations, see instructions). If zero or less, enter -0-.....				<b>8a</b>	
<b>b</b>	Multiply line 8a by 25%.....				<b>8b</b>	
<b>c</b>	Exemption. Subtract line 8b from \$40,000 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-.....				<b>8c</b>	0
<b>9</b>	Subtract line 8c from line 7. If zero or less, enter -0-.....				<b>9</b>	6,336,045
<b>10</b>	Multiply line 9 by 20%.....				<b>10</b>	1,267,209
<b>11</b>	Alternative minimum tax foreign tax credit. (See instructions).....				<b>11</b>	
<b>12</b>	Tentative minimum tax. Subtract line 11 from line 10.....				<b>12</b>	1,267,209
<b>13</b>	Regular tax liability before applying all credits except the foreign tax credit and the American Samoa economic development credit.....				<b>13</b>	2,158,469
<b>14</b>	<b>Alternative minimum tax.</b> Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 3, or the appropriate line of the corporation's income tax return.....				<b>14</b>	0

Form 4626 (2007)

Form <b>4626</b>		<b>Alternative Minimum Tax - Corporations</b>	SCHEDULE 10 <b>2008</b>
Name <b>VHC, Inc. and Subsidiaries</b>			
<b>Part I Alternative Minimum Tax Computation</b>			
<b>1</b>	Taxable income or (loss) before net operating loss deduction.....	<b>1</b>	17,264,343
<b>2</b>	<b>Adjustments and preferences:</b>		
<b>a</b>	Depreciation of post-1986 property.....	<b>2a</b>	(17,346)
<b>b</b>	Amortization of certified pollution control facilities.....	<b>2b</b>	
<b>c</b>	Amortization of mining exploration and development costs.....	<b>2c</b>	
<b>d</b>	Amortization of circulation expenditures (personal holding companies only).....	<b>2d</b>	
<b>e</b>	Adjusted gain or loss.....	<b>2e</b>	(215)
<b>f</b>	Long-term contracts.....	<b>2f</b>	
<b>g</b>	Merchant marine capital construction funds.....	<b>2g</b>	
<b>h</b>	Section 833(b) deduction (Blue Cross, Blue Shield, and similar organizations).....	<b>2h</b>	
<b>i</b>	Tax shelter farm activities (personal service corporations only).....	<b>2i</b>	
<b>j</b>	Passive activities (closely held and personal service corporations only).....	<b>2j</b>	
<b>k</b>	Loss limitations.....	<b>2k</b>	
<b>l</b>	Depletion.....	<b>2l</b>	
<b>m</b>	Tax-exempt interest from specified private activity bonds.....	<b>2m</b>	
<b>n</b>	Intangible drilling costs.....	<b>2n</b>	
<b>o</b>	Other adjustments and preferences.....	<b>2o</b>	5,672
<b>3</b>	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o.....	<b>3</b>	17,252,454
<b>4</b>	<b>Adjusted current earnings (ACE) adjustment:</b>		
<b>a</b>	ACE from line 10 of the ACE worksheet.....	<b>4a</b>	17,252,454
<b>b</b>	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see instructions).....	<b>4b</b>	0
<b>c</b>	Multiply line 4b by 75%. Enter the result as a positive amount.....	<b>4c</b>	0
<b>d</b>	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. <b>Note: You must enter an amount on line 4d.</b> .....	<b>4d</b>	160,403
<b>e</b>	ACE adjustment: <ul style="list-style-type: none"> <li>* If line 4b is -0- or more, enter the amount from line 4c</li> <li>* If line 4b is less than -0-, enter the smaller of lines 4c or 4d as a negative amount</li> </ul>	<b>4e</b>	0
<b>5</b>	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT.....	<b>5</b>	17,252,454
<b>6</b>	Alternative tax net operating loss deduction (see instructions).....	<b>6</b>	0
<b>7</b>	<b>Alternative minimum taxable income.</b> Subtract line 6 from line 5.....	<b>7</b>	17,252,454
<b>8</b>	<b>Exemption phase-out</b> (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):		
<b>a</b>	Subtract \$150,000 from line 7 (if you are completing this line for a member of a controlled group of corporations, see instructions). If zero or less, enter -0-.....	<b>8a</b>	
<b>b</b>	Multiply line 8a by 25%.....	<b>8b</b>	
<b>c</b>	Exemption. Subtract line 8b from \$40,000 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-.....	<b>8c</b>	0
<b>9</b>	Subtract line 8c from line 7. If zero or less, enter -0-.....	<b>9</b>	17,252,454
<b>10</b>	If the corporation had qualified timber gain, complete Part II and enter the amount from line 24 here. Otherwise, multiply line 9 by 20%.....	<b>10</b>	3,450,491
<b>11</b>	Alternative minimum tax foreign tax credit. (See instructions).....	<b>11</b>	
<b>12</b>	Tentative minimum tax. Subtract line 11 from line 10.....	<b>12</b>	3,450,491
<b>13</b>	Regular tax liability before applying all credits except the foreign tax credit.....	<b>13</b>	6,010,450
<b>14</b>	<b>Alternative minimum tax.</b> Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 3, or the appropriate line of the corporation's income tax return.....	<b>14</b>	0

Form 4626 (2008)



Form <b>4626</b>		<b>Alternative Minimum Tax - Corporations</b>		SCHEDULE 11 <b>2009</b>	
Name <b>VHC, Inc. and Subsidiaries</b>					
<b>Part I Alternative Minimum Tax Computation</b>					
<b>1</b>	Taxable income or (loss) before net operating loss deduction.....	<b>1</b>			7,734,312
<b>2</b>	<b>Adjustments and preferences:</b>				
<b>a</b>	Depreciation of post-1986 property.....	<b>2a</b>			68,650
<b>b</b>	Amortization of certified pollution control facilities.....	<b>2b</b>			
<b>c</b>	Amortization of mining exploration and development costs.....	<b>2c</b>			
<b>d</b>	Amortization of circulation expenditures (personal holding companies only).....	<b>2d</b>			
<b>e</b>	Adjusted gain or loss.....	<b>2e</b>			(8,828)
<b>f</b>	Long-term contracts.....	<b>2f</b>			
<b>g</b>	Merchant marine capital construction funds.....	<b>2g</b>			
<b>h</b>	Section 833(b) deduction (Blue Cross, Blue Shield, and similar organizations).....	<b>2h</b>			
<b>i</b>	Tax shelter farm activities (personal service corporations only).....	<b>2i</b>			
<b>j</b>	Passive activities (closely held and personal service corporations only).....	<b>2j</b>			
<b>k</b>	Loss limitations.....	<b>2k</b>			
<b>l</b>	Depletion.....	<b>2l</b>			
<b>m</b>	Tax-exempt interest from specified private activity bonds.....	<b>2m</b>			
<b>n</b>	Intangible drilling costs.....	<b>2n</b>			
<b>o</b>	Other adjustments and preferences.....	<b>2o</b>			(5,983)
<b>3</b>	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o.....	<b>3</b>			7,788,151
<b>4</b>	<b>Adjusted current earnings (ACE) adjustment:</b>				
<b>a</b>	ACE from line 10 of the ACE worksheet.....	<b>4a</b>			7,788,151
<b>b</b>	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see instructions).....	<b>4b</b>			0
<b>c</b>	Multiply line 4b by 75%. Enter the result as a positive amount.....	<b>4c</b>			0
<b>d</b>	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. <b>Note:</b> You <b>must</b> enter an amount on line 4d.....	<b>4d</b>			160,403
<b>e</b>	ACE adjustment: • If line 4b is -0- or more, enter the amount from line 4c • If line 4b is less than -0-, enter the smaller of lines 4c or 4d as a negative amount	<b>4e</b>			0
<b>5</b>	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT.....	<b>5</b>			7,788,151
<b>6</b>	Alternative tax net operating loss deduction (see instructions).....	<b>6</b>			
<b>7</b>	<b>Alternative minimum taxable income.</b> Subtract line 6 from line 5.....	<b>7</b>			7,788,151
<b>8</b>	<b>Exemption phase-out</b> (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):				
<b>a</b>	Subtract \$150,000 from line 7 (if you are completing this line for a member of a controlled group of corporations, see instructions). If zero or less, enter -0-.....	<b>8a</b>			
<b>b</b>	Multiply line 8a by 25%.....	<b>8b</b>			
<b>c</b>	Exemption. Subtract line 8b from \$40,000 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-.....	<b>8c</b>			0
<b>9</b>	Subtract line 8c from line 7. If zero or less, enter -0-.....	<b>9</b>			7,788,151
<b>10</b>	If the corporation had qualified timber gain, complete Part II and enter the amount from line 24 here. Otherwise, multiply line 9 by 20%.....	<b>10</b>			1,557,630
<b>11</b>	Alternative minimum tax foreign tax credit. (See instructions.).....	<b>11</b>			
<b>12</b>	Tentative minimum tax. Subtract line 11 from line 10.....	<b>12</b>			1,557,630
<b>13</b>	Regular tax liability before applying all credits except the foreign tax credit.....	<b>13</b>			2,629,666
<b>14</b>	<b>Alternative minimum tax.</b> Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 3, or the appropriate line of the corporation's income tax return.....	<b>14</b>			0

Form 4626 (2009)

Form <b>4626</b>		<b>Alternative Minimum Tax - Corporations</b>		SCHEDULE 12 <b>2010</b>	
Name <b>VHC, Inc. and Subsidiaries</b>					
<b>Part I Alternative Minimum Tax Computation</b>					
<b>1</b>	Taxable income or (loss) before net operating loss deduction.....				<b>1</b> 10,107,072
<b>2</b>	<b>Adjustments and preferences:</b>				
<b>a</b>	Depreciation of post-1986 property.....				<b>2a</b> 36,545
<b>b</b>	Amortization of certified pollution control facilities.....				<b>2b</b>
<b>c</b>	Amortization of mining exploration and development costs.....				<b>2c</b>
<b>d</b>	Amortization of circulation expenditures (personal holding companies only).....				<b>2d</b>
<b>e</b>	Adjusted gain or loss.....				<b>2e</b>
<b>f</b>	Long-term contracts.....				<b>2f</b>
<b>g</b>	Merchant marine capital construction funds.....				<b>2g</b>
<b>h</b>	Section 833(b) deduction (Blue Cross, Blue Shield, and similar organizations).....				<b>2h</b>
<b>i</b>	Tax shelter farm activities (personal service corporations only).....				<b>2i</b>
<b>j</b>	Passive activities (closely held and personal service corporations only).....				<b>2j</b>
<b>k</b>	Loss limitations.....				<b>2k</b>
<b>l</b>	Depletion.....				<b>2l</b>
<b>m</b>	Tax-exempt interest from specified private activity bonds.....				<b>2m</b>
<b>n</b>	Intangible drilling costs.....				<b>2n</b>
<b>o</b>	Other adjustments and preferences.....				<b>2o</b>
<b>3</b>	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o.....				<b>3</b> 10,143,617
<b>4</b>	<b>Adjusted current earnings (ACE) adjustment:</b>				
<b>a</b>	ACE from line 10 of the ACE worksheet.....				<b>4a</b> 10,152,737
<b>b</b>	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see instructions).....				<b>4b</b> 9,120
<b>c</b>	Multiply line 4b by 75%. Enter the result as a positive amount.....				<b>4c</b> 6,840
<b>d</b>	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. <b>Note:</b> You must enter an amount on line 4d.....				<b>4d</b> 160,403
<b>e</b>	ACE adjustment: • If line 4b is -0- or more, enter the amount from line 4c • If line 4b is less than -0-, enter the smaller of lines 4c or 4d as a negative amount				<b>4e</b> 6,840
<b>5</b>	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT.....				<b>5</b> 10,150,457
<b>6</b>	Alternative tax net operating loss deduction (see instructions).....				<b>6</b>
<b>7</b>	Alternative minimum taxable income. Subtract line 6 from line 5.....				<b>7</b> 10,150,457
<b>8</b>	<b>Exemption phase-out</b> (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):				
<b>a</b>	Subtract \$150,000 from line 7 (if you are completing this line for a member of a controlled group of corporations, see instructions). If zero or less, enter -0-.....				<b>8a</b>
<b>b</b>	Multiply line 8a by 25%.....				<b>8b</b>
<b>c</b>	Exemption. Subtract line 8b from \$40,000 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-.....				<b>8c</b> 0
<b>9</b>	Subtract line 8c from line 7. If zero or less, enter -0-.....				<b>9</b> 10,150,457
<b>10</b>	Multiply line 9 by 20%.....				<b>10</b> 2,030,091
<b>11</b>	Alternative minimum tax foreign tax credit. (See instructions.).....				<b>11</b>
<b>12</b>	Tentative minimum tax. Subtract line 11 from line 10.....				<b>12</b> 2,030,091
<b>13</b>	Regular tax liability before applying all credits except the foreign tax credit.....				<b>13</b> 3,437,475
<b>14</b>	Alternative minimum tax. Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 3, or the appropriate line of the corporation's income tax return.....				<b>14</b> 0

Form 4626 (2010)

<div style="display: flex; justify-content: space-between;"> <div> <b>Form 8827</b> </div> <div> <b>Credit For Prior Year Minimum Tax - Corporations</b> </div> <div> <b>SCHEDULE 13</b>  <b>2010</b> </div> </div>	
<b>Name</b> <b>VHC, Inc. and Subsidiaries</b>	
1 Alternative minimum tax (AMT) for 2009. Enter the amount from line 14 of the 2009 Form 4626.....	<b>1</b> 0
2 Minimum tax credit carryforward from 2009. Enter the amount from line 9 of the 2009 Form 8827...	<b>2</b> 0
3 Enter any 2009 unallowed qualified electric vehicle credit.....	<b>3</b> 0
4 Add lines 1, 2, and 3.....	<b>4</b> 0
5 Enter the corporation's 2010 regular income tax liability minus allowable tax credits.....	<b>5</b> 3,437,475
<b>6 Is the corporation a "small corporation" exempt from the AMT for 2010?</b> • <b>Yes.</b> Enter 25% of the excess of line 5 over \$25,000. If line 5 is \$25,000 or less, enter -0-. • <b>No.</b> Complete Form 4626 for 2010 and enter the tentative minimum tax from line 12.	
<b>6</b>	2,030,091
7a Subtract line 6 from line 5. If zero or less, enter -0-.....	<b>7a</b> 1,407,384
b For a corporation electing to accelerate the minimum tax credit, enter the bonus depreciation amount attributable to the minimum tax credit.....	<b>7b</b>
c Add lines 7a and 7b.....	<b>7c</b> 1,407,384
8a Enter the smaller of line 4 or line 7c. If the corporation had a post-1986 ownership change or has pre-acquisition excess credits, see instructions.....	<b>8a</b> 0
b <b>Current year minimum tax credit.</b> Enter the smaller of line 4 or line 7a here and on Form 1120, Schedule J, line 5d (or the applicable line of your return). If you made an entry on line 7b, go to line 8c. Otherwise, skip line 8c.....	<b>8b</b> 0
c Subtract line 8b from line 8a. This is the refundable amount for a corporation electing to accelerate the minimum tax credit. Include this amount on line 32g of Form 1120 (or the applicable line of your return).....	<b>8c</b>
9 <b>Minimum tax credit carryforward to 2011.</b> Subtract line 8a from line 4.....	<b>9</b> 0

Form 8827 (2010)



Form <b>2285</b> (Rev. June 2012)		Department of the Treasury - Internal Revenue Service <b>Concurrent Determinations of Deficiencies (Increases in Tax) and Overassessments (D</b> <b>in Cases Involving Restricted Interest Provisions of the Internal Revenue C</b>					
Taxpayer's Name <b>VHC, Inc. and Subsidiaries</b>					Taxpayer Identification Number <div style="background-color: black; width: 100px; height: 1.2em;"></div>		
Prepared by <b>C Vargo</b>					Preparer's Phone Number (312) 582-6888		
<b>Section I</b>		<b>Carryback Losses or Credits From</b>					
Computation of increase (decrease) in tax	General Adjustments 12/31/04 (a)	Other (b)	Taxable Year Ended 12/31/06 (c)	Taxable Year Ended (d)	Taxable Year Ended (e)	Taxable Year Ended (f)	Taxa E
1. Taxable income for income tax purposes	1,551,640		7,441,290				
2. Net adjustments	5,889,650		0				
3. Correct taxable income	7,441,290		7,441,290				
4. Corrected income tax before current and carryback tax credits	2,530,039		2,530,039				
5. Current tax credits	0		0				
6. Less tax credit carryback			0				
7. Total corrected tax liability	2,530,039		2,530,039				
8. Previous tax liability	527,558		2,530,039				
9. Increase (decrease) in tax	2,002,481		0				
10. Tentative allowance			504,781				
11. Net increase (decrease) in tax excluding refundable credits	2,002,481		504,781				
<b>Section II - Other Notations or Comments</b>							870 Da
							23C Da
							LCU - 2
							Section

Form <b>2285</b> (Rev. June 2012)		Department of the Treasury - Internal Revenue Service <b>Concurrent Determinations of Deficiencies (Increases in Tax) and Overassessments (Decreases in Tax) in Cases Involving Restricted Interest Provisions of the Internal Revenue Code</b>					
Taxpayer's Name <b>VHC, Inc. and Subsidiaries</b>						Taxpayer Identification Number <b>██████████</b>	
Prepared by <b>C. Vargo</b>						Preparer's Phone Number <b>(312) 582-6888</b>	
<b>Section I</b>		<b>Carryback Losses or Credits From</b>					
<b>Computation of increase (decrease) in tax</b>	<b>General Adjustments 12/31/05 (a)</b>	<b>Other (b)</b>	<b>Taxable Year Ended 12/31/06 (c)</b>	<b>Taxable Year Ended (d)</b>	<b>Taxable Year Ended (e)</b>	<b>Taxable Year Ended (f)</b>	<b>Taxable Year Ended (g)</b>
1. Taxable income for income tax purposes	4,383,552		4,383,552				
2. Net adjustments	0		0				
3. Correct taxable income	4,383,552		4,383,552				
4. Corrected income tax before current and carryback tax credits	1,490,408		1,490,408				
5. Current tax credits	0		0				
6. Less tax credit carryback			0				
7. Total corrected tax liability	1,490,408		1,490,408				
8. Previous tax liability	1,490,408		1,490,408				
9. Increase (decrease) in tax	0		0				
10. Tentative allowance			1,360,723				
11. Net increase (decrease) in tax excluding refundable credits	0		1,360,723				
<b>Section II - Other Notations or Comments</b>							870 Date  23C Date  LCU - 2  Section

UNITED STATES TAX COURT  
RECEIVED

FEB 19 2015

VHC, INC. AND SUBSIDIARIES,

Petitioners,

v.

Docket No. \_\_\_\_\_

COMMISSIONER OF INTERNAL  
REVENUE,

Respondent.

4756-15

## CERTIFICATE OF SERVICE

I, Robert E. Dallman, of Milwaukee, Wisconsin, being first duly sworn on oath, depose and state that on the 18th day of February, 2015, I sent by U.S. Mail a true and accurate copy of the U.S. Tax Court Petition, Request for Place of Trial, Statement of Taxpayer Identification Number, and Ownership Disclosure Statement to the following:

Scott W. Hultsch  
Appeals Team Manager  
Internal Revenue Service  
200 West Adams, Suite 600  
Chicago, IL 60606

WHYTE HIRSCHBOECK DUDEK S.C.  
555 East Wells Street  
Suite 1900  
Milwaukee, Wisconsin 53202-3819  
414-273-2100  
414-223-5000 (fax)  
RDallman@Whdlaw.com

Respectfully submitted,

BY 

Robert E. Dallman  
Tax Court Bar No. DR0504  
Attorney for Petitioners

Press here to seal.

Press here to seal.

Press here to seal.

Page 1 of 2

4756-15

From: (44) 815-571  
United States Tax Court  
533 L St NW  
Washington, DC 20011

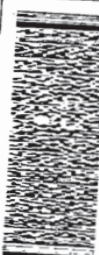


800 10 203 341 800  
Clerk  
United States Tax Court  
400 2ND ST NW  
WASHINGTON, DC 20011

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PRIORITY OVERNIGHT

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Expres



**Internal Revenue Service**200 West Adams; Suite 600  
Chicago, Illinois 60606**CERTIFIED MAIL**Date: **NOV 21 2014****Department of the Treasury****Person to Contact:**

Terrence Brennan

**Employee Identification Number:**

0243568

**Telephone Number:**

(312) 582-6941

**Fax Number:**

(312) 582-6925

**Refer Reply to:**

AP:EWIL:CHLTPB:CV

**Form Number:**

1120

**Taxpayer Identification Number:****Tax Type:**

Income Tax Liability

**Last Day to File a Petition with the United States Tax Court:****FEB 19 2015**VHC, Inc. and Subsidiaries  
3090 Holmgren Way  
Green Bay, Wisconsin 54304-6736

Tax Year Ended	Tax Deficiency
December 31, 2004	\$2,507,262.00
December 31, 2005	\$1,360,723.00
December 31, 2006	\$1,462,854.00
December 31, 2007	\$929,853.00
December 31, 2008	\$5,393,079.00
December 31, 2009	\$2,607,540.00
December 31, 2010	\$3,437,475.00

**7012 1640 0001 1618 0208**

Dear Taxpayer:

**NOTICE OF DEFICIENCY**

We've determined that you and your affiliated companies have a deficiency in your tax accounts. This means you owe additional tax, other amounts such as penalties or additions to tax, or both, as shown above. This letter is your **NOTICE OF DEFICIENCY** that the law requires. The enclosed statement shows how we figured your deficiency.

If you disagree with this notice of deficiency, you may petition the United States Tax Court for a redetermination of your deficiency. You have 90 days from the date of this letter (150 days if this letter is addressed to you outside of the United States) to file your petition. Send your completed petition form, a copy of this letter, and copies of all statements and/or schedules you received with this letter, to the United States Tax Court. You may get a petition form and a copy of the rules for filing a petition by writing to the following address:

United States Tax Court  
400 Second Street, NW  
Washington, DC 20217

The Tax Court has a simplified procedure for small tax cases when the amount in dispute for each tax year is \$50,000 or less. If you intend to file a petition for multiple tax years and the total amount in dispute for any one or more of the tax years exceeds \$50,000, this simplified procedure is not available to you. If you use this simplified procedure, you cannot appeal the Tax Court's decision. You can get information pertaining to the simplified procedure for small cases from the Tax Court by writing to the court at the above address or from the court's internet site at [www.ustaxcourt.gov](http://www.ustaxcourt.gov).

(continued on following page)

Letter 901 (CG) (Rev. 4-2004)

**EXHIBIT****A****EXHIBIT 16-J**

Docket Nos. 4756-15

21583-15

00001

15

SA 0055



If you intend to file a petition with the Tax Court, you should do so promptly. The court cannot consider your case if you file the petition late. The law considers your petition as filed on time if the postmarked date falls within the 90 or 150 day period allowed, and the envelope containing the petition is properly addressed with the correct postage.

The time allowed to file a petition with the Tax Court cannot be extended or suspended because the time is set by law. Requesting more information, or receiving other correspondence from the Internal Revenue Service (IRS) will not change the time allowed by law to file your petition.

If you agree with this notice of deficiency and do not intend to petition the Tax Court for a redetermination, please sign the enclosed waiver form and return it to us at the IRS address at the top of the first page of this letter. This will permit us to assess the deficiency quickly, and may limit the accumulation of interest you may owe. We've enclosed an envelope for your convenience.

If you decide not to send the IRS your signed waiver, and also not to file a petition with the Tax Court within the time limit, the law requires us to assess the deficiency and bill you after 90 days (150 days if this letter is addressed to you outside of the United States) from the date of this letter. This bill may include interest. If you are a C corporation, under Internal Revenue Code Section 6621(c), large corporate underpayments may be subject to a higher rate of interest than the normal rate of interest for underpayments.

If you have questions about this letter, you may call or write to the contact person whose name appears on the first page of this letter. If you write to us, please include: (1) a copy of this letter to help us to identify your account; and (2) your telephone number, including the area code, and the best time for us to call you. If you send a copy of this letter to us, we recommend you keep the original for your records. If you call us and our telephone number is outside your local calling area, please remember there will be a long distance charge from your telephone company.

The contact person listed on the front of this letter can access your tax information and help you get answers. In addition to help from this contact person, you may ask for help from the Taxpayer Advocate by calling 1-877-777-4778, or contacting the Taxpayer Advocate for the IRS office that issued this notice of deficiency by calling (312) 566-3800 or writing to: 230 South Dearborn St., Stop 1005-CHI, Chicago, IL 60604. Taxpayer Advocate assistance is not a substitute for established IRS procedures. The Taxpayer Advocate can help you to understand your tax situation, provide account information and make sure that your problem is handled promptly and properly. However, the Taxpayer Advocate cannot reverse legally correct tax determinations, or extend the time the law allows you to file a petition with the United States Tax Court.

Thank you for your cooperation.

Sincerely,

John A. Koskinen  
Commissioner  
By



Scott W. Hultsch  
Appeals Team Manager

Enclosures:

Envelope  
Copy of this Letter  
Explanation of Tax Changes  
Statement - Income Tax Changes  
Form 4089, Notice of Deficiency Waiver  
Statutory Notice Statement (Schedule A)

Letter 901 (CG) (Rev. 4-2004)

00002

SA 0056



Form **4089**

(Rev. January 1983)

Department of the Treasury - Internal Revenue Service

Symbols:

AP:FW:IL:CH:TPB:CV

**Notice of Deficiency - Waiver**

Name, SSN or EIN, and Address of Taxpayer(s):

SSN or EIN: [REDACTED]

VHC, Inc. and Subsidiaries  
3090 Holmgren Way  
Green Bay, Wisconsin 54304-5736

Kind of Tax:

☒ Copies to Authorized Representatives:

Income

William Meulbroek

Schenck, S.C.

Post Office Box 23819

Green Bay, Wisconsin 54305

and

Robert Dallman

Whyte Hirschboeck Dudek, S.C.

555 East Wells Street, Suite 1500

Milwaukee, Wisconsin 53202

Tax Year Ended

Deficiency

Increase in Tax

Tax Deficiency

December 31, 2004

\$2,507,262.00

December 31, 2005

\$1,360,723.00

December 31, 2006

\$1,462,854.00

December 31, 2007

\$929,853.00

December 31, 2008

\$5,393,079.00

December 31, 2009

\$2,607,540.00

December 31, 2010

\$3,437,475.00

The tax liability of VHC, Inc. and each subsidiary company named in the attached Schedule A is stated as provided for by regulations prescribed under section 1502 of the Internal Revenue Code.

The deficiencies shown above will be assessed severally against each corporation named in accordance with regulations prescribed under section 1502 of the Internal Revenue Code.

Interest, as provided by law, will be charged on the unpaid liability until it is paid in full.

Interest for the tax years ended December 31, 2004 and December 31, 2005 will be computed under section 6601(d) of the Internal Revenue Code.

See the attached explanation for the above deficiencies.

I consent to the immediate assessment and collection of the deficiencies (increase in tax and penalties) shown above, plus any interest provided by law.

Your  
Signature

(Date signed)

Spouse's Signature,  
If A Joint Return  
Was Filed

(Date signed)

Taxpayer's  
Representative  
Sign Here

(Date signed)

Corporate  
Name:Corporate  
Officers  
Sign Here

(Signature)

(Title)

(Date signed)



(Signature)

(Title)

(Date signed)

Note:

If you consent to the assessment of the amounts shown in this waiver, please sign and return it in order to limit the accumulation of interest and expedite our bill to you. Your consent will not prevent you from filing a claim for refund (after you have paid the tax) if you later believe you are entitled to a refund. It will not prevent us from later determining, if necessary, that you owe additional tax; nor will it extend the time provided by law for either action.

If you later file a claim and the Internal Revenue Service disallows it, you may file suit for refund in a district court or in the United States Claims Court, but you may not file a petition with the United States Tax Court.

Who Must Sign

If this waiver is for any year(s) for which you filed a joint return, both you and your spouse must sign the original and duplicate of this form. Sign your name exactly as it appears on the return. If you are acting under power of attorney for your spouse, you may sign as agent for him or her.

For an agent or attorney acting under a power of attorney, a power of attorney must be sent with this form if not previously filed.

For a person acting in a fiduciary capacity (executor, administrator, trustee), file Form 56, Notice Concerning Fiduciary Relationship, with this form if not previously filed.

For a corporation, enter the name of the corporation followed by the signature and title of the officer(s) authorized to sign.

If you agree, please sign one copy and return it; keep the other copy for your records.

Form 4089 (Rev 1-83)

AP:FW:IL:CHI:TPB:CV

Schedule A

## STATUTORY NOTICE STATEMENT

VHC, Inc. and Subsidiaries  
3090 Holmgren Way  
Green Bay, Wisconsin 54304-5736

## Returns Examined

Parent Company	EIN	Tax Years Ended
1) VHC, Inc. 3090 Holmgren Way Green Bay, Wisconsin 54304 .	██████████	12/31/04, 12/31/05, 12/30/06, 12/31/07, 12/31/08, 12/31/09, and 12/31/10
<b>Subsidiary Companies</b>		
2) VDH Electric, Inc. 3080 Holmgren Way Green Bay, Wisconsin 54304	██████████	12/31/04, 12/31/05, 12/30/06, 12/31/07, 12/31/08, 12/31/09, and 12/31/10
3) VOS Electric, Inc. 3131 Market Street Green Bay, Wisconsin 54304	██████████	12/31/04, 12/31/05, 12/30/06, 12/31/07, 12/31/08, 12/31/09, and 12/31/10
4) Best Built, Inc. 3100 Holmgren Way Green Bay, Wisconsin 54304	██████████	12/31/04, 12/31/05, 12/30/06, 12/31/07, 12/31/08, 12/31/09, and 12/31/10
5) Spirit Construction Services, Inc. 118 Coleman Boulevard Savannah, Georgia 31408	██████████	12/31/04, 12/31/05, 12/30/06, 12/31/07, 12/31/08, 12/31/09, and 12/31/10
6) Spirit Fabs, Inc. 3261 Spirit Way Green Bay, Wisconsin 54304	██████████	12/31/04, 12/31/05, 12/30/06, 12/31/07, 12/31/08, 12/31/09, and 12/31/10

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SA 0058

Form 5278 (Rev. June 2004)		Department of the Treasury - Internal Revenue Service <b>Statement - Income Tax Changes</b>		Schedule <b>1</b>
1. Name(s) of taxpayer(s) <b>VHC, Inc. and Subsidiaries</b>		2. <input checked="" type="checkbox"/> Notice of Deficiency <input type="checkbox"/> Other (specify) <input type="checkbox"/> Settlement Computation		
3. Taxpayer Identification Number <b>[REDACTED]</b>		4. Form Number <b>1120</b>	5. Docket Number	6. Office Symbols <b>AP:FW:IL:CHI:TPB:CV</b>
		Tax years ended		
7. Adjustment to Income		12/31/04	12/31/05	12/31/06
a. Bad Debts - Related Party		<b>5,889,650</b>		<b>10,039,674</b>
b. Bad Debts - Unrelated Party				
c. Interest Expense				
d. Charitable Contributions				<b>(250,289)</b>
e. Net Operating Loss Carryback from 2006		<b>0</b>	<b>0</b>	
f.				
g.				
h.				
i.				
j.				
8. Total adjustments		<b>5,889,650</b>	<b>0</b>	<b>9,789,285</b>
9. Taxable income as shown in:				
<input type="checkbox"/> Preliminary letter dated _____				
<input type="checkbox"/> Notice of deficiency dated _____				
<input checked="" type="checkbox"/> Return as filed		<b>1,551,640</b>	<b>4,383,552</b>	<b>(5,486,774)</b>
10. Taxable income as revised		<b>7,441,290</b>	<b>4,383,552</b>	<b>4,302,511</b>
11. Tax				
Tax method _____				
Filing status _____		<b>2,530,039</b>	<b>1,490,408</b>	<b>1,462,854</b>
12. Alternative tax, if applicable				
13. Alternative minimum tax (Starting tax year 2000)		<b>0</b>	<b>0</b>	<b>0</b>
14. Corrected tax liability (lesser of line 11 or 12 plus line 13)		<b>2,530,039</b>	<b>1,490,408</b>	<b>1,462,854</b>
15. Less credits				
a.				
b.				
c.				
16. Balance (line 14 less total of lines 15a - 15c)		<b>2,530,039</b>	<b>1,490,408</b>	<b>1,462,854</b>
17. Plus other taxes				
a.				
b.				
c.				
18. Total corrected tax liability (line 16 plus lines 17a - 17c)		<b>2,530,039</b>	<b>1,490,408</b>	<b>1,462,854</b>
19. Total tax shown on return or as previously adjusted		<b>22,777</b>	<b>129,886</b>	<b>0</b>
20. Adjustments: increase (decrease) to:				
a. Earned income credit				
b. Additional child tax credit				
c. Fuels credits / other				
21. Deficiency - Increase in tax (overassessment - decrease in tax) (line 20 adjusted by lines 20a - 20c)		<b>2,507,262</b>	<b>1,360,723</b>	<b>1,462,854</b>
22. Adjustments to prepayment credits - Increase (decrease)				
23. Balance due or (overpayment) excluding interest and penalties (line 21 adjusted by line 22)		<b>2,507,262</b>	<b>1,360,723</b>	<b>1,462,854</b>
24. Penalties and/or Additions to Tax (listed below)				

Form 5278 (Rev. June 2004)



Form 5278 (Rev. June 2004)		Department of the Treasury - Internal Revenue Service <b>Statement - Income Tax Changes</b>		Schedule <b>2</b>
1. Name(s) of taxpayer(s) VHC, Inc. and Subsidiaries		2. <input checked="" type="checkbox"/> Notice of Deficiency <input type="checkbox"/> Other (specify) <input type="checkbox"/> Settlement Computation		
3. Taxpayer Identification Number [REDACTED]		4. Form Number 1120	5. Docket Number	6. Office Symbols AP:FW:IL:CHI:TPB:CV
		Tax years ended		
7. Adjustment to Income		12/31/07	12/31/08	12/31/09
a. Bad Debts - Related Party		1,642,373	15,448,547	7,562,648
b. Bad Debts - Unrelated Party		1,092,489		
c. Interest Expense				75,000
d. Charitable Contributions				
e.				
f.				
g.				
h.				
i.				
j.				
8. Total adjustments		2,734,862	15,448,547	7,637,648
9. Taxable income as shown in:				
<input checked="" type="checkbox"/> Previous adjustment (2009)				
<input type="checkbox"/> Notice of deficiency dated _____				
<input checked="" type="checkbox"/> Return as filed (2007 and 2008)		3,613,577	1,815,796	96,664
10. Taxable income as revised		6,348,439	17,264,343	7,734,312
11. Tax				
Tax method _____				
Filing status _____		2,158,469	6,010,450	2,629,666
12. Alternative tax, if applicable				
13. Alternative minimum tax (Starting tax year 2000)		0	0	0
14. Corrected tax liability (lesser of line 11 or 12 plus line 13)		2,158,469	6,010,450	2,629,666
15. Less credits				
a.				
b.				
c.				
16. Balance (line 14 less total of lines 15a - 15c)		2,158,469	6,010,450	2,629,666
17. Plus other taxes				
a.				
b.				
c.				
18. Total corrected tax liability (line 16 plus lines 17a - 17c)		2,158,469	6,010,450	2,629,666
19. Total tax shown on return or as previously adjusted		1,228,616	617,371	22,126
20. Adjustments: increase (decrease) to:				
a. Earned income credit				
b. Additional child tax credit				
c. Fuels credits / other				
21. Deficiency - Increase in tax (overassessment - decrease in tax) (line 20 adjusted by lines 20a - 20c)		929,853	6,393,079	2,607,540
22. Adjustments to prepayment credits - Increase (decrease)				
23. Balance due or (overpayment) excluding interest and penalties (line 21 adjusted by line 22)		929,853	5,393,079	2,607,540
24. Penalties and/or Additions to Tax (listed below)				

Form 5278 (Rev. June 2004)

<b>Form 5278</b> (Rev. June 2004)		Department of the Treasury - Internal Revenue Service		Schedule	
		<b>Statement - Income Tax Changes</b>		3	
1. Name(s) of taxpayer(s) VHC, Inc. and Subsidiaries		2. <input checked="" type="checkbox"/> Notice of Deficiency <input type="checkbox"/> Settlement Computation		3. Other (specify)	
3. Taxpayer Identification Number [REDACTED]		4. Form Number 1120	5. Docket Number	6. Office Symbols AP:FW:IL:CHI:TPB:CV	
7. Adjustment to income		Tax years ended			
		12/31/10			
a. Bad Debts - Related Party		10,175,075			
b. Bad Debts - Unrelated Party		*****			
c. Interest Expense		75,000			
d. Charitable Contributions		*****			
e.					
f.					
g.					
h.					
i.					
j.					
8. Total adjustments		10,250,075			
9. Taxable income as shown in:					
<input type="checkbox"/> Preliminary letter dated					
<input type="checkbox"/> Notice of deficiency dated					
<input checked="" type="checkbox"/> Return as filed		(143,003)			
10. Taxable income as revised		10,107,072			
11. Tax					
Tax method					
Filing status		3,437,475			
12. Alternative tax, if applicable					
13. Alternative minimum tax (Starting tax year 2000)		0			
14. Corrected tax liability (lessor of line 11 or 12 plus line 13)		3,437,475			
15. Less credits					
a.					
b.					
c.					
16. Balance (line 14 less total of lines 15a - 15c)		3,437,475			
17. Plus other taxes					
a.					
b.					
c.					
18. Total corrected tax liability (line 16 plus lines 17a - 17c)		3,437,475			
19. Total tax shown on return or as previously adjusted		0			
20. Adjustments: Increase (decrease) to:					
a. Earned income credit					
b. Additional child tax credit					
c. Fuels credits / other					
21. Deficiency - Increase in tax (overassessment - decrease in tax) (line 20 adjusted by lines 20a - 20c)		3,437,475			
22. Adjustments to prepayment credits - Increase (decrease)					
23. Balance due or (overpayment) excluding interest and penalties (line 21 adjusted by line 22)		3,437,475			
24. Penalties and/or Additions to Tax (listed below)					

Form 5278 (Rev. June 2004)



Form 886-A	EXPLANATION OF ADJUSTMENTS	SCHEDULE 4
Name of Taxpayer:		Tax Years
VHC, Inc. and Subsidiaries		2004, 2005, 2006, 2007, 2008, 2009 and 2010

**7.a. Bad Debts - Related Party**

It is determined that you did not establish that the amounts of \$5,889,650; \$10,039,574; \$1,642,373; \$15,448,547; \$7,562,648; and \$10,175,075, deducted on your 2004, 2006, 2007, 2008, 2009 and 2010 returns, respectively, were bad debts arising from a true debtor-creditor relationship. Accordingly, your income for the taxable years ended December 31, 2004; December 31, 2006; December 31, 2007; December 31, 2008; December 31, 2009; and December 31, 2010 is increased by the amounts of \$5,889,650; \$10,039,574; \$1,642,373; \$15,448,547; \$7,562,648; and \$10,175,075, respectively.

Alternatively, you have failed to establish that the debts were wholly or partially worthless during the tax years 2004, 2006, 2007, 2008, 2009 and 2010, and, therefore, no bad debt deductions are allowed. Accordingly, your income for the taxable years ended December 31, 2004; December 31, 2006; December 31, 2007; December 31, 2008; December 31, 2009; and December 31, 2010 is increased by the amounts of \$5,889,650; \$10,039,574; \$1,642,373; \$15,448,547; \$7,562,648; and \$10,175,075, respectively.

	Per Return	Per Audit	Adjustment
December 31, 2004	\$5,904,404	\$14,754	\$5,889,650
December 31, 2006	\$10,040,847	\$1,273	\$10,039,574 *
December 31, 2007	\$2,742,620	\$1,100,247 **	\$1,642,373 **
December 31, 2008	\$15,590,109	\$141,562	\$15,448,547
December 31, 2009	\$8,020,233	\$457,585	\$7,562,648
December 31, 2010	\$10,220,661	\$45,586	\$10,175,075

\* Since the net operating loss in 2006, on which the carrybacks to 2004 and 2005 are based, is disallowed, carrybacks in the amounts of \$1,551,640 and \$3,935,552 for the taxable years ended December 31, 2004 and 2005, respectively, are disallowed.

\*\* See Line 7.b. below for further adjustment.

**7.b. Bad Debts - Unrelated Party**

It is determined that since you did not establish that the amount of \$1,092,489, deducted on your 2007 return, was a bad debt arising from a true debtor-creditor relationship based upon a valid and legally enforceable obligation and that it became worthless during the year, it is disallowed. Accordingly, your taxable income for the tax year ended December 31, 2007 is increased by \$1,092,489.

**7.c. Interest Expense**

It is determined that the amounts of \$75,000 and \$75,000 deducted on your 2009 and 2010 returns as interest expense are, in fact, dividend payments and are disallowed because it has not been established that these amounts were paid for interest on a bona fide debt. Accordingly, your taxable income for the tax years ended December 31, 2009 and December 31, 2010 is increased by \$75,000 and \$75,000, respectively.

**ALTERNATIVE POSITION:** In the event that it is established that the amounts were paid for interest on a bona fide debt, it is determined that this is an above-market loan which should be adjusted to reflect an arm's-length transaction at interest rates of 3.84% and 4.01% for 2009 and 2010, respectively, resulting in interest deductions of \$28,800 and \$30,075. Accordingly, your taxable income for the tax years ended December 31, 2009 and December 31, 2010 is increased by \$46,200 and \$44,925, respectively.

**7.d. Charitable Contributions**

As a result of the change in taxable income caused by the other adjustments in this notice, your charitable contributions limitation for 2006 is increased from \$ -0- to \$250,289. Accordingly, your taxable income for the tax year ended December 31, 2006 is decreased by \$250,289.

**7.e. Net Operating Loss Carryback from 2006**

As a result of the adjustments shown in this notice, you did not sustain a net operating loss in the taxable year 2006. Consequently, there is no net operating loss carryback to either 2004 or 2005, and the tentative allowances for those years of \$504,781 and \$1,360,723 are to be recaptured in full. Accordingly, your tax for the tax years ended December 31, 2004 and December 31, 2005 is increased by \$504,781 and \$1,360,723, respectively.

**13. Alternative Minimum Tax - Schedule 11 Attached**

As a result of the adjustments shown in this notice, your alternative minimum tax for 2009 is \$ -0-, as computed on the attached schedule, rather than the \$3,024 shown on your return. Accordingly, your tax for the tax year ended December 31, 2009 is decreased by \$3,024.

## SCHEDULE 5

Name of Taxpayer:

VHC, Inc. and Subsidiaries

## Form 5278, Line 19 (Tax shown on return or as previously adjusted)

	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
Tax per return.....	527,558	1,490,408	0	1,228,616	617,371	19,188	0
Tentative allowance (2006 carryback)...	(504,781)	(1,360,723)	-----	-----	-----	-----	-----
Previous tax increase.....	-----	-----	-----	-----	-----	2,938	-----
Tax as previously adjusted.....	<u>22,777</u>	<u>129,685</u>	<u>0</u>	<u>1,228,616</u>	<u>617,371</u>	<u>22,126</u>	<u>0</u>

Form **4626****Alternative Minimum Tax - Corporations**

SCHEDULE E

**2004**

Name

**VHC, Inc. and Subsidiaries**

<b>1</b>	Taxable income or (loss) before net operating loss deduction.....	<b>1</b>	7,441,290
<b>2</b>	<b>Adjustments and preferences:</b>		
<b>a</b>	Depreciation of post-1986 property.....	<b>2a</b>	47,084
<b>b</b>	Amortization of certified pollution control facilities.....	<b>2b</b>	
<b>c</b>	Amortization of mining exploration and development costs.....	<b>2c</b>	
<b>d</b>	Amortization of circulation expenditures (personal holding companies only).....	<b>2d</b>	
<b>e</b>	Adjusted gain or loss.....	<b>2e</b>	(26,167)
<b>f</b>	Long-term contracts.....	<b>2f</b>	
<b>g</b>	Merchant marine capital construction funds.....	<b>2g</b>	
<b>h</b>	Section 833(b) deduction (Blue Cross, Blue Shield, and similar organizations).....	<b>2h</b>	
<b>i</b>	Tax shelter farm activities (personal service corporations only).....	<b>2i</b>	
<b>j</b>	Passive activities (closely held and personal service corporations only).....	<b>2j</b>	(27,527)
<b>k</b>	Loss limitations.....	<b>2k</b>	
<b>l</b>	Depletion.....	<b>2l</b>	
<b>m</b>	Tax-exempt interest from specified private activity bonds.....	<b>2m</b>	
<b>n</b>	Intangible drilling costs.....	<b>2n</b>	
<b>o</b>	Other adjustments and preferences.....	<b>2o</b>	
<b>3</b>	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o.....	<b>3</b>	7,434,680
<b>4</b>	<b>Adjusted current earnings (ACE) adjustment:</b>		
<b>a</b>	ACE from line 10 of the worksheet.....	<b>4a</b>	7,416,055
<b>b</b>	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative number (see instructions for examples).....	<b>4b</b>	(18,625)
<b>c</b>	Multiply line 4b by 75%. Enter the result as a positive number.....	<b>4c</b>	13,969
<b>d</b>	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. Note: You must enter an amount on line 4d.....	<b>4d</b>	180,691
<b>e</b>	ACE adjustment: • If line 4b is -0- or more, enter the amount from line 4c • If line 4b is less than -0-, enter the smaller of lines 4c or 4d as a negative amount	<b>4e</b>	(13,969)
<b>5</b>	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT.....	<b>5</b>	7,420,711
<b>6</b>	Alternative tax net operating loss deduction (see instructions).....	<b>6</b>	0
<b>7</b>	Alternative minimum taxable income. Subtract line 6 from line 5.....	<b>7</b>	7,420,711
<b>8</b>	Exemption phase-out computation (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):		
<b>a</b>	Subtract \$150,000 from line 7 (if you are completing this line for a member of a controlled group of corporations, see instructions). If zero or less, enter -0-.....	<b>8a</b>	
<b>b</b>	Multiply line 8a by 25%.....	<b>8b</b>	
<b>c</b>	Exemption. Subtract line 8b from \$40,000 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-.....	<b>8c</b>	0
<b>9</b>	Subtract line 8c from line 7. If zero or less, enter -0-.....	<b>9</b>	7,420,711
<b>10</b>	Multiply line 9 by 20%.....	<b>10</b>	1,484,142
<b>11</b>	Alternative minimum tax foreign tax credit. (See instructions for limitations).....	<b>11</b>	
<b>12</b>	Tentative minimum tax. Subtract line 11 from line 10.....	<b>12</b>	1,484,142
<b>13</b>	Regular tax liability before all credits except the foreign tax credit and possessions tax credit.....	<b>13</b>	2,530,039
<b>14</b>	Alternative minimum tax. Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 4, or the appropriate line of the corporation's income tax return.....	<b>14</b>	0

Form 4626 (2004)



Form **4626****Alternative Minimum Tax - Corporations**

SCHEDULE 7

**2005**

Name

**VHC, Inc. and Subsidiaries**

<b>1</b>	Taxable income or (loss) before net operating loss deduction.....	<b>1</b>	4,383,552
<b>2</b>	<b>Adjustments and preferences:</b>		
<b>a</b>	Depreciation of post-1986 property.....	<b>2a</b>	(72,178)
<b>b</b>	Amortization of certified pollution control facilities.....	<b>2b</b>	
<b>c</b>	Amortization of mining exploration and development costs.....	<b>2c</b>	
<b>d</b>	Amortization of circulation expenditures (personal holding companies only).....	<b>2d</b>	
<b>e</b>	Adjusted gain or loss.....	<b>2e</b>	(5,562)
<b>f</b>	Long-term contracts.....	<b>2f</b>	
<b>g</b>	Merchant marine capital construction funds.....	<b>2g</b>	
<b>h</b>	Section 833(b) deduction (Blue Cross, Blue Shield, and similar organizations).....	<b>2h</b>	
<b>i</b>	Tax shelter farm activities (personal service corporations only).....	<b>2i</b>	
<b>j</b>	Passive activities (closely held and personal service corporations only).....	<b>2j</b>	
<b>k</b>	Loss limitations.....	<b>2k</b>	
<b>l</b>	Depletion.....	<b>2l</b>	
<b>m</b>	Tax-exempt interest from specified private activity bonds.....	<b>2m</b>	
<b>n</b>	Intangible drilling costs.....	<b>2n</b>	
<b>o</b>	Other adjustments and preferences.....	<b>2o</b>	
<b>3</b>	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o.....	<b>3</b>	4,305,812
<b>4</b>	<b>Adjusted current earnings (ACE) adjustment:</b>		
<b>a</b>	ACE from line 10 of the worksheet.....	<b>4a</b>	4,297,394
<b>b</b>	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative number (see instructions for examples).....	<b>4b</b>	(8,418)
<b>c</b>	Multiply line 4b by 75%. Enter the result as a positive number.....	<b>4c</b>	6,314
<b>d</b>	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. Note: You must enter an amount on line 4d.....	<b>4d</b>	166,722
<b>e</b>	ACE adjustment: • If line 4b is -0- or more, enter the amount from line 4c • If line 4b is less than -0-, enter the smaller of lines 4c or 4d as a negative amount	<b>4e</b>	(6,314)
<b>5</b>	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT.....	<b>5</b>	4,299,498
<b>6</b>	Alternative tax net operating loss deduction (see instructions).....	<b>6</b>	0
<b>7</b>	Alternative minimum taxable income. Subtract line 6 from line 5.....	<b>7</b>	4,299,498
<b>8</b>	Exemption phase-out computation (If line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):		
<b>a</b>	Subtract \$150,000 from line 7 (If you are completing this line for a member of a controlled group of corporations, see instructions). If zero or less, enter -0-.....	<b>8a</b>	
<b>b</b>	Multiply line 8a by 25%.....	<b>8b</b>	
<b>c</b>	Exemption. Subtract line 8b from \$40,000 (If you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-.....	<b>8c</b>	0
<b>9</b>	Subtract line 8c from line 7. If zero or less, enter -0-.....	<b>9</b>	4,299,498
<b>10</b>	Multiply line 9 by 20%.....	<b>10</b>	859,900
<b>11</b>	Alternative minimum tax foreign tax credit. (See instructions for limitations.).....	<b>11</b>	
<b>12</b>	Tentative minimum tax. Subtract line 11 from line 10.....	<b>12</b>	859,900
<b>13</b>	Regular tax liability before all credits except the foreign tax credit and possessions tax credit.....	<b>13</b>	1,490,408
<b>14</b>	Alternative minimum tax. Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 4, or the appropriate line of the corporation's income tax return.....	<b>14</b>	0

Form 4626 (2005)

Form <b>4626</b>		<b>Alternative Minimum Tax - Corporations</b>		SCHEDULE 8 <b>2006</b>	
Name <b>VHC, Inc. and Subsidiaries</b>					
<b>1</b>	Taxable income or (loss) before net operating loss deduction.....				<b>1</b> 4,302,511
<b>2</b>	Adjustments and preferences:				
<b>a</b>	Depreciation of post-1986 property.....				<b>2a</b> (54,072)
<b>b</b>	Amortization of certified pollution control facilities.....				<b>2b</b>
<b>c</b>	Amortization of mining exploration and development costs.....				<b>2c</b>
<b>d</b>	Amortization of circulation expenditures (personal holding companies only).....				<b>2d</b>
<b>e</b>	Adjusted gain or loss.....				<b>2e</b> (32,383)
<b>f</b>	Long-term contracts.....				<b>2f</b>
<b>g</b>	Merchant marine capital construction funds.....				<b>2g</b>
<b>h</b>	Section 833(b) deduction (Blue Cross, Blue Shield, and similar organizations).....				<b>2h</b>
<b>i</b>	Tax shelter farm activities (personal service corporations only).....				<b>2i</b>
<b>j</b>	Passive activities (closely held and personal service corporations only).....				<b>2j</b>
<b>k</b>	Loss limitations.....				<b>2k</b>
<b>l</b>	Depletion.....				<b>2l</b>
<b>m</b>	Tax-exempt interest from specified private activity bonds.....				<b>2m</b>
<b>n</b>	Intangible drilling costs.....				<b>2n</b>
<b>o</b>	Other adjustments and preferences.....				<b>2o</b> 167,237
<b>3</b>	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o.....				<b>3</b> 4,383,293
<b>4</b>	Adjusted current earnings (ACE) adjustment:				
<b>a</b>	ACE from line 10 of the ACE worksheet.....			<b>4a</b> 4,383,288	
<b>b</b>	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see instructions).....			<b>4b</b> (7)	
<b>c</b>	Multiply line 4b by 75%. Enter the result as a positive amount.....			<b>4c</b> 5	
<b>d</b>	Enter the excess, if any, of the corporation's total increases in AMTI from prior-year ACE adjustments over its total reductions in AMTI from prior-year ACE adjustments. Note: You must enter an amount on line 4d.....			<b>4d</b> 160,408	
<b>e</b>	ACE adjustment:				
	• If line 4b is -0- or more, enter the amount from line 4c				
	• If line 4b is less than -0-, enter the smaller of lines 4c or 4d as a negative amount				
				<b>4e</b> (5)	
<b>5</b>	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT.....				<b>5</b> 4,383,288
<b>6</b>	Alternative tax net operating loss deduction (see instructions).....				<b>6</b>
<b>7</b>	Alternative minimum taxable income. Subtract line 6 from line 5.....				<b>7</b> 4,383,288
<b>8</b>	Exemption phase-out computation (If line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):				
<b>a</b>	Subtract \$160,000 from line 7 (If you are completing this line for a member of a controlled group of corporations, see instructions). If zero or less, enter -0-.....			<b>8a</b>	
<b>b</b>	Multiply line 8a by 25%.....			<b>8b</b>	
<b>c</b>	Exemption. Subtract line 8b from \$40,000 (If you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-.....			<b>8c</b> 0	
<b>9</b>	Subtract line 8c from line 7. If zero or less, enter -0-.....				<b>9</b> 4,383,288
<b>10</b>	Multiply line 9 by 20%.....				<b>10</b> 876,658
<b>11</b>	Alternative minimum tax foreign tax credit. (See instructions).....				<b>11</b>
<b>12</b>	Tentative minimum tax. Subtract line 11 from line 10.....				<b>12</b> 876,658
<b>13</b>	Regular tax liability before applying all credits except the foreign tax credit and the American Samoa economic development credit.....				<b>13</b> 1,462,854
<b>14</b>	Alternative minimum tax. Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 3, or the appropriate line of the corporation's income tax return.....				<b>14</b> 0

Form 4626 (2006)



Form 4626		Alternative Minimum Tax - Corporations		SCHEDULE 9	
				2007	
Name VHC, Inc. and Subsidiaries					
1	Taxable income or (loss) before net operating loss deduction.....	1		6,348,439	
2	Adjustments and preferences:				
a	Depreciation of post-1986 property.....	2a		(57,932)	
b	Amortization of certified pollution control facilities.....	2b			
c	Amortization of mining exploration and development costs.....	2c			
d	Amortization of circulation expenditures (personal holding companies only).....	2d			
e	Adjusted gain or loss.....	2e		949	
f	Long-term contracts.....	2f			
g	Merchant marine capital construction funds.....	2g			
h	Section 633(b) deduction (Blue Cross, Blue Shield, and similar organizations).....	2h			
i	Tax shelter farm activities (personal service corporations only).....	2i			
j	Passive activities (closely held and personal service corporations only).....	2j			
k	Loss limitations.....	2k			
l	Depletion.....	2l			
m	Tax-exempt interest from specified private activity bonds.....	2m			
n	Intangible drilling costs.....	2n			
o	Other adjustments and preferences.....	2o		44,589	
3	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o.....	3		6,336,045	
4	Adjusted current earnings (ACE) adjustment:				
a	ACE from line 10 of the ACE worksheet.....	4a		6,336,045	
b	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see instructions).....	4b		0	
c	Multiply line 4b by 75%. Enter the result as a positive amount.....	4c		0	
d	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. Note: You must enter an amount on line 4d.....	4d		160,403	
e	ACE adjustment:				
	• If line 4b is -0- or more, enter the amount from line 4c				
	• If line 4b is less than -0-, enter the smaller of lines 4c or 4d as a negative amount				
		4e		0	
5	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT.....	5		6,336,045	
6	Alternative tax net operating loss deduction (see instructions).....	6		0	
7	Alternative minimum taxable income. Subtract line 6 from line 5.....	7		6,336,045	
8	Exemption phase-out (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):				
a	Subtract \$150,000 from line 7 (if you are completing this line for a member of a controlled group of corporations, see instructions). If zero or less, enter -0-.....	8a			
b	Multiply line 8a by 25%.....	8b			
c	Exemption. Subtract line 8b from \$40,000 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-.....	8c		0	
9	Subtract line 8c from line 7. If zero or less, enter -0-.....	9		6,336,045	
10	Multiply line 9 by 20%.....	10		1,267,209	
11	Alternative minimum tax foreign tax credit. (See instructions).....	11			
12	Tentative minimum tax. Subtract line 11 from line 10.....	12		1,267,209	
13	Regular tax liability before applying all credits except the foreign tax credit and the American Samoa economic development credit.....	13		2,158,469	
14	Alternative minimum tax. Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 3, or the appropriate line of the corporation's income tax return.....	14		0	

Form 4626 (2007)

Form 4626		Alternative Minimum Tax - Corporations		SCHEDULE 10 2008	
Name <b>VHC, Inc. and Subsidiaries</b>					
<b>Part I Alternative Minimum Tax Computation</b>					
1	Taxable income or (loss) before net operating loss deduction.....				17,264,343
2	<b>Adjustments and preferences:</b>				
a	Depreciation of post-1986 property.....				(17,346)
b	Amortization of certified pollution control facilities.....				
c	Amortization of mining exploration and development costs.....				
d	Amortization of circulation expenditures (personal holding companies only).....				
e	Adjusted gain or loss.....				(215)
f	Long-term contracts.....				
g	Merchant marine capital construction funds.....				
h	Section 833(b) deduction (Blue Cross, Blue Shield, and similar organizations).....				
i	Tax shelter farm activities (personal service corporations only).....				
j	Passive activities (closely held and personal service corporations only).....				
k	Loss limitations.....				
l	Depletion.....				
m	Tax-exempt interest from specified private activity bonds.....				
n	Intangible drilling costs.....				
o	Other adjustments and preferences.....				5,672
3	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o.....				17,252,454
4	<b>Adjusted current earnings (ACE) adjustment:</b>				
a	ACE from line 10 of the ACE worksheet.....				17,252,454
b	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see instructions).....				0
c	Multiply line 4b by 75%. Enter the result as a positive amount.....				0
d	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. Note: You must enter an amount on line 4d.....				160,403
e	ACE adjustment:				
	* If line 4b is -0- or more, enter the amount from line 4c				
	* If line 4b is less than -0-, enter the smaller of lines 4c or 4d as a negative amount				0
5	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT.....				17,252,454
6	Alternative tax net operating loss deduction (see instructions).....				0
7	Alternative minimum taxable income. Subtract line 6 from line 5.....				17,252,454
8	<b>Exemption phase-out (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):</b>				
a	Subtract \$150,000 from line 7 (if you are completing this line for a member of a controlled group of corporations, see instructions). If zero or less, enter -0-.....				
b	Multiply line 8a by 25%.....				
c	Exemption. Subtract line 8b from \$40,000 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-.....				0
9	Subtract line 8c from line 7. If zero or less, enter -0-.....				17,252,454
10	If the corporation had qualified timber gain, complete Part II and enter the amount from line 24 here. Otherwise, multiply line 9 by 20%.....				3,450,491
11	Alternative minimum tax foreign tax credit. (See instructions).....				
12	Tentative minimum tax. Subtract line 11 from line 10.....				3,450,491
13	Regular tax liability before applying all credits except the foreign tax credit.....				6,010,450
14	Alternative minimum tax. Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 3, or the appropriate line of the corporation's income tax return.....				0

Form 4626 (2008)

Form 4626		Alternative Minimum Tax - Corporations		SCHEDULE 11 2009	
Name <b>VHC, Inc. and Subsidiaries</b>					
<b>Part I Alternative Minimum Tax Computation</b>					
1	Taxable Income or (loss) before net operating loss deduction.....				1 7,734,312
2	<b>Adjustments and preferences:</b>				
a	Depreciation of post-1986 property.....				2a 68,650
b	Amortization of certified pollution control facilities.....				2b
c	Amortization of mining exploration and development costs.....				2c
d	Amortization of circulation expenditures (personal holding companies only).....				2d
e	Adjusted gain or loss.....				2e (8,828)
f	Long-term contracts.....				2f
g	Merchant marine capital construction funds.....				2g
h	Section 833(b) deduction (Blue Cross, Blue Shield, and similar organizations).....				2h
i	Tax shelter farm activities (personal service corporations only).....				2i
j	Passive activities (closely held and personal service corporations only).....				2j
k	Loss limitations.....				2k
l	Depletion.....				2l
m	Tax-exempt interest from specified private activity bonds.....				2m
n	Intangible drilling costs.....				2n
o	Other adjustments and preferences.....				2o (5,983)
3	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o.....				3 7,788,151
4	<b>Adjusted current earnings (ACE) adjustment:</b>				
a	ACE from line 10 of the ACE worksheet.....				4a 7,788,151
b	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see instructions).....				4b 0
c	Multiply line 4b by 75%. Enter the result as a positive amount.....				4c 0
d	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. <i>Note: You must enter an amount on line 4d.</i> .....				4d 160,403
e	ACE adjustment: • If line 4b is -0- or more, enter the amount from line 4c • If line 4b is less than -0-, enter the smaller of lines 4c or 4d as a negative amount				4e 0
5	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT.....				5 7,788,151
6	Alternative tax net operating loss deduction (see instructions).....				6
7	Alternative minimum taxable income. Subtract line 6 from line 5.....				7 7,788,151
8	<b>Exemption phase-out (If line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):</b>				
a	Subtract \$150,000 from line 7 (if you are completing this line for a member of a controlled group of corporations, see instructions). If zero or less, enter -0-.....				8a
b	Multiply line 8a by 25%.....				8b
c	Exemption. Subtract line 8b from \$40,000 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-.....				8c 0
9	Subtract line 8c from line 7. If zero or less, enter -0-.....				9 7,788,151
10	If the corporation had qualified timber gain, complete Part II and enter the amount from line 24 here. Otherwise, multiply line 9 by 20%.....				10 1,557,630
11	Alternative minimum tax foreign tax credit. (See instructions.).....				11
12	Tentative minimum tax. Subtract line 11 from line 10.....				12 1,557,630
13	Regular tax liability before applying all credits except the foreign tax credit.....				13 2,629,666
14	Alternative minimum tax. Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 3, or the appropriate line of the corporation's income tax return.....				14 0

Form 4626 (2009)



Form 4626		Alternative Minimum Tax - Corporations		SCHEDULE 12	2010
Name VHC, Inc. and Subsidiaries					
<b>Part I Alternative Minimum Tax Computation</b>					
1	Taxable income or (loss) before net operating loss deduction.....	1		10,107,072	
2	Adjustments and preferences:				
a	Depreciation of post-1986 property.....	2a		36,545	
b	Amortization of certified pollution control facilities.....	2b			
c	Amortization of mining exploration and development costs.....	2c			
d	Amortization of circulation expenditures (personal holding companies only).....	2d			
e	Adjusted gain or loss.....	2e			
f	Long-term contracts.....	2f			
g	Merchant marine capital construction funds.....	2g			
h	Section 833(b) deduction (Blue Cross, Blue Shield, and similar organizations).....	2h			
i	Tax shelter farm activities (personal service corporations only).....	2i			
j	Passive activities (closely held and personal service corporations only).....	2j			
k	Loss limitations.....	2k			
l	Depletion.....	2l			
m	Tax-exempt interest from specified private activity bonds.....	2m			
n	Intangible drilling costs.....	2n			
o	Other adjustments and preferences.....	2o			
3	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o.....	3		10,143,617	
4	Adjusted current earnings (ACE) adjustment:				
a	ACE from line 10 of the ACE worksheet.....	4a		10,152,737	
b	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see instructions).....	4b		9,120	
c	Multiply line 4b by 75%. Enter the result as a positive amount.....	4c		6,840	
d	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. Note: You must enter an amount on line 4d.....	4d		160,403	
e	ACE adjustment: • If line 4b is -0- or more, enter the amount from line 4c • If line 4b is less than -0-, enter the smaller of lines 4c or 4d as a negative amount	4e		6,840	
5	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT.....	5		10,150,457	
6	Alternative tax net operating loss deduction (see instructions).....	6			
7	Alternative minimum taxable income. Subtract line 6 from line 5.....	7		10,150,457	
8	Exemption phase-out (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):				
a	Subtract \$160,000 from line 7 (if you are completing this line for a member of a controlled group of corporations, see instructions). If zero or less, enter -0-.....	8a			
b	Multiply line 8a by 25%.....	8b			
c	Exemption. Subtract line 8b from \$40,000 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-.....	8c		0	
9	Subtract line 8c from line 7. If zero or less, enter -0-.....	9		10,150,457	
10	Multiply line 9 by 20%.....	10		2,030,091	
11	Alternative minimum tax foreign tax credit. (See instructions).....	11			
12	Tentative minimum tax. Subtract line 11 from line 10.....	12		2,030,091	
13	Regular tax liability before applying all credits except the foreign tax credit.....	13		3,437,475	
14	Alternative minimum tax. Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 3, or the appropriate line of the corporation's income tax return.....	14		0	

Form 4626 (2010)

Form <b>8827</b>		SCHEDULE 13	
<b>Credit For Prior Year Minimum Tax - Corporations</b>		<b>2010</b>	
Name <b>VHC, Inc. and Subsidiaries</b>			
1	Alternative minimum tax (AMT) for 2009. Enter the amount from line 14 of the 2009 Form 4626.....	1	0
2	Minimum tax credit carryforward from 2009. Enter the amount from line 9 of the 2009 Form 8827...	2	0
3	Enter any 2009 unallowed qualified electric vehicle credit.....	3	0
4	Add lines 1, 2, and 3.....	4	0
5	Enter the corporation's 2010 regular income tax liability minus allowable tax credits.....	5	3,437,475
6	Is the corporation a "small corporation" exempt from the AMT for 2010? • Yes. Enter 25% of the excess of line 5 over \$25,000. If line 5 is \$25,000 or less, enter -0-. • No. Complete Form 4626 for 2010 and enter the tentative minimum tax from line 12.	6	2,030,091
7a	Subtract line 6 from line 5. If zero or less, enter -0-.....	7a	1,407,384
b	For a corporation electing to accelerate the minimum tax credit, enter the bonus depreciation amount attributable to the minimum tax credit.....	7b	
c	Add lines 7a and 7b.....	7c	1,407,384
8a	Enter the smaller of line 4 or line 7c. If the corporation had a post-1986 ownership change or has pre-acquisition excess credits, see instructions.....	8a	0
b	Current year minimum tax credit. Enter the smaller of line 4 or line 7a here and on Form 1120, Schedule J, line 5d (or the applicable line of your return). If you made an entry on line 7b, go to line 8c. Otherwise, skip line 8c.....	8b	0
c	Subtract line 8b from line 8a. This is the refundable amount for a corporation electing to accelerate the minimum tax credit. Include this amount on line 32g of Form 1120 (or the applicable line of your return).....	8c	
9	Minimum tax credit carryforward to 2011. Subtract line 8a from line 4.....	9	0

Form 8827 (2010)



Form <b>2285</b> (Rev. June 2012)		Department of the Treasury - Internal Revenue Service						
Concurrent Determinations of Deficiencies (Increases in Tax) and Overassessments (Decreases in Tax) in Cases Involving Restricted Interest Provisions of the Internal Revenue Code								
Taxpayer's Name <b>VHC, Inc. and Subsidiaries</b>				Taxpayer Identification Number <b>[REDACTED]</b>			Taxable Year Ended <b>12/31/04</b>	
Prepared by <b>C. Wachter</b>				Preparer's Phone Number <b>(312) 582-6188</b>			Date <b>04/24/13</b>	
Section I								
Computation of increase (decrease) in tax	General Adjustments 12/31/04 (a)	Other (b)	Taxable Year Ended 12/31/06 (c)	Taxable Year Ended (d)	Taxable Year Ended (e)	Taxable Year Ended (f)	Taxable Year Ended (g)	After All Adjustments (h)
1. Taxable income for income tax purposes	1,551,640		7,441,290					1,551,640
2. Net adjustments	5,885,650		0					5,885,650
3. Corrected taxable income	7,441,290		7,441,290					7,441,290
4. Corrected income tax before current and carryback tax credits	2,530,039		2,530,039					2,530,039
5. Current tax credits	0		0					0
6. Less tax credit carryback			0					0
7. Total corrected tax liability	2,530,039		2,530,039					2,530,039
8. Previous tax liability	517,558		2,530,039					517,558
9. Increase (decrease) in tax	2,012,481		0					2,012,481
10. Tentative allowance			504,781					504,781
11. Net increase (decrease) in tax excluding refundable credits	2,012,481		504,781					2,012,481
Section II - Other Notations or Comments							510 Date	
							28C Date	
							LCU - 2% Date	
							Section 6608 Deposit Date	
							Section 6613 Amount	

Form 2285 (Rev. 6-29-12)

SCHEDULE 14

Form <b>2285</b> (Rev. June 2012)		Department of the Treasury - Internal Revenue Service <b>Concurrent Determinations of Deficiencies (Increases in Tax) and Overassessments (Decreases in Tax) in Cases Involving Restricted Interest Provisions of the Internal Revenue Code</b>						
Taxpayer's Name <b>VHC, Inc. and Subsidiaries</b>				Taxpayer Identification Number <b>██████████</b>		Taxable Year Ended <b>12/31/05</b>		
Prepared by <b>C. Wagner</b>				Preparer's Phone Number <b>(312) 632-6888</b>		Date <b>04/24/13</b>		
<b>Section I</b>		<b>Carryback Losses or Credits From</b>						
Computation of increase (decrease) in tax	General Adjustments 12/31/05 (a)	Other (b)	Taxable Year Ended 12/31/06 (c)	Taxable Year Ended (d)	Taxable Year Ended (e)	Taxable Year Ended (f)	Taxable Year Ended (g)	After All Adjustments (h)
1. Taxable income for income tax purposes	4,383,552		4,383,552					4,383,552
2. Net adjustments	0		0					0
3. Correct taxable income	4,383,552		4,383,552					4,383,552
4. Corrected income tax before current and carryback tax credits	1,490,408		1,490,408					1,490,408
5. Current tax credits	0		0					0
6. Less tax credit carryback			0					0
7. Total corrected tax liability	1,490,408		1,490,408					1,490,408
8. Previous tax liability	1,490,408		1,490,408					1,490,408
9. Increase (decrease) in tax	0		0					0
10. Tentative allowance			1,360,723					1,360,723
11. Net increase (decrease) in tax excluding refundable credits	0		1,360,723					1,360,723
<b>Section II - Other Notations or Comments</b>						870. Date		
						23C Date		
						LCU - 2% Date		
						Section 6603 Deposit Date		
						Section 6603 Amount		

Form 2285 (Rev. 6-2012)

SCHEDULE 16

00019



Department of the Treasury  
Internal Revenue Service  
Small Business and Self-Employed  
211 West Wisconsin Avenue  
Milwaukee WI 53203-2303

CERTIFIED MAIL

VHC Inc.  
3090 Holmgren Way  
Green Bay WI 54304-5736

Date: **MAY 28 2015**

Taxpayer Identification Number:

Form:  
1120

Person to Contact:  
William Keller

Contact Telephone Number:  
414-231-2230

Contact Fax Number:  
877-468-6705

Employee Identification Number:  
1000480906

Last Day to File a Petition With the  
United States Tax Court:

**AUG 26 2015**

Tax Year Ended:	December 31, 2011	December 31, 2012	December 31, 2013
Deficiency:			
Increase in tax	\$1,941,442.00	\$8,593,094.00	\$4,259,288.00
Penalties or Additions to Tax			

Dear VHC Inc.:

**Why We Are Sending You This Letter**

We determined that you owe additional tax or other amounts, or both, for the tax year or years identified above. This letter is your NOTICE OF DEFICIENCY, as required by law. The enclosed Form 4549-A, *Income Tax Discrepancy Adjustments* or Form 5278, *Statement - Income Tax Changes*, shows how we figured the deficiency.

**If You Wish to Challenge This Determination**

If you want to challenge this determination in court before making any payment, you have 90 days from the date of this letter (150 days if this letter is addressed to you outside of the United States) to file a petition with the United States Tax Court to reconsider the deficiency.

**Information You Will Need**

If you have recently sought bankruptcy relief by filing a petition in bankruptcy court, see enclosed Notice 1421, *How Bankruptcy Affects Your Right to File a Petition in Tax Court in Response to a Notice of Deficiency*.

Letter 5  
Catalog No.

**EXHIBIT**

**EXHIBIT 17-J**

Docket Nos. 4756-15

21583-15

00001

SA 0074

You can get a copy of the rules for filing a petition and a petition form by writing to the following address:

United States Tax Court  
400 Second Street, NW  
Washington, DC 20217

- The Tax Court has a simplified procedure for small tax cases when the dispute for each tax year is \$50,000 or less.
- If you use this simplified procedure, you cannot challenge the Tax Court's decision. You can get information on the simplified procedure for small cases from the Tax Court by writing to the court at the address above or from the court's internet site at [www.ustaxcourt.gov](http://www.ustaxcourt.gov).
- If you file a petition for multiple tax years and the dispute for any one or more of the tax years exceeds \$50,000, this simplified procedure is not available to you.

#### **The Law Regarding Married Couples**

The law requires separate notices for husbands and wives. Both must sign and file the petition or each must file a separate, signed petition if this letter is addressed to both husband and wife, and both want to petition the Tax Court.

If only one spouse is in bankruptcy at the time this letter was issued or files a bankruptcy petition after the date of this letter, the bankruptcy automatic stay does not prohibit the spouse who is not in bankruptcy from filing a petition with Tax Court. The bankruptcy automatic stay of the spouse seeking bankruptcy relief does not extend the time for filing a petition in Tax Court for the spouse who is not in bankruptcy.

#### **How to File Your Petition Form**

Send the completed petition form, a copy of this letter, and copies of all statements and/or schedules you received with this letter to the Tax Court at the address above. If more than one tax year is shown above, you may file one petition form showing all of the years you are challenging.

You may represent yourself before the Tax Court, or you may be represented by anyone admitted to practice before the Tax Court.

#### **Time Limits on Filing a Petition**

The time you have to file a petition in the Tax Court is set by law.

1. The petition is considered timely filed if the postmark date falls within the prescribed 90 or 150 day period and the envelope containing the petition is properly addressed with the correct postage.
2. The Tax Court cannot consider your case if your Tax Court petition is filed late. IRS cannot grant an extension or allow a suspension of the prescribed deadline, even for reasonable cause. Thus, contacting the Internal Revenue Service (IRS) for more information, or receiving other correspondence from the IRS won't change the allowable period for filing a petition with the Tax Court.

#### **If You Agree with the Notice of Deficiency**

If you decide not to file a petition with the Tax Court, please sign the enclosed Form 4089-B, *Notice of Deficiency - Waiver*, and return it to us at the IRS address on the top of the first page of this letter. This will permit us to assess the deficiency quickly and can help limit the accumulation of interest.

Letter 531 (Rev. 8-2012)  
Catalog Number 40223L



**If We Don't Hear from You**

If you decide not to sign and return Form 4089-B, and you do not file a petition with the Tax Court within the time limit, the law requires us to assess and bill you for the deficiency after 90 days from the date of this letter (150 days if this letter is addressed to you outside the United States).

NOTE: If you are a C-corporation, section 6621(c) of the Internal Revenue Code requires that we charge an interest rate two percent higher than the normal rate on corporate underpayments in excess of \$100,000.

**Information About the IRS Taxpayer Advocate Office**

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. You may be eligible for help from the Taxpayer Advocate Service (TAS) if you have tried to resolve your tax problem through normal IRS channels and have gotten nowhere, or you believe an IRS procedure just isn't working as it should. TAS is your voice at the IRS. TAS helps taxpayers whose problems are causing financial difficulty or significant cost, including the cost of professional representation (this includes businesses as well as individuals). You can reach TAS by calling the TAS toll-free number at 1-877-777-4778 or by contacting the local Taxpayer Advocate office at:

211 West Wisconsin Ave  
Room 507  
Milwaukee, WI 53203

To learn more about TAS and your basic tax responsibilities, visit [www.TaxpayerAdvocate.irs.gov](http://www.TaxpayerAdvocate.irs.gov).

**How to Contact Us**

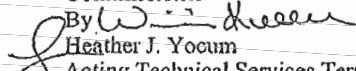
You may write or call the contact person whose name, telephone number, and IRS address are shown in the heading of this letter if you need further assistance. If you write, please include your telephone number, the best times if we need to call you and a copy of this letter to help us identify your account.

If you prefer to call and the telephone number is outside your local calling area, there may be a long distance charge to you.

Keep the original letter for your records.

Sincerely,

John A. Koskinen  
Commissioner

By   
Heather J. Yocum  
Acting Technical Services Territory Manager

Enclosures:  
Form 4549-A or Form 5278  
Form 4089-B



Page: 4

Continuation Sheet

NAME: VHC Inc.

TIN: [REDACTED]

Interest on Deficiencies

Interest on Deficiencies will accrue from the due date of the return until paid.

Form **4089-B**  
(October 1999)

Department of the Treasury — Internal Revenue Service

**Notice of Deficiency-Waiver**

Symbols

SE:SE:TS:MW:3

Name and address of taxpayer(s)

VHC Inc.  
3090 Holmgren Way  
Green Bay, Wisconsin 54304-5736  
United States

Social Security or Employer Identification Number

[REDACTED]

Kind of tax

Income

☒ Copy to authorized representativeWilliam F Meulbroek  
2200 Riverside Drive  
Green Bay, WI 54305-3819**DEFICIENCY — Increase in Tax and Penalties**

Tax Year Ended:	December 31, 2011	December 31, 2012	December 31, 2013
Deficiency: Increase in tax	1,941,442.00	8,593,094.00	4,259,288.00
Penalties			

See the attached explanation for the above deficiencies

I consent to the immediate assessment and collection of the deficiencies (increase in tax and penalties) shown above, plus any interest provided by law.

Your Signature

(Date signed)

Spouse's Signature  
(If A Joint Return  
Was Filed)

(Date signed)

Taxpayer's  
Representative  
Sign Here

(Date signed)

Corporate Name

Corporate Officers  
Sign Here

(Signature)

(Title)

(Date signed)

(Signature)

(Title)

(Date signed)

If you agree, please sign one copy and return it; keep the other copy for your records.

Cat. No. 29000E

www.irs.gov

Form **4089-B** (10-1999)

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**Instructions for Form 4089 B**

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**Note:**

If you consent to the assessment of the amounts shown in this waiver, please sign and return it in order to limit the accumulation of interest and expedite our bill to you. Your consent will not prevent you from filing a claim for refund (after you have paid the tax) if you later believe you are entitled to a refund. It will not prevent us from later determining, if necessary, that you owe additional tax; nor will it extend the time provided by law for either action.

If you later file a claim and the Internal Revenue Service disallows it, you may file suit for refund in a district court or in the United States Claims Court, but you may not file a petition with the United States Tax Court.

**Who Must Sign**

If this waiver is for any year(s) for which you filed a joint return, both you and your spouse must sign the original and duplicate of this form. Sign your name exactly as it appears on the return. If you are acting under power of attorney for your spouse, you may sign as agent for him or her.

For an agent or attorney acting under a power of attorney, a power of attorney must be sent with this form if not previously filed.

For a person acting in a fiduciary capacity (executor, administrator, trustee), file Form 56, Notice Concerning Fiduciary Relationship, with this form if not previously filed.

For a corporation, enter the name of the corporation followed by the signature and title of the officer(s) authorized to sign.

**Optional Paragraphs**

A check in the block to the left of a paragraph below indicates that the paragraph applies to your situation.

- ☐ The amount shown as the deficiency may not be billed, since all or part of the refund due has been held to offset all or a portion of the amount of the deficiency. The amount that will be billed, if any, is shown on the attached examination report.
- ☐ The amount shown as a deficiency may not be billed, since the refund due will be reduced by the amount of the deficiency. The net refund due is shown on the attached examination report.

Form <b>4089-B</b> (October 1999)	Department of the Treasury — Internal Revenue Service	Symbols
<b>Notice of Deficiency-Waiver</b>		SE:SE:TS:MW:3

Name and address of taxpayer(s)  
VHC Inc.  
3090 Holmgren Way  
Green Bay, Wisconsin 54304-5736  
United States

Social Security or Employer Identification Number  
[REDACTED]

Kind of tax	<input checked="" type="checkbox"/> Copy to authorized representative
Income	William J Meulbroek 2200 Riverside Drive Green Bay, WI 54305-3819

DEFICIENCY — Increase in Tax and Penalties			
Tax Year Ended:	December 31, 2011	December 31, 2012	December 31, 2013
Deficiency: Increase in tax	1,941,442.00	8,593,094.00	4,259,288.00
Penalties			

See the attached explanation for the above deficiencies

I consent to the immediate assessment and collection of the deficiencies (increase in tax and penalties) shown above, plus any interest provided by law.

Your Signature → \_\_\_\_\_ (Date signed)

Spouse's Signature  
(If A Joint Return Was Filed) → \_\_\_\_\_ (Date signed)

Taxpayer's Representative Sign Here → \_\_\_\_\_ (Date signed)

Corporate Name → \_\_\_\_\_

Corporate Officers Sign Here	→ _____ (Signature)	→ _____ (Title)	→ _____ (Date signed)
	→ _____ (Signature)	→ _____ (Title)	→ _____ (Date signed)

If you agree, please sign one copy and return it; keep the other copy for your records.

Cat. No. 29000E

www.irs.gov

Form **4089-B** (10-1999)



Form 4549-A (Rev. March 2013)		Department of the Treasury-Internal Revenue Service Income Tax Examination Changes (Unagreed and Excepted Agreed)		Page _____ of _____
Name and Address of Taxpayer VHC Inc. 3090 Holmgren Way Green Bay, Wisconsin 54304-5736		Taxpayer Identification Number [REDACTED]		Return Form No.: 1120
Person with whom examination changes were discussed:		Name and Title:		
1. Adjustments to Income	Period End 12/31/2011	Period End 12/31/2012	Period End 12/31/2013	
a. Bad debts	29,162,217.00	1,229,017.00	10,907,594.00	
b. Interest expense	75,000.00	75,000.00	69,000.00	
c. Net operating loss deduction (NOLD)		24,198,464.00		
d.				
e.				
f.				
g.				
h.				
i.				
j.				
k.				
l.				
m.				
n.				
o.				
p.				
2. Total Adjustments	29,257,217.00	25,502,481.00	10,976,594.00	
3. Taxable Income Per Return or as Previously Adjusted	(23,544,124.00)	456,143.00	7,923,587.00	
4. Corrected Taxable Income	5,713,093.00	25,958,624.00	18,898,181.00	
Tax Method				
Filing Status				
5. Tax	1,942,452.00	9,085,518.00	6,611,563.00	
6. Additional Taxes / Alternative Minimum	0.00	0.00	0.00	
7. Corrected Tax Liability	1,942,452.00	9,085,518.00	6,611,563.00	
8. Less				
a. Credits				
b. Total Credits (See attached schedule)	1,010.00		0.00	
c.				
d.				
9. Balance (Line 7 less total of Lines 8a thru 8d)	1,941,442.00	9,085,518.00	6,611,563.00	
10. Plus				
a. Other				
b. Taxes				
c.				
d.				
11. Total Corrected Tax Liability (Line 9 plus Lines 10a thru 10d)	1,941,442.00	9,085,518.00	6,611,563.00	
12. Total Tax Shown on Return or as Previously Adjusted	0.00	492,424.00	2,352,275.00	
13. Adjustments to:				
a.				
b.				
c.				
14. Deficiency-Increase in Tax or (Overassessment - Decrease in Tax) (Line 11 less Line 12 adjusted by Lines 13a through 13c)	1,941,442.00	8,593,094.00	4,259,288.00	
15. Adjustments to Prepayment Credits-Increase (Decrease)	0.00	0.00	0.00	
16. Balance Due or (Overpayment) - (Line 14 adjusted by Line 15) (Excluding interest and penalties)	1,941,442.00	8,593,094.00	4,259,288.00	

Catalog Number 23110T

www.irs.gov

Form 4549-A (Rev. 3-2013)

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SA 0081

Form 4549-A  
(Rev. March 2013)Department of the Treasury-Internal Revenue Service  
Income Tax Examination Changes  
(Unagreed and Excepted Agreed)

Page of

Name of Taxpayer  
VHC Inc.

Taxpayer Identification Number

Return Form No.:

1120

## 17. Penalties/ Code Sections

Period End  
12/31/2011Period End  
12/31/2012Period End  
12/31/2013a.  
b.  
c.  
d.  
e.  
f.  
g.  
h.  
i.  
j.  
k.  
l.  
m.  
n.

## 18. Total Penalties

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.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.Underpayment attributable to Tax Motivated Transactions (TMT).  
Interest will accrue and be assessed at 120% of underpayment rate in accordance with IRC 6621(c).

## 19. Summary of Taxes, Penalties and Interest:

a. Balance due or (Overpayment) Taxes - (Line 16, Page 1)

1,941,442.00

8,592,094.00

4,259,288.00

b. Penalties (Line 18) - computed to 06/11/2015

c. Interest (IRC § 6601) - computed to 06/11/2015

0.00

0.00

0.00

d. TMT Interest - computed to 06/11/2015 (on TMT underpayment)

e. Amount due or refund - (sum of Lines a, b, c and d)

1,941,442.00

8,592,094.00

4,259,288.00

Other Information:

Examiner's Signature:  
Name

Employee ID:

Office:

Date:

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.

Catalog Number 23110T

www.irs.gov

Form 4549-A (Rev. 3-2013)

00009

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Total

Taxpayer: VHC Inc.

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TIN: [REDACTED]

Tax Periods: 201112, 201212, 201312

## 201112 - Income Tax Computation

1. Taxable Income per Return or as Corrected	5,713,093.00
2. (a) Net Capital Gain (section 1201 gain, excess of NLTCG over NSTCL) for the taxable year	0.00
(b) Net Capital Gain on transactions after 12/31/78 and before 1/1/87, but no more than Line 2(a) above	0.00
(c) Subtract Line 2(b) from Line 2(a)	0.00
3. Taxable Income less Net Capital Gain (Line 1 Less 2(a))	5,713,093.00

## Computation of Regular Tax

4. Taxable Income per return or as previously corrected (Line 1)	5,713,093.00
--	--------------

FOR PERIOD ENDING 12/31/2011

Surtax / Excess T.I.	Tax	Surtax / Excess T.I.	Tax	Surtax / Excess T.I.	Tax
5. 0%		0%		15%	50,000.00
6. 0%		0%		25%	25,000.00
7. 0%		0%		34%	5,638,093.00
8. 0%		0%		0%	
9. 0%		0%		35%	0.00
10. .5% Additional Tax					11,750.00
11. 3% Additional Tax					0.00
12. Modifications *					0.00
13. Subtotal					1,942,452.00
Pro-ration of Tax (if required) Applicable %	0.0000%		0.0000%		
14. Regular Tax					1,942,452.00

## Computation of Alternative Tax

15. Taxable Income less Net Capital Gain (Line 3) (Line 3)	5,713,093.00
---	--------------

FOR PERIOD ENDING 12/31/2011

Surtax / Excess T.I.	Tax	Surtax / Excess T.I.	Tax	Surtax / Excess T.I.	Tax
16. 0%		0%		0%	0.00
17. 0%		0%		0%	0.00
18. 0%		0%		0%	0.00
19. 0%		0%		0%	0.00
20. 0%		0%		0%	0.00
21. 5% Additional Tax					0.00
22. 3% Additional Tax					0.00
23. Modifications *					0.00
24. Subtotal					0.00
Pro-ration of Tax (if required) Applicable %	0.0000%		0.0000%		0.00
25. Regular Tax					0.00
26. Tax on net capital gains					
(a) 28% of Line 2(b) for gains after 1986					0.00
(b) 34% of Line 2(c)					0.00
27. Total Alternative Tax					0.00
28. Income Tax (Line 13 or (Lesser of line 13 or 25, if alternative tax is applicable))					1,942,452.00

\* Modifications to the income tax shown on line 3 of Schedule J. These include but may not be limited to IRC § 594, 1291, and 197(f) items.

Total

Taxpayer: VHC Inc.

Page of

TIN: [REDACTED]

Tax Periods: 201112, 201212, 201312

## 201212 - Income Tax Computation

1. Taxable Income per Return or as Corrected	25,958,624.00
2. (a) Net Capital Gain (section 1201 gain, excess of NLTCG over NSTCL) for the taxable year	0.00
(b) Net Capital Gain on transactions after 12/31/78 and before 1/1/87, but no more than Line 2(a) above	0.00
(c) Subtract Line 2(b) from Line 2(a)	0.00
3. Taxable Income less Net Capital Gain (Line 1 Less 2(a))	25,958,624.00

## Computation of Regular Tax

4. Taxable Income per return or as previously corrected (Line 1)	25,958,624.00
--	---------------

FOR PERIOD ENDING 12/31/2012

Surtax / Excess T.I.	Tax	Surtax / Excess T.I.	Tax	Surtax / Excess T.I.	Tax
5. 0%		0%		15%	50,000.00
6. 0%		0%		25%	25,000.00
7. 0%		0%		34%	9,925,000.00
8. 0%		0%		0%	
9. 0%		0%		35%	15,958,624.00
10. 5% Additional Tax					11,959.00
11. 3% Additional Tax					100,000.00
12. Modifications *					0.00
13. Subtotal					9,085,518.00
Pro-ration of Tax (if required) Applicable %	0.0000%		0.0000%		
14. Regular Tax		+		=	9,085,518.00

## Computation of Alternative Tax

15. Taxable Income less Net Capital Gain (Line 3) (Line 3)	25,958,624.00
--	---------------

FOR PERIOD ENDING 12/31/2012

Surtax / Excess T.I.	Tax	Surtax / Excess T.I.	Tax	Surtax / Excess T.I.	Tax
16. 0%		0%		0%	0.00
17. 0%		0%		0%	0.00
18. 0%		0%		0%	0.00
19. 0%		0%		0%	0.00
20. 0%		0%		0%	0.00
21. 5% Additional Tax					0.00
22. 3% Additional Tax					0.00
23. Modifications *					0.00
24. Subtotal					0.00
Pro-ration of Tax (if required) Applicable %	0.0000%		0.0000%		0.00
25. Regular Tax		+		=	0.00
26. Tax on net capital gains					0.00
(a) 28% of Line 2(b) for gains after 1986					0.00
(b) 34% of Line 2(c)					0.00
27. Total Alternative Tax					0.00
28. Income Tax (Line 13 or (Lesser of Line 13 or 25, if alternative tax is applicable))					9,085,518.00

\* Modifications to the income tax shown on line 3 of Schedule J. These include but may not be limited to IRC § 594, 1291, and 1291(f) items.



Total

Taxpayer: VHC Inc.

TIN: [REDACTED]

Page of

Tax Periods: 201112, 201212, 201312

**201312 - Income Tax Computation**

1. Taxable Income per Return or as Corrected	18,890,181.00
2. (a) Net Capital Gain (section 1201 gain, excess of NLTCG over NSTCL) for the taxable year	0.00
(b) Net Capital Gain on transactions after 12/31/78 and before 1/1/87, but no more than Line 2(a) above	0.00
(c) Subtract Line 2(b) from Line 2(a)	0.00
3. Taxable Income less Net Capital Gain (Line 1 Less 2(a))	18,890,181.00

**Computation of Regular Tax**

4. Taxable Income per return or as previously corrected (Line 1)	18,890,181.00
--	---------------

FOR PERIOD ENDING 12/31/2013

Surtax / Excess T.I.	Tax	Surtax / Excess T.I.	Tax	Surtax / Excess T.I.	Tax
5. 0%		0%		15%	50,000.00
6. 0%		0%		25%	25,000.00
7. 0%		0%		34%	9,925,000.00
8. 0%		0%		0%	
9. 0%		0%		35%	8,890,181.00
10. 5% Additional Tax					11,750.00
11. 3% Additional Tax					100,000.00
12. Modifications *					0.00
13. Subtotal					6,611,563.00
Pro-ration of Tax (if required) Applicable %	0.0000%		0.0000%		
14. Regular Tax		+		=	6,611,563.00

**Computation of Alternative Tax**

15. Taxable Income less Net Capital Gain (Line 3) (Line 3)	18,890,181.00
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FOR PERIOD ENDING 12/31/2013

Surtax / Excess T.I.	Tax	Surtax / Excess T.I.	Tax	Surtax / Excess T.I.	Tax
16. 0%		0%		0%	0.00
17. 0%		0%		0%	0.00
18. 0%		0%		0%	0.00
19. 0%		0%		0%	0.00
20. 0%		0%		0%	0.00
21. 5% Additional Tax					0.00
22. 3% Additional Tax					0.00
23. Modifications *					0.00
24. Subtotal					0.00
Pro-ration of Tax (if required) Applicable %	0.0000%		0.0000%		0.00
25. Regular Tax		+		=	0.00
26. Tax on net capital gains					0.00
(a) 28% of Line 2(b) for gains after 1986					0.00
(b) 34% of Line 2(c)					0.00
27. Total Alternative Tax					0.00
28. Income Tax (Line 13 or (Lesser of line 13 or 25; if alternative tax is applicable))					6,611,563.00

\* Modifications to the income tax shown on line 3 of Schedule J. These include but may not be limited to IRC § 594, 1291, and 197(f) items.

Total

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Taxpayer: VHC Inc. Page of  
TIN: Tax Periods: 201112, 201212, 201312

### 201112 - Summary of Credits

Description	(a) Available Per Return	(b) Adjustments	(c) Available As Corrected [(a) - (b)]	(d) Total Credit Allowed *	(e) Unused Credits [(c) - (d)]
1. Foreign Tax (Form 1118)	0.00	0.00	0.00	0.00	0.00
2. Qualified Electric Vehicle (Form 8834)	0.00	0.00	0.00	0.00	0.00
3. General Business (Form 3800)	0.00	0.00	0.00	0.00	0.00
4. Prior Year Minimum Tax (Form 8827)	1,010.00	0.00	1,010.00	1,010.00	0.00
5. Credit to Holders of Tax Credit Bonds (Form 8912)	0.00	0.00	0.00	0.00	0.00
<b>Total Credits</b>	<b>1,010.00</b>	<b>0.00</b>	<b>1,010.00</b>	<b>1,010.00</b>	<b>0.00</b>
<b>Income Tax Before Credits</b>				<b>1,942,452.00</b>	

\* This amount includes any refundable portion allowed for the General Business credit (Form 3800) and the Prior Year Minimum Tax credit (Form 8827)

Total

Taxpayer: VHC Inc.

Page of

TIN: [REDACTED]

## 201112 - Summary of Credit Adjustments

Issue Number	SAIN Number	Entity	Amount	Category
L - 1	604-07	VHC Inc.	0.00	Prior year minimum tax credit

Total

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Taxpayer: VHC Inc. Page of  
 TIN: Tax Periods: 201112, 201212, 201312

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**201212 - Summary of Credits**

	(a)	(b)	(c)	(d)	(e)
	Available		Available	Total Credit	Unused Credits
Description	Per Return	Adjustments	As Corrected [ (a) - (b) ]	Allowed *	[ (c) - (d) ]
1. Foreign Tax (Form 1118)	0.00	0.00	0.00	0.00	0.00
2. Qualified Electric Vehicle (Form 8834)	0.00	0.00	0.00	0.00	0.00
3. General Business (Form 3800)	0.00	0.00	0.00	0.00	0.00
4. Prior Year Minimum Tax (Form 8827)	0.00	0.00	0.00	0.00	0.00
5. Credit to Holders of Tax Credit Bonds (Form 8912)	0.00	0.00	0.00	0.00	0.00
<b>Total Credits</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Income Tax Before Credits</b>				<b>9,085,518.00</b>	

\* This amount includes any refundable portion allowed for the General Business credit (Form 3800) and the Prior Year Minimum Tax credit (Form 8827)



Total

Taxpayer: VHC Inc.

Page of

TIN: [REDACTED]

Tax Periods: 201112, 201212, 201312

## 201312 - Summary of Credits

Description	(a) Available Per Return	(b) Adjustments	(c) Available As Corrected [(a) - (b)]	(d) Total Credit Allowed *	(e) Unused Credits [(c) - (d)]
1. Foreign Tax (Form 1118)	0.00	0.00	0.00	0.00	0.00
2. Qualified Electric Vehicle (Form 8834)	0.00	0.00	0.00	0.00	0.00
3. General Business (Form 3800)	0.00	0.00	0.00	0.00	0.00
4. Prior Year Minimum Tax (Form 8827)	338,345.00	338,345.00	0.00	0.00	0.00
5. Credit to Holders of Tax Credit Bonds (Form 8912)	0.00	0.00	0.00	0.00	0.00
<b>Total Credits</b>	<b>338,345.00</b>	<b>338,345.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Income Tax Before Credits</b>				<b>6,611,563.00</b>	

\* This amount includes any refundable portion allowed for the General Business credit (Form 3800) and the Prior Year Minimum Tax credit (Form 8827)

Total

Taxpayer: VHC Inc. Page      of  
 TIN: Tax Periods: 201112, 201212, 201312

**201312 - Domestic Production Activities Deduction (DPAD)**  
**Form 8903**

1. Oil-related qualified production activities income	0.00
2. Qualified production activities income (If zero, skip lines 3 through 11)	2,510,965.00
3. Income limitation (Taxable income without DPAD)	19,116,168.00
4. Enter smaller of line 2 or line 3. If less than -0-, enter -0-	2,510,965.00
5. Enter 9% of line 4	225,987.00
6. Enter smaller of line 1 or line 4	0.00
7. Reduction for oil-related qualified production activities income (enter 3% of line 6)	0.00
8. Subtract line 7 from line 5	225,987.00
9. Form W-2 wages	2,518,538.00
10. Form W-2 wage limitation (enter 50% of line 9)	1,259,269.00
11. Enter smaller of line 8 or line 10	225,987.00
12. Domestic production activities deduction from cooperatives	0.00
13. Expanded affiliated group allocation	0.00
14. Domestic production activities deduction (combine lines 11 thru 13)	225,987.00

**DPAD for Alternative Minimum Tax**

1. Oil-related qualified production activities income	0.00
2. Qualified production activities income (If zero, skip lines 3 through 11)	2,510,965.00
3. Income limitation (Alternative Minimum Taxable Income without DPAD)	6,735,192.00
4. Enter smaller of line 2 or line 3. If less than -0-, enter -0-	2,510,965.00
5. Enter 9% of line 4	225,987.00
6. Enter smaller of line 1 or line 4	0.00
7. Reduction for oil-related qualified production activities income (enter 3% of line 6)	0.00
8. Subtract line 7 from line 5	225,987.00
9. Form W-2 wages	2,518,538.00
10. Form W-2 wage limitation (enter 50% of line 9)	1,259,269.00
11. Enter smaller of line 8 or line 10	225,987.00
12. Domestic production activities deduction from cooperatives	0.00
13. Expanded affiliated group allocation	0.00
14. Alternative minimum tax DPAD (combine lines 11 thru 13)	225,987.00
15. Regular tax DPAD	225,987.00
16. Alternative minimum tax DPAD preference item (line 15 less line 14)	0.00
17. Alternative minimum tax DPAD preference item per return	88,906.00
18. Adjustment to DPAD preference item (line 16 less line 17)	(88,906.00)

Total

Taxpayer: VHC Inc.

Page of

TIN: [REDACTED]

Tax Periods: 201112, 201212, 201312

## 201112 - Summary of Additional and Other Taxes

Description	(a)	(b)	(c)
	Additional and Other Taxes Per Return	Adjustments	Additional and Other Taxes As Corrected [ (a) + (b) ]
1. Personal Holding Company Tax	0.00	0.00	0.00
2. ITC / Recapture Taxes	0.00	0.00	0.00
3. Win Credit Recapture Tax	0.00	0.00	0.00
4. Alternative Minimum Tax	0.00	0.00	0.00
5. Environmental Tax	0.00	0.00	0.00
6. Minimum Tax on Preference Items	0.00	0.00	0.00
7. Accumulated Earnings Tax		0.00	0.00
Total Additional and Other Taxes	0.00	0.00	0.00

Total

Taxpayer: VHC Inc.

Page of

TIN:

Tax Periods: 201112, 201212, 201312

## 201212 - Summary of Additional and Other Taxes

Description	(a)	(b)	(c)
	Additional and Other Taxes Per Return	Adjustments	Additional and Other Taxes As Corrected [ (a) + (b) ]
1. Personal Holding Company Tax	0.00	0.00	0.00
2. ITC / Recapture Taxes	0.00	0.00	0.00
3. Win Credit Recapture Tax	0.00	0.00	0.00
4. Alternative Minimum Tax	337,335.00	(337,335.00)	0.00
5. Environmental Tax	0.00	0.00	0.00
6. Minimum Tax on Preference Items	0.00	0.00	0.00
7. Accumulated Earnings Tax		0.00	0.00
Total Additional and Other Taxes	337,335.00	(337,335.00)	0.00



Total

Taxpayer: VHC Inc.  
TIN: [REDACTED]

Page of

Tax Periods: 201112, 201212, 201312

## 201312 - Summary of Additional and Other Taxes

Description	(a)	(b)	(c)
	Additional and Other Taxes Per Return	Adjustments	Additional and Other Taxes As Corrected [ (a) + (b) ]
1. Personal Holding Company Tax	0.00	0.00	0.00
2. ITC / Recapture Taxes	0.00	0.00	0.00
3. Win Credit Recapture Tax	0.00	0.00	0.00
4. Alternative Minimum Tax	0.00	0.00	0.00
5. Environmental Tax	0.00	0.00	0.00
6. Minimum Tax on Preference Items	0.00	0.00	0.00
7. Accumulated Earnings Tax		0.00	0.00
Total Additional and Other Taxes	0.00	0.00	0.00

Form <b>886-A</b> (Rev. January 1994)886-A	<b>EXPLANATION OF ITEMS</b>		Schedule number or exhibit
Name of Taxpayer <b>VHC Inc.</b>	Taxpayer Identification Number [REDACTED]	Year/Period Ended <b>201112,201212,201312</b>	

**Bad debts**

Tax Period	Per Return	Per Exam	Adjustment
2011	\$29,488,563.00	\$306,346.00	\$29,182,217.00
2012	\$1,402,481.00	\$173,464.00	\$1,229,017.00
2013	\$11,542,497.00	\$634,903.00	\$10,907,594.00

It is determined that you did not establish that the amounts of \$29,182,217.00; \$1,229,017.00; and \$10,907,594.00, deducted on your 2011, 2012, and 2013 returns, respectively, were bad debts arising from a true debtor-creditor relationship. Accordingly, your income for the taxable years ending December 31, 2011, December 31, 2012 and December 31, 2013 is increased by the amounts of \$29,182,217.00; \$1,229,017.00; and \$10,907,594.00, respectively.

Alternatively, you have failed to establish that the debts were wholly or partially worthless during the tax years 2011, 2012 and 2013, and, therefore, no bad debt deductions are allowed. Accordingly, your income for the taxable years ending December 31, 2011, December 31, 2012 and December 31, 2013 is increased by the amount of \$29,182,217.00; \$1,229,017.00; and \$10,907,594.00 respectively.

**Interest expense**

Tax Period	Per Return	Per Exam	Adjustment
2011	\$3,981,977.00	\$3,906,977.00	\$75,000.00
2012	\$3,268,567.00	\$3,193,567.00	\$75,000.00
2013	\$1,811,316.00	\$1,742,316.00	\$69,000.00

Since you did not establish that the business expense shown on your tax return was paid or incurred during the taxable year and that the expense was ordinary and necessary to your business, we have disallowed the amount shown.

**Net operating loss deduction (NOLD)**

Tax Period	Per Return	Per Exam	Adjustment
2012	\$24,198,464.00	\$0.00	\$24,198,464.00

Since the net operating loss on which this carryback/carryover is based was disallowed or decreased, the carryback/carryover was disallowed in the amount shown.

**Credit for prior year minimum tax**

Tax Period	Per Return	Per Exam	Adjustment
2011	*	*	\$0.00
2013	\$338,345.00	\$0.00	\$338,345.00

**DPAD Alt Min tax preference item**

Tax Period	Per Return	Per Exam	Adjustment
2013	\$88,906.00	\$0.00	(\$88,906.00)

\* Indicates no "Per Return" or "Per Exam" amount was entered for this adjustment.

Form **886-A** (1-1994)

Department of the Treasury • Internal Revenue Service

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Figure 6.10

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## LOAN EXTENSION AGREEMENT

THIS LOAN EXTENSION AGREEMENT ("Agreement"), dated as of the 30th day of September, 2002 is by and among VHC, INC., a Wisconsin corporation ("VHC"), SPIRIT FABS, INC., a Wisconsin Corporation ("Spirit Fabs"), BEST BUILT, INC. ("Best Built"), a Wisconsin corporation, SPIRIT CONSTRUCTION SERVICES, INC., a Wisconsin corporation ("Spirit Construction"), RAYMOND VAN DEN HEUVEL ("Ray Van Den Heuvel"), RONALD VAN DEN HEUVEL ("Ron Van Den Heuvel"), DAVID VAN DEN HEUVEL ("David Van Den Heuvel"), STEVEN VAN DEN HEUVEL ("Steve Van Den Heuvel"), TIMOTHY VAN DEN HEUVEL ("Tim Van Den Heuvel"), RAYMOND VAN DEN HEUVEL, II ("Ray Van Den Heuvel II"), GUY PIONTEK, CRAIG KASSNER, WILLIAM BAIN and ASSOCIATED BANK, N.A. (the "Bank"). VHC, Spirit Fabs, Best Built and Spirit Construction are hereinafter referred to collectively as the "Borrowers." Ray Van Den Heuvel, Ron Van Den Heuvel, David Van Den Heuvel, Steve Van Den Heuvel, Tim Van Den Heuvel Ray Van Den Heuvel II, Guy Piontek, Craig Kassner and William Bain are hereinafter referred to collectively as the "Guarantors."

### RECITALS

A. VHC is indebted to the Bank under a Business Credit Agreement dated May 10, 2002 in the stated principal amount of \$251,670.55 ("VHC Facility #1"), a Business Note dated February 1, 2002 in the stated principal amount of \$503,171.63 ("VHC Facility #2"), a Business Note dated February 1, 2002 in the stated principal amount of \$304,732.92 ("VHC Facility #3"), a Business Note dated September 29, 1999 in the stated principal amount of \$1,400,000.00 ("VHC Facility #4"), a Business Note dated January 16, 2002 in the stated principal amount of \$2,000,000.00 ("VHC Facility #5"), a Business Credit Agreement dated July 1, 2001 in the stated principal amount of \$3,000,000.00 ("VHC Facility #6"), a Business Note dated March 9, 2002 in the stated principal amount of \$6,662,345.93 ("VHC Facility #7"), a Business Note dated August 2, 2001 in the stated principal amount of \$2,000,000.00 ("VHC Facility #8") and a Mortgage Note dated November 12, 2001 in the stated principal amount of \$3,000,000.00 ("VHC Facility #9"). As of September 30, 2002, the amounts owed the Bank by VHC under the foregoing were as follows:

	<u>Principal</u>	<u>Interest</u>
VHC Facility #1	\$ 238,580.93	\$ 1,010.87
VHC Facility #2	\$ 474,366.28	\$ 2,677.71
VHC Facility #3	\$ 287,260.02	\$ 1,621.54
VHC Facility #4	\$1,238,942.31	\$ 8,266.86
VHC Facility #5	\$2,000,000.00	\$20,055.56
VHC Facility #6	\$2,275,000.00	\$ 8,764.45

MW\897109MDJ:MDJ 09/12/02

**Exhibit 542-J**  
**Docket No. 4756-15**  
**21583**

VHC\_111281

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VHC Facility #7	\$6,341,045.08	\$24,134.82
VHC Facility #8	\$1,571,775.67	\$ 5,397.25
VHC Facility #9	\$3,000,000.00	\$10,270.84

B. Pursuant to certain General Business Security Agreement[s] dated October 1, 1990 and August 1, 1995 from VHC to the Bank, all of the obligations of VHC to the Bank (the "VHC Obligations") are secured by a security interest in and lien upon all of the assets of the VHC described in such security agreements. Pursuant to a General Business Security Agreement dated November 12, 2001 from VHC and Spirit Fabs to the Bank, all of the VHC Obligations are secured by a security interest in a lien upon the assets of VHC and Spirit Fabs described in such security agreement.

C. Pursuant to the mortgages from VHC to the Bank described below, the VHC Obligations are secured by mortgages on the real property described in such mortgages:

<u>Date</u>	<u>Location of Property</u>
January 13, 1992	Village of Ashwaubenon, Brown County, WI
November 14, 1996	Village of Ashwaubenon, Brown County, WI
November 14, 1996	Village of Ashwaubenon, Brown County, WI
July 25, 1997	Village of Ashwaubenon, Brown County, WI
July 25, 1997	Village of Ashwaubenon, Brown County, WI
October 24, 1997	City of DePere, Brown County, WI
March 9, 1999	Faulkner County, AR
July 15, 1999	City of DePere, Brown County, WI
May 3, 2000	City of DePere, Brown County, WI
November 12, 2001	Village of Wrightstown, Brown County, WI
May 10, 2002	Village of Ashwaubenon, Brown County, WI

The VHC Obligations are further secured by an Assignment of Leases and Rents from VHC to the Bank dated May 10, 2002.

D. Pursuant to certain Continuing Guarant[ies] (Unlimited) dated August 1, 1995, and February 1, 1999, and a Guaranty dated November 12, 2001, each of the Guarantors and their spouses guaranteed payment of all of the VHC Obligations to the Bank.

E. Spirit Fabs is indebted to the Bank under a Business Note dated November 12, 2001 from Spirit Fabs to the Bank (the "Spirit Fabs Note"). As of September 30, 2002, the amounts owed the Bank by Spirit Fabs under the Spirit Fabs Note were as follows:

	<u>Principal</u>	<u>Interest</u>
Spirit Fabs Note	\$4,000,000.00	\$13,694.45

F. Pursuant to a General Business Security Agreement dated August 1, 1995 from Spirit Fabs to the Bank, all of the obligations of Spirit Fabs to the Bank (the "Spirit Fabs Obligations") are secured by a security interest in and lien upon all of the assets of the Spirit Fabs described in such security agreement. Pursuant to a General Business Security Agreement dated November 12, 2001 from VHC and Spirit Fabs to the Bank, all of the Spirit Fabs Obligations are secured by a security interest in a lien upon all of the assets of VHC and Spirit Fabs described in such security agreement.

G. Pursuant to the mortgages from VHC to the Bank described below, the Spirit Fab Obligations are secured by mortgages on the real property described in such mortgages:

<u>Date</u>	<u>Location of Property</u>
November 14, 1996	Village of Ashwaubenon, Brown County, WI
November 14, 1996	Village of Ashwaubenon, Brown County, WI
November 12, 2001	Village of Wrightstown, Brown County, WI

H. Pursuant to certain Continuing Guarant[ies] (Unlimited) dated August 1, 1995 and February 1, 1999, and a Guaranty dated November 12, 2001, each of the Guarantors and their spouses guaranteed payment of all of the Spirit Fabs Obligations to the Bank.

I. Best Built is indebted to the Bank under a Business Credit Agreement from the Best Built to the Bank dated July 1, 2001 (the "Best Built Agreement"). As of September 30, 2002, the amounts owed the Bank by Best Built under the Best Built Agreement were as follows:

	<u>Principal</u>	<u>Interest</u>
Best Built Agreement	\$600,000.00	\$2,542.33

J. Pursuant to a General Business Security Agreement dated February 1, 1999 from Best Built to the Bank, all of the obligations of Best Built to the Bank (the "Best Built Obligations") are secured by a security interest in and lien upon all of the assets of the Best Built described in such security agreement.

K. Pursuant to two Real Estate Mortgage[s] dated November 14, 1996 from VHC to the Bank, the Best Built Obligations are secured by mortgages on real property located in the Village of Ashwaubenon, Brown County, Wisconsin.



L. Pursuant to certain Continuing Guarant[ies] (Unlimited) dated August 1, 1995 and February 1, 1999, each of the Guarantors guaranteed payment of all of the Best Built Obligations to the Bank.

M. Pursuant to a Continuing Guaranty (Unlimited) dated February 1, 1999, VHC guaranteed payment of all of the Best Built Obligations to the Bank.

N. Spirit Construction is indebted to the Bank under a Business Credit Agreement from the Spirit Construction to the Bank dated July 1, 2001 (the "Spirit Construction Agreement"). As of September 30, 2002, the amounts owed the Bank by Spirit Construction under the Spirit Construction Agreement were as follows:

	<u>Principal</u>	<u>Interest</u>
Spirit Construction Agreement	\$800,000.00	\$3,706.85

O. Pursuant to a General Business Security Agreement dated February 1, 1999 from Spirit Construction to the Bank, all of the obligations of Spirit Construction to the Bank (the "Spirit Construction Obligations") are secured by a security interest in and lien upon all of the assets of the Spirit Construction described in such security agreement.

P. Pursuant to two Real Estate Mortgage[s] dated November 14, 1996 from VHC to the Bank, the Spirit Construction Obligations are secured by mortgages on real property located in the Village of Ashwaubenon, Brown County, Wisconsin.

Q. Pursuant to certain Continuing Guarant[ies] (Unlimited) dated August 1, 1995 and February 1, 1999, each of the Guarantors guaranteed payment of all of the Best Built Obligations to the Bank.

R. Pursuant to a Continuing Guaranty (Unlimited) dated February 1, 1999, VHC guaranteed payment of all of the Spirit Construction Obligations to the Bank.

All of the notes, credit agreements, security agreements, mortgages, assignments of leases and rents, guaranties and other documents described above and all instruments, notes, agreements, mortgages, guaranties and other documents evidencing, securing, guaranteeing, related to or executed in connection with any of the foregoing, any obligation of any Borrower or Guarantor to the Bank, or this Agreement are hereinafter referred to collectively as the "Loan Documents."

S. The Borrowers and Guarantors have requested that the Bank extend the maturities of certain obligations of the Borrowers to the Bank, and the Bank has agreed to do so subject to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the Agreements and undertakings contained herein and for other good and valuable consideration the receipt and sufficiency is hereby acknowledged, the parties hereby agree as follows:

1. Acknowledgments. The Borrowers and Guarantors acknowledge and agree as follows:

(a) Recitals. The above recitals are true and correct.

(b) Acknowledgment of Indebtedness. That as of the date hereof, (i) the Borrowers are indebted to the Bank in the amounts set forth above plus all interest accruing after such date and all fees, costs and expenses, if any, as provided in the Loan Documents; (ii) all such amounts are owing, without offsets, deductions, counterclaims, or defenses of any kind or character whatsoever; and (iii) the liens, security interests, mortgages and assignments granted to the Bank constitute valid and enforceable liens, security interests and assignments as to which the Borrowers and Guarantors have no offsets, deductions, defenses, or counterclaims of any kind or character whatsoever.

(c) Preservation of Rights and Remedies. Except as expressly provided for herein, all of the Bank's rights and remedies available under the Loan Documents and at law and in equity remain unchanged and available without restriction; the terms of the Loan Documents remain unchanged and in full force and effect and have not been amended, modified, or changed whether orally or in writing, except as expressly modified herein; and the obligations of each of the Borrowers and Guarantors to the Bank are not released, impaired, diminished or amended as a result of the execution and delivery of this Agreement or by any subsequent undertakings of the parties.

(d) Compliance With Loan Documents. The Bank has fully and timely performed all of its obligations and duties to each of the Borrowers and Guarantors and has no obligation to (and has made no representations of any kind that the Bank will) extend any other financial accommodations to any Borrower or Guarantor not expressly contemplated by this Agreement

(e) Corporate Power; Authorization. Each of the Borrowers has the corporate power, and has been duly authorized by all requisite corporate action, to execute and deliver this Agreement and to perform its obligations hereunder.

(f) Guaranties. Each of the Guarantors and VHC reaffirms that their obligations under their respective guaranties to the Bank remain in full force and effect, without offsets, deductions, defenses, or counterclaims of any kind or character whatsoever.



2. Extension of Maturities. The Loan Documents are hereby amended such that the maturity dates of each of VHC Facility #4, VHC Facility #5 and VHC Facility #6, the Best Built Agreement and the Spirit Construction Agreement are hereby extended to February 2, 2004. The Borrowers shall continue to make monthly payments to the Bank as provided in the Loan Documents.

The Bank hereby waives all defaults currently existing under the Loan Documents. This is a limited waiver and applies only to existing defaults. Nothing herein shall be construed as a waiver of any other term or condition of the Loan Documents, nor shall this waiver be construed as a commitment on the part of the Bank to waive any subsequent defaults or the continuation of existing defaults. Except with respect to the limited waiver described above, the terms and conditions of the Documents shall remain in full force and effect

3. Conditions to Effectiveness of Amendments to Loan Documents. The amendments to the Loan Documents in section 2 shall not become effective until the following conditions have been satisfied:

(a) Closing Certificates. Each of the Borrowers shall have delivered to the Bank copies, certified by the Secretary of each to be true and correct and in full force and effect as of the date hereof and in form and substance satisfactory to the Bank, of (i) resolutions of the Board of Directors of such entity authorizing the issuance, execution and delivery of this Agreement and all documents executed in connection herewith to which such corporation is a party; and (ii) a statement containing the names and titles of the officer or officers of each entity authorized to sign such documents.

(b) Debt Subordination Agreements. Each of the Borrowers and VOS Electric, Inc. shall have executed and delivered to the Bank a Debt Subordination Agreement, in the form of Exhibit A attached hereto, with respect to any and all debts owed to such entity by Partners Concepts Development, Inc., Custom Paper Products, Inc., Oconto Falls Tissue, Inc. or Tissue Products Technology Corporation, Inc.

4. Covenants of the Borrowers and Guarantors. In addition to the covenants and agreements set forth in the Loan Documents, the Borrowers and Guarantors covenant and agree as follows:

(a) Replacement of Letter of Credit #2. Ray Van Den Heuvel shall use his best efforts to cause Tissue Products Technology Corporation ("TPTC") to (i) replace that certain Letter of Credit No. DC 2667 in the amount of \$2,400,000 (the "Letter of Credit") with a letter of credit from a financial institution other than the Bank, (ii) provide to the Bank, in form and substance satisfactory to the Bank, a back-up letter of credit in the amount of \$2,400,000 from a financial institution acceptable to the Bank, naming the Bank as beneficiary, or (iii) pledge to the Bank on the terms and conditions set forth in

the Collateral Pledge Agreement attached hereto as Exhibit B, cash collateral in the amount of \$2,400,000 to secure TPTC's reimbursement obligation to the Bank with respect to the Letter of Credit, on or before December 31, 2002.

(b) Annual Reviewed Financial Statements. Each of the Borrowers shall furnish to the Bank on or before March 31 of each year a balance sheet of such entity as of the close of such fiscal year and related statements of income, retained earnings and cash flows for such year, setting forth in each case in comparative form corresponding figures from the preceding annual audit, all in reasonable detail and satisfactory in scope to the Bank, prepared in accordance with GAAP applied on a consistent basis, reviewed by a firm of independent certified public accountants selected by such entity and satisfactory to the Bank. Each such annual statement shall be accompanied by a written statement by an authorized officer of such entity certifying that there exists no Event of Default or, if there exists an Event of Default, specifying the nature of the Event of Default, the period of existence thereof and the action such entity proposes to take with respect thereto. All such financial statements, and the financial statements described in section 4(c), shall be furnished in consolidated and consolidating form for each of the Borrowers and all consolidated subsidiaries, if any, which they may at the time have.

(c) Monthly Financial Reporting. Each of the Borrowers shall furnish to the Bank within 45 days after the end of each of the first three quarters of such entity's fiscal year a balance sheet of such entity as of the end of each such period and related statements of income and retained earnings for the period from the beginning of the fiscal year to the end of such quarter, prepared in the manner set forth in section 4(b) hereof for the annual statements, certified, subject to audit and normal year-end adjustments, by an authorized financial officer of such entity and accompanied by the certificate of such officer to the effect that there exists no default under the Loan Documents or Event of Default or, if any such default or Event of Default exists, specifying the nature thereof, the period of existence thereof and what action such entity proposes to take with respect thereto.

(d) Other Financial Information. Each of the Borrowers and Guarantors shall furnish to the Bank promptly upon request, such other financial information as the Bank may from time to time reasonably request.

(e) Transactions with Affiliates. None of the Borrowers shall enter into or be a party to any transaction with any Affiliate (as defined below) except as otherwise provided herein or in the ordinary course of business and upon fair and reasonable terms which are no less favorable than a comparable arm's length transaction with an entity which is not an Affiliate. For purposes of this Agreement "Affiliate" means (i) any person, corporation, limited liability company, or other entity directly or indirectly controlling, controlled by or under common control with any of the Borrowers or



Guarantors, (ii) any director or officer of any of the Borrowers or any corporation, limited liability company or other entity directly or indirectly controlled by any director or officer of any of the Borrowers.

(f) Accounts. Except for the one account currently maintained by Spirit Fabs at Capital Bank/Johnson Bank (the "Capital Bank Account"), each of the Borrowers shall at all times prior to paying all of its obligations to the Bank in full maintain all checking, operating, transaction and deposit accounts with the Bank. With respect to the Capital Bank Account, within 90 days of the execution of this Agreement, Spirit Fabs shall either (i) deliver to the Bank a Deposit Account Control Agreement in the form of Exhibit C attached hereto duly executed by Capital Bank/Johnson Bank or (ii) pay to Capital Bank/Johnson Bank the full amount of Spirit Fabs' obligations to Capital Bank/Johnson Bank, close the Capital Bank Account and maintain all of its checking, operating, transaction and deposit accounts with the Bank.

(g) Notice of Adverse Claims, Etc.. Each of the Borrowers and Guarantors shall immediately notify the Bank of any lawsuits, judgments, levies, attachments, garnishments or other actions brought against such party.

(h) Compliance with Loan Documents. Except as expressly set forth herein to the contrary, each of the Borrowers and Guarantors shall at all times comply with its obligations and duties under the Loan Documents.

5. Grant of Security Interest in Deposit Accounts. As security for all of the obligations of the Borrowers and Guarantors to the Bank, whether now existing or hereafter arising, including, without limitation, all obligations under this Agreement or the Loan Documents, each of the Borrowers hereby grants to the Bank a security interest and lien in all deposit accounts of such entity and all proceeds thereof. The Bank hereby acknowledges that Spirit Fabs currently maintains the Capital Bank Account and that until such time as Spirit Fabs either (i) delivers to the Bank a Deposit Account Control Agreement in the form of Exhibit C attached hereto duly executed by Capital Bank/Johnson Bank or (ii) closes the Capital Bank Account and moves such account to the Bank, the security interest granted to the Bank in the Capital Bank Account may be subject to the security interest of Capital Bank/Johnson Bank.

6. Events of Default. The occurrence of any of the foregoing shall constitute an Event of Default under this Agreement:

(a) Failure to Comply with Agreements. The failure of any Borrower or Guarantor to comply with any term, covenant, or agreement contained in this Agreement, any of the Loan Documents; or

(b) Entry of Final Judgments. A final judgment is entered against the any Borrower or Guarantor which, together with all unsatisfied final judgments entered against all Borrowers or Guarantors, exceeds the sum of \$50,000, and such judgment shall remain unsatisfied or unstayed for a period of 60 days after the entry thereof; or

(c) Death of Ray Van Den Heuvel. Ray Van Den Heuvel dies and a replacement guarantor acceptable to the Bank in its sole discretion is not found within 90 days; or

(d) Insolvency, Failure to Pay Debts or Appointment of Receiver, Etc. Any Borrower or Guarantor becomes insolvent or the subject of state insolvency proceedings, fails generally to pay its debts as they become due or makes an assignment for the benefit of creditors; or a receiver, trustee, custodian or other similar official is appointed for, or takes possession of any substantial part of the property of, any Borrower or Guarantor and such receiver, trustee, custodian or other similar official is not discharged within 45 days; or

(e) Subject of United States Bankruptcy Proceedings. The taking of action by any Borrower or Guarantor to authorize such organization or individual, as the case maybe, to become the subject of proceedings under the United States Bankruptcy Code; or the execution by any Borrower or Guarantor of a petition to become a debtor under the United States Bankruptcy Code; or the filing of an involuntary petition against any Borrower or Guarantor under the United States Bankruptcy Code which remains undismissed for a period of 45 days; or the entry of an order for relief under the United States Bankruptcy Code against any Borrower or Guarantor; or

(f) Default under PCDI Loan Extension Agreement. The occurrence of an Event of Default under that certain Loan Extension Agreement dated as of the date hereof by and among Partners Concepts Development, Inc., Custom Paper Products, Inc., Oconto Falls Tissue, Inc., Tissue Products Technology Corporation, Ronald Van Den Heuvel, VHC, Inc. and Associated Bank.

The occurrence of an Event of Default hereunder shall constitute an event of default under each of the Loan Documents. Upon the occurrence of an Event of Default, and in the case of defaults under section 6(a), the failure of the Borrower or Guarantor to cure such default within 10 days of written notice of such default having been given by the Bank in accordance with this Agreement, (i) as to the events described in sections 6(a) through 6(c), the Bank may, at its option and without notice, declare the VHC Obligations, Spirit Fabs Obligations, Best Built Obligations and the Spirit Construction Obligations to be, and such obligations shall thereupon become, immediately due and payable, together with accrued interest thereon; and (ii) as to the events described in sections 6(d) and 6(e), such obligations shall, without action on the part of the Bank or any notice or demand, become automatically due and payable,



together with accrued interest thereon. Presentment, demand, protest and notice of acceleration, nonpayment and dishonor are hereby expressly waived. Upon the occurrence of an Event of Default, the Bank shall have right to exercise any and all contractual, legal and equitable rights and remedies.

7. Waiver and Release of Claims. Each of the Borrowers and Guarantors, for themselves, and each and all of their respective shareholders, officers, directors, employees, members, trustees, agents, successors and assigns, do hereby each fully, unconditionally and irrevocably waive and release the Bank, its officers, employees, agents, directors, affiliates, attorneys, successors and assigns, of and from any and all claims, liabilities, defenses, counterclaims and setoffs of any kind, whether known or unknown (whether in contract, tort, statute or under any other legal theory) arising out of, relating to or in any way connected with any act or omission by the Bank on or before the date of this Agreement; provided, however, nothing contained in this section shall be deemed to be a waiver or discharge of the terms and conditions of this Agreement.

8. Notices. All notices required or permitted by this Agreement shall be in writing and shall be deemed to have been given by hand delivery, facsimile and U.S. Mail, postage prepaid; and each such notice shall be addressed as follows, unless and until such party; notifies the other parties in accordance with this section 8 of a change of address:

If to the Bank:

Associated Bank, N.A.  
401 East Kilbourn Avenue  
P.O. Box 522  
Milwaukee, WI 53202-0522  
Attn: Larry Bickelhaupt  
Vice President  
Facsimile No.: 414-283-2336

With a copy to:

Reinhart Boerner Van Deuren s.c.  
1000 North Water Street, Suite 2100  
Milwaukee, WI 53202-0900  
Attn: Peter C. Blain  
Facsimile No. 414-298-8097

If to the any of the  
Borrowers:

VHC, Inc.  
3080 Holmgren Way  
Green Bay, WI 54304  
Attn: Ronald Van Den Heuvel  
Facsimile No. 920-336-7516

With a copy to:

Stellpflug, Janssen, Hammer,  
Kirschling & Bartels, S.C.  
444 Reid Street, Suite 200  
De Pere, WI 54115  
Attn: David Stellpflug, Esq.  
Facsimile No. 920-336-5769

If to Ray Van Den Heuvel:

Raymond T. Van Den Heuvel  
1564 Red Maple Road  
De Pere, WI 54115  
Facsimile No. 920-336-7516

If to Ron Van Den Heuvel:

Ronald H. Van Den Heuvel  
2303 Lost Dauphin Road  
De Pere, WI 54115  
Facsimile No. 920-336-3381

If to David Van Den Heuvel:

David E. Van Den Heuvel  
1180 S. Pine Tree Road  
De Pere, WI 54115  
Facsimile No. 920-336-7516

If to Steve Van Den Heuvel:

Steven R. Van Den Heuvel  
17 Myrtle Wood Drive  
Savannah, GA 31405  
Facsimile No. 912-748-8069

If to Tim Van Den Heuvel:

Timothy M. Van Den Heuvel  
1279 S. Pine Tree Road  
De Pere, WI 54115  
Facsimile No. 920-336-3381

If to Ray Van Den Heuvel II:

Raymond T. Van Den Heuvel II  
1605 Granada Court  
De Pere, WI 54115  
Facsimile No. 920-336-3381

If to Craig Kassner:

Craig Kassner  
1500 Waterford  
Green Bay, WI 54313  
Facsimile No. 920-337-1973

If to William Bain:

William C. Bain  
2842 Gentle Hills Court  
De Pere, WI 54115  
Facsimile No. 920-336-3381

If to Guy Piontek:

Guy Piontek  
1514 Honeysuckle Circle  
De Pere, WI 54115  
Facsimile No. 920-336-3381

9. Miscellaneous.

(a) Additional Documents, Etc.. Each of the Borrowers and Guarantors shall execute and deliver to the Bank such additional documents and take such action as the Bank may request to (i) evidence any obligation of any Borrower or Guarantor to the Bank, (ii) preserve any collateral, (iii) establish priority of, perfect, continue perfected, terminate or enforce any security interest, lien, or mortgage held by the Bank, or (iv) to otherwise carry out the intent of this Agreement or any of the Loan Documents.

(b) Application of Payments. The parties agree that the Bank may apply any and all other payments it receives from any of the Borrowers or Guarantors, or any other party to such portion of any of the obligations of the Borrowers or Guarantors as the Bank determines in its sole discretion; provided, however, that all regularly scheduled payments made by a Borrower under the Loan Documents shall be applied to the corresponding obligation.

(c) Entire Agreement. This Agreement reflects the entire understanding of the parties with respect to the subject matter herein contained, and supersedes any and all prior negotiations, understandings and agreements (whether written or oral) regarding such subject matter. The terms of this Agreement may not be waived, amended or supplemented except in a writing signed by all parties. In entering into this Agreement, each of the Borrowers and Guarantors acknowledge that they are not relying on any statement, representation, warranty, covenant or agreement of any kind made by the Bank or any employee or agent of the Bank, except as expressly set forth herein. The parties hereto acknowledge and agree that this Agreement was drafted jointly by them and that no provision shall be construed for or against either of them on the basis that such party was the drafter hereof.



(d) Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holdings shall not affect the validity or enforceability of any other provision hereof.

(e) Full Force and Effect/Assigns. Except as expressly modified herein, all terms of the Loan Documents shall be unchanged and shall remain in full force and effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(f) Governing Law. This Agreement shall be governed by, and shall be construed in accordance with, the laws of the State of Wisconsin (irrespective of such state's choice of laws rules).

(g) No Waiver. No delay or omission of the Bank in exercising any of its rights or powers arising from any default with respect to the Loan Documents or this Agreement shall be construed as a waiver of such default or as an acquiescence thereof, nor shall any single or partial exercise of any such rights or powers preclude any further exercise thereof or the exercise of any other right or power arising from any default under the Loan Documents or this Agreement.

(h) Recommendation of Counsel. Each of the Borrowers and Guarantors acknowledge and understand that the Bank has recommended that they consult with their legal counsel prior to the execution of this Agreement. They acknowledge the recommendation and represent that they have either consulted with counsel prior to executing this Agreement and any agreements referenced herein or have knowingly waived the right to do so notwithstanding the express recommendation of the Bank.

(i) Reimbursement of Costs and Expenses. The Borrowers and Guarantors shall reimburse the Bank for all costs and expenses, including, without limitation, all attorneys fees, costs and expenses, incurred by the Bank after the date hereof in connection with enforcing its rights under this Agreement or the Loan Documents, both before and after judgment, and incurred in connection with any bankruptcy or insolvency proceeding commenced by or against them, until such time as all of the obligations of each of the Borrowers and the Guarantors to the Bank are paid in full.

(j) SUBMISSION TO JURISDICTION; SERVICE OF PROCESS. As a material inducement to the Bank to enter into this Agreement:

(i) EACH OF THE BORROWERS AND GUARANTORS  
HEREBY AGREES THAT ALL ACTIONS OR PROCEEDINGS IN ANY MANNER



RELATING TO OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE LOAN DOCUMENTS MAY BE BROUGHT ONLY IN COURTS OF THE STATE OF WISCONSIN LOCATED IN BROWN COUNTY OR THE FEDERAL DISTRICT COURT FOR THE EASTERN DISTRICT OF WISCONSIN AND THAT EACH OF THE BORROWERS AND GUARANTORS HEREBY CONSENTS TO THE JURISDICTION OF SUCH COURTS. EACH OF THE BORROWERS AND GUARANTORS WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH COURT AND ANY RIGHT IT MAY NOW OR HEREAFTER HAVE TO CLAIM THAT ANY SUCH ACTION OR PROCEEDING IS IN AN INCONVENIENT COURT. THE FOREGOING NOTWITHSTANDING, THE BANK MAY BRING ACTIONS OR PROCEEDINGS AGAINST ANY OF THE BORROWERS OR GUARANTORS OR ANY COLLATERAL SECURING ANY OBLIGATIONS OF SUCH PARTIES TO THE BANK IN ANY OTHER COURTS;

(ii) EACH OF THE BORROWERS AND GUARANTORS HEREBY CONSENTS TO THE SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING BY CERTIFIED MAIL SENT TO THE ADDRESS IN SECTION 8.

(k) WAIVER OF RIGHT TO JURY TRIAL. AS A MATERIAL INDUCEMENT TO THE BANK TO ENTER INTO THIS AGREEMENT, EACH OF THE BORROWERS AND GUARANTORS HEREBY WAIVE TRIAL BY JURY AND CONSENT TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY A JUDGE OF A COURT OF COMPETENT JURISDICTION.

(l) Counterparts; Facsimile Signatures. This Agreement and any amendment hereof may be executed in several counterparts, each of which shall be deemed to be an original and all of which together shall constitute one agreement. Facsimile copies of any of the parties' signatures shall be deemed effective execution of this Agreement by such party.

(m) Headings. The headings of the sections herein are inserted for convenience and are not intended to be part of, or to affect the meaning or interpretation of this Agreement.

Dated as of the date first above written.

VHC, INC.

BY *David L. ...* *Manya A. Steffling*  
Its President Secretary

SPIRIT FABRS, INC.

BY James P. McLeish James McLeish  
Its President Secretary

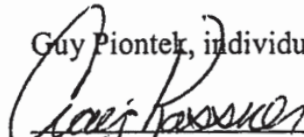
BEST BUILT, INC..

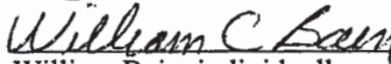
BY Patricia Kassner Patricia Kassner  
Its President Secretary

SPIRIT CONSTRUCTION SERVICE, INC.

BY Raymond Van Den Heuvel Raymond Van Den Heuvel  
Its President SecretaryRaymond Van Den Heuvel  
Raymond Van Den Heuvel, individuallyRonald Van Den Heuvel  
Ronald Van Den Heuvel, individuallyDavid Van Den Heuvel  
David Van Den Heuvel, individuallySteven Van Den Heuvel  
Steven Van Den Heuvel, individuallyTimothy Van Den Heuvel  
Timothy Van Den Heuvel, individuallyRaymond Van Den Heuvel, II  
Raymond Van Den Heuvel, II, individuallyGuy Van Den Heuvel

Guy Piontek, individually

  
\_\_\_\_\_  
Craig Kassner, individually

  
\_\_\_\_\_  
William Bain, individually

ASSOCIATED BANK, N.A.

BY

its

  
\_\_\_\_\_  
Vice President

*JN - Korrison*  
Capital Reporting Company

SEC

## IN THE UNITED STATES TAX COURT

In the Matter of:	)	
	)	
VHC, INC. AND SUBSIDIARIES,	)	
	)	
Petitioner,	)	
	)	
v.	)	Docket Nos:
	)	4756-15,
COMMISSIONER OF INTERNAL REVENUE,	)	21583-15
	)	
Respondent.	)	

BY: *[Signature]*  
DEPUTY CLERK

AUG - 8 PM 5:52

Pages: 1 through 50  
Place: Washington, DC  
Date: August 3, 2016



## Capital Reporting Company

1

1 IN THE UNITED STATES TAX COURT

2

In the Matter of: )

3

VHC, INC. AND SUBSIDIARIES, )

4

Petitioner, )

5

v. )

6

COMMISSIONER OF INTERNAL REVENUE, )

7

Respondent. )

8

South Courtroom

9

U.S. Tax Court

400 Second Street, N.W.

10

Washington, DC 20217

11

August 3, 2016

12

The above-entitled matter came on for

13

hearing, pursuant to notice at 2:00 p.m.

14

BEFORE: HONORABLE KATHLEEN KERRIGAN  
Judge

15

APPEARANCES:

16

For the Petitioner:

17

DANIEL B. GERAGHTY, ESQUIRE

Husch Blackwell, LLP

18

555 East Wells Street, Suite 1900

Milwaukee, Wisconsin 53202

19

(414) 978-5518

20

For the Respondent:

21

LAUREN N. MAY, ESQUIRE

DANIELLE DOLD, ESQUIRE

22

Office of General Counsel

Internal Revenue Service

23

200 West Adams Street, Suite 2300

Chicago, Illinois 60606

24

(312) 368-8655

25

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1 P R O C E E D I N G S

2 (2:00 p.m.)

3 THE CLERK: All rise. All persons having  
4 business before the United States Tax Court will draw  
5 near and give their attention. The Court is now in  
6 session. Judge Kerrigan presiding.

7 Calling Docket Number 004- --

8 THE COURT: You may be seated.

9 THE CLERK: -- -756-15 and consolidated  
10 case 021583-15, VHC, Inc. and Subsidiaries.

11 Please state your appearances.

12 MR. GERAGHTY: Daniel Geraghty representing  
13 the Petitioner.

14 MS. MAY: Lauren May representing  
15 Respondent.

16 MS. DOLD: Danielle Dold with Respondent.

17 THE COURT: This hearing, the first thing  
18 we're going to address is the motion in limine filed  
19 by Petitioner on June 24th. And I think the parties  
20 are also aware we're also going to address the  
21 pending motion to compel production of documents.  
22 And after we do that, we'll just have a status of  
23 where things are that we're ready for trial since  
24 we're all together.

25 So The Court issued an order when it set

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3

1 this hearing on the motion in limine and ruled on  
2 part of the motion in limine. So the part of the  
3 motion in limine that is pending is Petitioner's  
4 motion saying that Respondent's issue memorandum  
5 raised new issues.

6 And we're only discussing -- because The  
7 Court has already ruled on one of the issues. So the  
8 only issue remaining is page 24 of Respondent's issue  
9 memorandum. And it's the footnote that says:  
10 "Petitioners have not provided substantiating  
11 documents reflecting the entire \$90 million in loans  
12 Petitioner claims were extended to Ronald H. Van Den  
13 Heuvel and/or his entities."

14 So I will -- Petitioner's counsel, if you  
15 would like to go first since it is your motion, I  
16 will just give you an opportunity to kind of  
17 summarize your argument and then I might have a few  
18 questions for you after.

19 MR. GERAGHTY: Sure. Do you want me to  
20 take the podium?

21 THE COURT: Sure. That'd be great. Thank  
22 you.

23 MR. GERAGHTY: Thank you. As you know,  
24 Your Honor, this motion relates to the new issue  
25 raised in Respondent's issue memorandum received 75

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1 days prior to trial. As Your Honor likely knows,  
2 this case involves a span of 15 years involving 700  
3 lending transactions, involving thousands of  
4 underlying transactions, payments, interest accruals,  
5 and whatnot.

6 And Petitioners have always understood that  
7 the issue related to whether or not these advances to  
8 the Ron Van Den Heuvel group of companies, whether or  
9 not these advances constitute a debt or something  
10 else under Federal tax principles; be it equity or  
11 some other expense as opposed to debt.

12 In its issues memorandum, the IRS raised  
13 for the first time that Petitioner had not provided  
14 substantiating documents establishing that the entire  
15 90 million in loans were extended to Ron Van Den  
16 Heuvel. This would involve -- the 90 million is the  
17 amount of debt.

18 So substantiating the 90 million involves  
19 more than just substantiating the amount of the  
20 loan -- the dollars right out of the pocket to loans  
21 to Ron Van Den Heuvel, but it involves establishing  
22 the business records and authenticating the general  
23 ledgers and all sorts of various documents that  
24 underlie the determination of this \$90 million.

25 Petitioner would also point out that



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1 Respondent, through the IRS, they were at the -- at  
2 the Petitioner's office several times over the course  
3 of eight years doing audits. The issue of  
4 substantiation was not raised during the audit.  
5 There was no audit adjustment relating to  
6 substantiation unless you accept their argument that  
7 substantiation was at issue here.

8           Their Notice of Deficiency does not  
9 indicate it's an issue. It only says that they did  
10 not establish the amounts were bad debts arriving  
11 from a true creditor/debtor relationship. There's no  
12 mention of substantiation.

13           In its answer, it admitted that the  
14 determination was bad debts deducted by Petitioner  
15 and were not debts for Federal income tax purposes.  
16 Again, its answer had nothing related to whether or  
17 not these were -- these amounts were substantiated.

18           Finally, the Respondent's motion indicates  
19 that we should have been tipped off vis-a-vie some  
20 informal discovery, that they were asking for copies  
21 of promissory notes and written promissory notes.

22           You know, as Your Honor probably knows,  
23 that's just one factor of many factors in determining  
24 whether or not it's debt equity. So if anything,  
25 that would have tipped us off to think that was

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1 really the sole issue because that's all they were  
2 asking for.

3           So our position is that this Notice of  
4 Deficiency was clear. It clearly did not indicate  
5 that substantiation was an issue. Given the volumes  
6 of documents that would take and the time for The  
7 Court to go through all of those, you know, we think  
8 it's an unfair surprise that in memo they should bear  
9 the burden of proof with regard to this new issue,  
10 this new matter.

11           THE COURT: Okay. I'll hear from  
12 Respondent's counsel before I ask any questions.

13           MR. GERAGHTY: Thank you.

14           MS. MAY: Thank you, Your Honor. Your  
15 Honor, as we've stated in our response to  
16 Petitioner's motion in limine that was filed on July  
17 1st, 2016, a new matter as defined under Shay v.  
18 Commissioner and Wayne Bolt and Nut Co. v.  
19 Commissioner is stated as one that either alters the  
20 original deficiency or requires the presentation of  
21 different evidence.

22           So in evaluating what is going to  
23 constitute a new issue here, we would look to the  
24 Notice of Deficiency. And while Petitioner's counsel  
25 has stated that the Notice of Deficiency is simply

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1 limited to whether there was bad debt arising from a  
2 debtor/creditor relationship, that's not the full  
3 extent of 7(a), the part that discusses the bad debts  
4 for related party.

5           So the Notice of Deficiency which was  
6 attached to the petitions that were filed in this  
7 case, specifically state that it was determined that  
8 you did not establish the amounts and list the  
9 amounts that were stated on Petitioner's tax return  
10 for 2004, '6, '7, 2008, 2009, 2010, 2011, 2012, and  
11 2013 in the two separate Notices of Deficiency and  
12 that respectively -- and on the returns respectively  
13 were bad debts arising from a true debtor/creditor  
14 relationship.

15           It goes on to say: "Alternatively, that  
16 you have failed to establish that the debts were  
17 wholly or partially worthless during the tax years at  
18 issue and, therefore, the bad debt deductions are not  
19 allowed." So that's the scope of the Notice of  
20 Deficiency that was issued.

21           Now, in looking at case law, Notices of  
22 Deficiency are generally brief. And Renner v.  
23 Commissioner, as was stated in Respondent's motion --  
24 or response to Petitioner's motion in limine, found  
25 that Respondent is allowed to make any arguments

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8

1 found under the relevant code sections the Notice of  
2 Deficiency is based off of.

3 So the Notice of Deficiency was asserting  
4 that there was not a true debtor/creditor  
5 relationship. That there was either -- and that the  
6 debts were either not partially worthless or not  
7 wholly worthless during the years at issue.

8 The code sections that govern that are  
9 section 166. And the code section 166 specifically  
10 states that you must prove that there is a genuine  
11 debt.

12 In order to prove a genuine debt,  
13 Petitioners must present evidence that a debt  
14 existed. It's fundamental to the underlying issue  
15 that there be some sort of proof offered as far as if  
16 a debt exists.

17 Furthermore, if you look at the case law of  
18 the factors that are evaluated in determining whether  
19 a transaction at issue is debt, the factors found in  
20 Nixon v. Commissioner state in multiple instances  
21 that you're going to need to look at the underlying  
22 note. Was there a note at issue in this case? What  
23 was the scope of the note? What was the terms of the  
24 note? If there's no note, that's a factor that does  
25 go against them. Whether -- who the money was



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1 actually loaned to would go against them. These are  
2 all things that Respondent is attempting to figure  
3 out from the documents that were submitted.

4 Furthermore, Petitioner's own filings seem  
5 to reflect basically a waiver, we would say, of this  
6 issue as their pretrial memorandum even states on  
7 page 16 that the taxpayer must first demonstrate the  
8 existence of a bona fide debt.

9 In order to establish that there's a bona  
10 fide debt in place, we would need to know that there  
11 was actually some sort of debt that was incurred,  
12 some sort of debtor/creditor relationship, some sort  
13 of loan that was extended.

14 And it goes on to say that whether there is  
15 a debtor/creditor relationship is based upon a valid  
16 and enforceable obligation to pay a fixed or  
17 determinable sum of money. That is something that  
18 we're attempting to figure out, is what is the exact  
19 amount that was loaned.

20 What has been provided to us is Exhibit  
21 40-J that provides in some instances simply a lump  
22 sum of what could be multiple -- of what appears to  
23 be multiple loans put together. We do not have loan  
24 documents reflecting an entire -- the entire 92  
25 million that was claimed.

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1           Now, despite Petitioner's assertions in  
2 their reply that Respondent is asking for a tracing  
3 of the full amount of money, that is not what  
4 Respondent is asking for. Respondent is simply  
5 stating that all loan documents need to be provided.  
6 If loan documents don't exist, then Petitioners are  
7 going to have to present some alternative evidence as  
8 to what the amount of the loan was, who it was  
9 extended to.

10           Potentially they might have to provide  
11 tracing. That might be a way of establishing that  
12 any money actually went to Ron Van Den Heuvel or his  
13 entities in those amounts. But it is not something  
14 that should be shifted to Respondent that Respondent  
15 should have the burden to establish that all of the  
16 loans were made in the years that they were made for  
17 and the amounts that they're claiming they were made.

18           And the summary exhibit simply does not  
19 match up to the documents that have been produced and  
20 stipulated to by the parties in the Stipulation of  
21 Facts.

22           I would also point out that I think that it  
23 is also a waiver on Petitioner's part that they did  
24 not know that -- the importance of the loan  
25 documents. Because if you look to our Stipulation of

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11

1 Facts that is approximately 4,193 pages of documents,  
2 the vast majority of those documents are loan  
3 documents. So clearly there's a recognition on the  
4 part of Petitioners that it is essential to prove up  
5 what was loaned, the amount of what was loaned, and  
6 the terms of those loans.

7 I would -- so our position is that from the  
8 date of the Notice of Deficiency and the two Notices  
9 of Deficiency were issued -- the first one that  
10 governs Docket 4756-15 was issued on November 21st,  
11 2014, and that covered tax years 2004 through 2010,  
12 and the second Notice of Deficiency that was issued  
13 on August 26, 2015, and makes up Docket Number  
14 21583-15 and covers tax years 2011 through 2013, does  
15 include the idea that Petitioners need to  
16 substantiate the underlying loans that were claimed.  
17 Thank you, Your Honor.

18 THE COURT: What I'm going to do is ask  
19 some questions of each of you. And the court  
20 reporter, if you can't hear their answers, just let  
21 me know because I'm going to allow them to be seated.  
22 And then I'll give you each the opportunity to make  
23 some closing remarks after I've finished asking my  
24 questions.

25 Ms. May, my first question is during the --

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12

1 as you -- both of you stated -- this case has been  
2 going on for a long time and the audit process was  
3 long. Do you know during the audit process if  
4 Petitioners were asked to give substantiation? What  
5 information were they asked during the audit process  
6 about the \$90 million?

7 MS. MAY: I do not know the specifics of  
8 what the examiner asked for during the audit process.  
9 I can only speak to what was asked during informal  
10 and formal discovery and during conversations during  
11 the appeal's mediations that took place.

12 But central to looking at a bad debt  
13 deduction there would be a -- examiners would  
14 traditionally look at whether there's loans in place  
15 and what loan documents the parties have.

16 THE COURT: At the -- I'm not -- The  
17 Court's not concerned with what was traditionally  
18 looked at. It wants to know what was looked at in  
19 this case because I think it depends what was looked  
20 at is what Petitioner is relying upon.

21 So it's correct you do not know what was  
22 asked for in regards to the 90 million during the  
23 audit process?

24 MS. MAY: I do not know that.

25 THE COURT: And, Mr. Geraghty, I was



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13

1 wondering if you knew what was asked -- if you know  
2 what was asked during the audit process. I don't  
3 know how long you've been involved, if you were  
4 present or --

5 MR. GERAGHTY: I certainly was not present  
6 at the audits, but I understand to be at least one  
7 year -- one cycle -- I think there were four cycles  
8 of audits. I know at least in the last cycle they  
9 asked for the general ledger. And I assume to trace  
10 transactions around.

11 I'm not aware if they asked for the actual  
12 copies of the notes that -- but -- so I don't know  
13 for sure.

14 THE COURT: Ms. May, and you stated that  
15 there's over 4,000 pages of stipulations. When you  
16 were going through the stipulations, was this loan --  
17 and the stipulations, I assume, was an ongoing  
18 process and discovery's been ongoing. And there's  
19 one motion that we'll talk about later today in  
20 discovery that's still pending.

21 But at what point in time during the  
22 discovery process was this issue first raised about  
23 the 90 million?

24 MS. MAY: I believe that this has been  
25 raised since the beginning. But a specific date that

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1 I can point to is in, I believe it was April or May  
2 of 2015 there was requests for all notes, the terms  
3 of the notes, when they were extended, and the  
4 amounts that they were extended in that was cited to  
5 in our response to the motion in limine.

6 I can also say that specifically with the  
7 summaries that were provided by Petitioners during  
8 the protracted stipulation process where we discussed  
9 at length the problems that were inherent in the  
10 summary exhibit, we explained in detail that the  
11 summaries didn't match up to the documents that we've  
12 been provided.

13 Those conversations took place in April of  
14 -- April 1st and April 12th of 2015 -- or 2016, that  
15 we had discussions specifically pointing to the  
16 summaries as being inaccurate and not reflective of  
17 the documents that have been produced.

18 THE COURT: And, Mr. Geraghty, in  
19 Respondent's response -- and Ms. May just made a  
20 reference to it -- they mentioned in Respondent's  
21 first informal discovery request dated May 2015 that  
22 was -- it says: "In what form and in what amounts  
23 were the debts at issue?"

24 How -- what do you -- how did you respond  
25 to this informal discovery request?

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1 MR. GERAGHTY: I think it's going -- an  
2 ongoing response that we have -- I think it's in the  
3 stipulation. There's a lot of notes in the -- I  
4 mean, there's a proposed supplemental stipulation, I  
5 think, that contains almost the remainder of the  
6 notes.

7 And so -- and just to be clear, her request  
8 in 2015 is to provide copies of the promissory notes  
9 which I find to be different than to be -- to  
10 substantiate the 90 million of bad debts in a sense  
11 that the copies of the promissory notes is really  
12 just evidence that there were actual written  
13 obligations that had the terms that she mentioned,  
14 enforceable obligation to pay, et cetera, whereas,  
15 the 90 million -- to substantiate the 90 million,  
16 that's what's advanced -- that's what's been paid in  
17 other transactions underlying the 90 million.

18 THE COURT: Ms. May, you mentioned Exhibit  
19 40-J.

20 MS. MAY: Yes, Your Honor.

21 THE COURT: And I don't have the exhibit  
22 with me, but I do have the stip- -- I do have the  
23 stipulation with me and it's on page 13 of the  
24 stipulation.

25 And in 40-J, there is an eight-page chart

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1 entitled "The Advances." It's -- from my look at  
2 this, it would look like you stipulated that these  
3 were the advances made. How would this differ than  
4 the 90 million?

5 MS. MAY: Well, in our Stipulation of  
6 Facts, we specifically reserved the right to  
7 challenge the truth of accuracy of the contents of  
8 the exhibits stipulated to. So in stip- -- we  
9 stipulated that this was an exhibit provided by  
10 Petitioners of the advances by VHC, but we're not  
11 stipulating to the truthfulness of the underlying  
12 document.

13 That was specifically reserved and  
14 discussed at length with Petitioners; that we do not  
15 agree that these are true and accurate.

16 THE COURT: Well, often when stipulations  
17 are -- and granted, this was filed in advance of the  
18 trial. But often parties, when they can't agree on  
19 the stipulation, the supplemental stipulations will  
20 have reservations that would be addressed. And it's  
21 often -- a reservation is often the accuracy of  
22 something.

23 And so reading this stipulation, it's not  
24 apparent that there was concerns about it.

25 MS. MAY: We had put the reservation into



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1 the first part of the Stipulation of Facts, the first  
2 paragraph of the Stipulation of Facts. That was  
3 something that was discussed with Petitioners that we  
4 were going to object -- we wanted to reserve the  
5 right to object to the truth and accuracy of the  
6 exhibit.

7 THE COURT: Right. You said for  
8 convenience only.

9 MS. MAY: So it was -- it was there. We  
10 had included this so that there was a basis in which  
11 we could all discuss -- this is essentially  
12 Petitioner's position. It is 40-J.

13 The -- as far as whether Respondent agrees  
14 to it, we don't find that it is true and accurate and  
15 it doesn't reflect the loan documents that we have.  
16 There's quite a few missing loan documents that are  
17 not reflected on these schedules.

18 THE COURT: Mr. Geraghty, do you think 40-J  
19 would be substantiation of the 90 million, or is it  
20 substantiation of something -- a different aspect of  
21 the notes involved in this case?

22 MR. GERAGHTY: It looks like it would be a  
23 substantiation of the 90-J -- of the 90 million. I'm  
24 sorry. Although I don't have a copy of the exhibit,  
25 Your Honor. I'm sorry.

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1 THE COURT: So if this -- so if 40-J -- and  
2 granted, at issue sometimes is something and it has  
3 been substantiated, but if 40-J would represent your  
4 substantiation of the 90 million, would there not be  
5 anything additional needed?

6 MR. GERAGHTY: The way I understand the  
7 substantiation is we need to show the underlying  
8 documents that the funds were transferred, that the  
9 funds -- you know, the money was received, the money  
10 was recorded as such, you know, substantiating the  
11 books and records of the taxpayer.

12 That, you know, it's as if these  
13 transactions didn't occur so we start from a very  
14 granular level of, did these transactions occur. In  
15 establishing that these transactions occurred, that,  
16 to me, is a whole lot different than asking for the  
17 evidence that they were -- had a written promissory  
18 note behind them.

19 THE COURT: Were you asked during the  
20 discovery process for these documents, or was the  
21 first time you thought you needed these documents  
22 when you saw the footnote number 3?

23 MR. GERAGHTY: The first time when we saw  
24 footnote number 3. It's a -- again, it goes back to  
25 that granular question of, did those funds flow out

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1 of the company. And that's a completely different  
2 issue than, do you have the written promissory note  
3 that evidences this amount. Not did this amount go  
4 out the door, but rather did this amount have a  
5 written promissory note which is evidence of the  
6 debtor/creditor relationship which is one of the  
7 factors that is used to determine that tax -- apply  
8 the tax.

9 THE COURT: After you reviewed Respondent's  
10 -- it was -- there was a little bit of time between  
11 the filing of the motion and after Respondent's issue  
12 memorandum came out. Were there discussions with  
13 Respondent about this at -- because you were still  
14 ongoing discovery at that point. Was there still any  
15 questions about this?

16 MR. GERAGHTY: After what point in time?  
17 I'm sorry, Your Honor.

18 THE COURT: The issue memorandum was -- the  
19 date of the issue memorandum was May and it was  
20 almost, I believe, approximately a month before the  
21 motion in limine was filed. Was there any  
22 discussions before the motion was filed with  
23 Respondent about what they were looking for?

24 MR. GERAGHTY: I was not a party to any of  
25 those discussions if there was.

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1 THE COURT: Ms. May, did you know of any  
2 discussions?

3 MS. MAY: There was no discussion ever had  
4 between the parties. Petitioners never called for  
5 clarification or to ask what Respondent was  
6 requesting for information.

7 THE COURT: So, Mr. Geraghty, is your  
8 understanding that there never was a request during  
9 the discovery process for the backup documents to  
10 support the loans, it was more focused on the  
11 promissory note?

12 MR. GERAGHTY: The written promissory  
13 notes, yes.

14 THE COURT: Do you want to respond to that,  
15 Ms. May?

16 MS. MAY: Well, Your Honor, I respectfully  
17 disagree. I, at a minimum, feel that when we were  
18 discussing these summaries and categorically rejected  
19 that we were going to agree to -- and there's quite a  
20 few other summaries that Petitioners have mentioned  
21 they're going to try to have admitted under Federal  
22 Rules of Evidence 1006 that Respondent would not even  
23 include in a Stipulation of Facts.

24 We have stated repeatedly and forcefully  
25 that we do not agree with the summaries and that we



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1 do not believe that the -- that they are accurate,  
2 and we do not believe that we've been provided with  
3 the underlying documents to substantiate what's been  
4 claimed in these exhibits.

5 I've been on multiple calls in which we've  
6 been told that our examiners have been offered access  
7 to those documents and somehow that is good enough;  
8 and that if we want, we can try to come down to Green  
9 Bay and examine -- somehow find the records  
10 ourselves.

11 I think that it's been made clear in any  
12 world, at least from April, a month before we even --  
13 or almost two months, April 1st, when we sent a  
14 letter saying that we would not agree to these types  
15 of summaries and that we were questioning the  
16 accuracy of the information that was contained  
17 therein and during a conference call about the  
18 summaries on August 12th, that we wanted the  
19 underlying substantiation.

20 There has not been any attempt to provide  
21 us with those -- with the substantiation.

22 THE COURT: I just want to clear something  
23 up that you just said, Ms. May. I think you said  
24 that -- I wasn't sure when it occurred with the  
25 Petitioners when they said the examiners had it. And

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1 at the beginning I asked you what was asked for in  
2 audit.

3 So I'm unclear if the examiners ever asked  
4 for this information or not. And I believe your  
5 answer is still you do not know.

6 MS. MAY: I do not know what the examiners  
7 specifically asked, and I do not know when they were  
8 specifically provided access or what they were  
9 provided access to. All I know is that Petitioner's  
10 counsel is saying that they were provided access to  
11 these underlying documents. I do not know that. I  
12 can't confirm or deny that.

13 But what's provided to examiners during an  
14 audit is completely different from what needs to be  
15 provided to counsel during litigation. And to hold  
16 us to what -- to say that we've been offered the  
17 opportunity to review the substantiation because our  
18 examiners were offered the opportunity is not the  
19 same as allowing counsel to have the chance to review  
20 the underlying substantiation of these notes.

21 And I do also want to make clear that we --  
22 you know, we are attempting to be reasonable here.  
23 We're not attempting to ask them to substantiate all  
24 loans. We're asking them to substantiate the loans  
25 that there are no promissory notes for.

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1 We have nothing to go off of when there  
2 isn't even a loan document to say the amount. We're  
3 simply left to believe that the Exhibit 40-J is a  
4 true and accurate representation of what the loan is.

5 And I can tell you from having gone through  
6 Exhibit 40-J that in many instances we're seeing that  
7 the ultimate number that's provided that looks like  
8 it's just one loan is actually a combination of three  
9 or four loans.

10 So I wouldn't even be able to say whether  
11 from Exhibit 40-J are they saying that one loan was  
12 extended to Ron Van Den Heuvel in the amount of a  
13 million five hundred and sixteen or are they saying  
14 that three loans were extended? Were they renewals?  
15 Were they original debt? So we're simply asking on  
16 what we don't have promissory notes for that there be  
17 some sort of substantiation.

18 Now ultimately what Petitioners determine  
19 they would like to provide to Respondent is up them,  
20 but they bear the burden of proof in this case so  
21 they either need to, in Respondent's opinion,  
22 substantiate through showing some sort of a tracing,  
23 perhaps bring in and call as a witness Ronald Van Den  
24 Heuvel so that he can testify to having received some  
25 sum of money on a specific date, or have the

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1 president of VHC testify as to what happened on what  
2 date and what amount and what the business purpose  
3 was and whether it was a renewal or a new loan.

4 THE COURT: As you know, many motions to  
5 compel have been filed in this case during the  
6 discovery process. And why was not a motion to  
7 compel filed on this issue?

8 MS. MAY: On the -- as why didn't  
9 Respondent not file?

10 THE COURT: Uh-huh.

11 MS. MAY: Because Respondent was still  
12 receiving copies of loans. As late as last week we  
13 have received copies of new loans. So we've been  
14 going through documents as quickly as we can receive  
15 them to try and understand exactly what amount and  
16 what loans have been substantiated and what ones  
17 haven't been substantiated.

18 But ultimately, Petitioners bear the burden  
19 of proving this so I'm not too sure how Respondent  
20 could file a motion to compel essentially demanding  
21 that they meet their burden of proof.

22 THE COURT: Mr. Geraghty, on page 28 of  
23 Petitioner's issue memorandum --

24 MR. GERAGHTY: Uh-huh.

25 THE COURT: -- there's a reference -- it's



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1 -- there's a paragraph, Roman Numeral V, and the  
2 paragraph is entitled "In the alternative to the  
3 extent The Court finds that Petitioner's advances  
4 were not debt that advances are deductible as  
5 ordinary expenses under section 162."

6 And do you think mentioning section 162  
7 like that that Petitioner, itself, has raised the  
8 issue of substantiation?

9 MR. GERAGHTY: No, I don't. Because -- I  
10 do not think so because 162, if you do not -- there's  
11 a number of factors that are applied to the debt  
12 equity test, and whether there's written evidence of  
13 a promissory note is but one of them.

14 And to the extent The Court would find that  
15 these weren't advances for whatever reason, then, you  
16 know, they're either equity or they're an expense  
17 under 162, or they're whatever they are, whatever  
18 they are.

19 But I think the fact that they're not  
20 evidenced by a promissory note does not -- no. I  
21 don't think that's -- that's an admission that that's  
22 an issue.

23 THE COURT: Mr. Geraghty, how difficult  
24 would it be to compile the information on loans, or  
25 do you think Exhibit 40-J is sufficient?

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1 MR. GERAGHTY: To clarify, if the issue is  
2 just that we want to provide the copies of the  
3 promissory notes, my understanding is that they have  
4 substantially been provided at this point. I know  
5 there was a production last week and I thought -- and  
6 I believe in a supplemental Stipulation of Facts that  
7 is floating out there that, you know, the notes were  
8 listed. And I thought that that was pretty close to  
9 having written promissory notes for all of the  
10 advances.

11 THE COURT: And this is a question for  
12 both. I'm looking at the response and I think -- on  
13 page 6 of the response. And I think there's the use  
14 of the word "promissory notes" and then of the loans  
15 -- about the loans reportedly extended to Ronald H.  
16 Van Den Heuvel.

17 Mr. Geraghty, do you think that the --  
18 having the promissory notes is enough to substantiate  
19 that there was the purported loans?

20 MR. GERAGHTY: Listening to her, I thought  
21 that's what she said so I'm somewhat unclear. My  
22 view of substantiation would be that I need to kind  
23 of substantiate that the funds went out the door and  
24 they -- you know, the transactions actually happened,  
25 there were repayments. And I have to show that the

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1 payments came in. And it involves much more than  
2 just saying, here's a million dollars and here's a  
3 promissory note that evidences this promissory note.

4 THE COURT: And also you raised this issue  
5 in your motion in limine about the footnote 3 being a  
6 new issue. And the way I'm hearing it today, it's  
7 related to the promissory notes, and the promissory  
8 notes is part of the requirements -- one of the  
9 things that you look at.

10 I mean, do you think what -- it's your case  
11 to put on; and if you're not going to put forward  
12 more documents, it's kind of up The Court to  
13 determine what was based on the evidence before it  
14 during the trial.

15 And I was unclear from your motion that if  
16 you think footnote 3 is requiring you to produce more  
17 evidence. And that's what I asked before and kind of  
18 -- and if you are required to produce more evidence,  
19 what would -- how long would it take you to compile  
20 that evidence?

21 MR. GERAGHTY: It would take a long time.  
22 It would include all the general ledgers spanning the  
23 nine years under audit, it would involve the  
24 subsid- -- the underlying ledgers behind the general  
25 ledger, be it a cash ledger or whatever the case

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1 might be. But it involves tens of thousands of pages  
2 of documents because you have to go back to the  
3 granular level of, did this money go out the door.

4 THE COURT: You mentioned that there were  
5 -- both of you had mentioned that there's summaries  
6 prepared and there would be a supplemental  
7 stipulation. And is -- Mr. Geraghty, I haven't seen  
8 these summaries so it's hard for me to know what's in  
9 them, and you might not have known what Respondent is  
10 stipulating either. But I didn't know if there is  
11 something you think in the stipulation that's a  
12 summary that would show that this 90 million, using  
13 your words, did go out the door.

14 MR. GERAGHTY: If it satisfies Respondent  
15 that the promissory -- she -- if they understand  
16 substantiation to be evidenced by a promissory note,  
17 I think that's a different issue than substantiating  
18 that all of this money went out the door.

19 THE COURT: You didn't answer my question,  
20 though.

21 MR. GERAGHTY: I'm sorry. Could you repeat  
22 your question?

23 THE COURT: My question was, in future  
24 stipulations or tables -- because I know some summary  
25 tables might not be in a stipulation, may be offered



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1 as evidence -- if there is going to be something  
2 offered that you think that shows the money, the 90  
3 million, did go out the door, and using your words  
4 "out the door."

5 MR. GERAGHTY: Yeah. I think we would have  
6 to bring in the general ledger. I don't think  
7 there's a summary that would -- the way I understand  
8 substantiation it would -- a summary wouldn't  
9 necessarily establish -- substantiate that the  
10 doc- -- the 90 million was an actual transaction.

11 THE COURT: And, Mr. Geraghty, you said --  
12 you didn't really answer my other question. You said  
13 it would take a review, but you didn't put a -- you  
14 didn't really put a time frame on it.

15 MR. GERAGHTY: In terms of increased trial  
16 time?

17 THE COURT: No. Not increased trial time.  
18 It's when the information would be available.

19 MR. GERAGHTY: I think we've sent much of  
20 the information in the general ledgers to Respondent  
21 in the last couple weeks. But we spent a lot of  
22 effort gathering a lot of information and I think a  
23 lot of it has been sent to the Respondent in as far  
24 as -- and it will take a long time because we're  
25 going to go through that information at trial to

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1 substantiate that the, you know, to use my phrase,  
2 money went out the door.

3 THE COURT: So is -- I want to make sure I  
4 understand your answer. That this information has  
5 been given to Respondent since these motions have  
6 been filed in the form of the general ledger, but it  
7 really hasn't been compiled on the general ledger so  
8 they'd have to go and search and try to figure it out  
9 on the general ledger?

10 MR. GERAGHTY: Well, I think -- I think the  
11 CFO will need to testify as to what goes into the  
12 general ledger. There'll be authentication of the  
13 general ledger. And I think there's going to need to  
14 be a lot of evidence put forward that the general  
15 ledger effects -- reflects the actual underlying  
16 transactions.

17 THE COURT: Ms. May, do you want to comment  
18 on that, because -- if you think that there would be  
19 any further testimony to explain what was given in  
20 the general ledger and have you received these  
21 general ledgers?

22 MS. MAY: Your Honor, I can say that we've  
23 received over 2,000 pages of documents last week. I  
24 have not completed my review of them so I would -- I  
25 can't speak to whether there's an actual general

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1 ledger that's buried somewhere in there.

2           Nothing's been -- no summary statement has  
3 been provided to us as far as a cover letter or  
4 anything explaining exactly what we should be looking  
5 at, exactly pointing us to what the documents are  
6 referring to. We're still working through their  
7 latest document production.

8           I think that the crux of our argument is is  
9 that if Petitioners believe that they have produced  
10 and substantiated their case, then they can present  
11 their case. But it should not be that Respondent is  
12 precluded from arguing that their substantiation is  
13 incomplete.

14           THE COURT: Okay. That concludes my  
15 questions. And, as I mentioned before, I would allow  
16 you each if there was anything you wanted to add. If  
17 you want to go first, Mr. Geraghty?

18           MR. GERAGHTY: Yeah. I guess I would just  
19 like to add, and maybe there's some confusion on  
20 everyone's part, but with regard to substantiation,  
21 you know, I heard Respondent say that substantiation  
22 goes to if there's not a written promissory note --  
23 that a written promissory note substantiates, it  
24 satisfies the substantiation requirement.

25           And we view that as a different issue in

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1 the sense that, you know, to use my phrase again,  
2 "that the money went out the door" and that this 90  
3 million was in -- reflects actual transaction that  
4 occurred as opposed to merely providing a promissory  
5 note that evidences all of the documents that went  
6 out.

7 And to the extent there's summaries that  
8 she feels are not correct, you know, we can  
9 certainly, you know, based on the underlying general  
10 ledger, we could have someone testify as to the  
11 preparation of the schedules and those types of  
12 things. I'm not that familiar with all of the  
13 summaries, but if there's problems with individual  
14 summaries, we can certainly, you know, work to  
15 introduce evidence.

16 But I think that's a different question  
17 than, you know, whether or not these transactions  
18 actually occurred.

19 THE COURT: Thank you.

20 MS. MAY: Your Honor, I think all that I  
21 would say is just that Respondent is not the trier of  
22 fact here. Ultimately Your Honor is. And as far as  
23 what would count for substantiation or what will not  
24 is something that rests in your hands.

25 And that we do not believe that Petitioners



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1 have shown that all of the amounts that were claimed  
2 on their tax returns as bad debts were actually  
3 extended to Ronald Van Den Heuvel and his entities.  
4 We've looked at the promissory notes that have come  
5 in. I know that there are additional ones that have  
6 just now been found. I still need to go through  
7 those documents.

8 But it's Respondent's position that we  
9 should not be disallowed from making arguments if  
10 their substantiation is incomplete or inaccurate.  
11 And from our requests dating back to our informal  
12 discovery and in my position from our Notice of  
13 Deficiency, substantiation has always been at issue  
14 in this case.

15 THE COURT: Okay. That concludes this  
16 issue.

17 The next issue I want to turn to was the  
18 response filed by Respondent on July 28th. And that  
19 response -- it was in response to an order relating  
20 to the third -- it was filed as a third supplemental  
21 response to the motion to compel.

22 And The Court was concerned that the  
23 response by Respondent was not a complete response.  
24 And it understands that Respondent -- that you  
25 thought four returns that were available were no

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1 longer available and you -- you included in that the  
2 reasoning why they were no longer available.

3 But in The Court's order, The Court talked  
4 about the 64 documents. And in previous responses,  
5 the Respondent explained -- broke down the 64 and  
6 said which were reviewed. In The Court's order, The  
7 Court was concerned that some of that 64 still had  
8 not been reviewed. And if you take off the 4 from  
9 the 64 I think there were still some that hadn't been  
10 reviewed.

11 And I did note in Respondent's first  
12 paragraph of the response that none of the 64 returns  
13 contained any entries reflecting transactions with  
14 Petitioners.

15 I wanted to be sure that Respondent now had  
16 reviewed all 64 except -- well, I guess we're now  
17 saying 60 if I'm correct because I'm taking the -- I  
18 believe the 4 was in that 64. And because I didn't  
19 -- I thought there were some at the time the second  
20 response was filed I believe the IRS you had not  
21 reviewed all of those. So if you could provide more  
22 detail about that.

23 MS. MAY: Yes, Your Honor. So I've been  
24 coordinating with the arm of the Service that  
25 maintained the tax records that takes in our

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1 requests, and I did confirm with them prior to filing  
2 our response on July 28th that all returns had been  
3 received and I had reviewed all returns.

4 So if there was any math error on my part,  
5 it was inadvertent, but all of the returns had been  
6 received and reviewed.

7 THE COURT: Okay. Because I'm looking back  
8 at my order. So it was -- and I said 64 when it  
9 should be 68. So the 64 -- because at the time of  
10 the second response there were still some that had --  
11 there were 16 remaining. So those remaining ones  
12 have all been reviewed?

13 MS. MAY: That's correct, Your Honor.

14 THE COURT: Okay. And, Petitioner, it's my  
15 understanding that you feel just the Respondent  
16 reviewing these returns is not enough; is that  
17 correct?

18 MR. GERAGHTY: I think the issue is if  
19 they're disclosable, they have a transactional  
20 relationship to the Petitioners. And I think that  
21 their position is that they could not tell if it had  
22 a relationship with the Petitioner and we just  
23 wondered when you would ever be able to tell, because  
24 I think their position is that it didn't list VHC on  
25 the tax return. But I don't think a tax return ever

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1 really lists the counterparty in any event.

2 And I -- you know, we know that there were  
3 supposedly transactions, so it would seem that there  
4 would always be a transactional connection between  
5 the return.

6 THE COURT: And, Respondent, if your  
7 position is correct, that to go to the level of  
8 detail that Petitioner's requesting it'd be almost  
9 somewhat similar to an audit, that would need to be  
10 done, it's not something that's available by  
11 reviewing the return?

12 MS. MAY: That's correct, Your Honor.

13 THE COURT: Okay. The Court will take this  
14 under advisement and will act promptly on the motion  
15 to compel. The Court will also take under advisement  
16 the motion in limine pertaining to the part of the  
17 substantiation of the 90 million and will get back to  
18 you promptly on that.

19 So the third item on our agenda was just,  
20 since we were all in the same room, if there were any  
21 other scheduling or any other items that The Court  
22 should be aware of in preparation for trial, which is  
23 scheduled to commence on August 15.

24 And I know during a conference call the  
25 issue of an electronic courtroom was raised. And The



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1 Court will have an electronic copy of the  
2 stipulations and exhibits present, but also I think  
3 the parties, we agreed, that you would -- when you  
4 raised exhibits, you would give The Court a courtesy  
5 copy that could be returned. And that we were going  
6 to have exhibits submitted on the hard drive at the  
7 end of the trial and --

8 MR. GERAGHTY: Your Honor, someone asked me  
9 if I would clarify. Do you want the exhibits during  
10 testimony to be in hard copy or is electronic version  
11 fine or do you want hard copy?

12 Because I think the hard copy there's going  
13 to be a lot of documents for authentication.

14 THE COURT: I think if you're having a  
15 witness testify to a specific document you should  
16 have a hard copy.

17 MR. GERAGHTY: Hard copy?

18 THE COURT: And, yes. Because I would like  
19 -- because I know during -- it's my understanding  
20 from our conference call that there might be snippets  
21 of some of the exhibits put on the, you know, put  
22 electronically, but The Court says exhibit -- would  
23 like a hard copy of the entire exhibit.

24 MR. GERAGHTY: Okay. That's why I just  
25 wanted just to mention that there might be a lot of

## Capital Reporting Company

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1 exhibits, for example, for the general ledger. The  
2 number --

3 THE COURT: Right. And I know things are  
4 going to be voluminous but I was just thinking you  
5 could bring The Court, you know, a courtesy copy.

6 MR. GERAGHTY: Yeah, that's fine.

7 THE COURT: And I feel that sometimes in  
8 cases like this when there is this many exhibits,  
9 there are some exhibits that are not actually, you  
10 know, used --

11 MR. GERAGHTY: Uh-huh.

12 THE COURT: -- used in the trial. But  
13 especially ones when you're having someone explain  
14 something about a document on the witness stand, The  
15 Court wants a copy of the document in its entirety.

16 MR. GERAGHTY: Okay.

17 THE COURT: So I didn't know if either of  
18 you had any other scheduling issues or anything.

19 MR. GERAGHTY: With regard to electronic  
20 evidence, I don't know where we ended up on that or,  
21 I'm sorry, electronic presentation, whether we were  
22 going to use summation.

23 I think there's been -- we've reached out  
24 to Respondent, but I don't think we've resolved  
25 what's going to happen with electronic presentation

## Capital Reporting Company

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1 of evidence.

2 MS. MAY: Your Honor, we did receive  
3 correspondence from Petitioner's counsel about the  
4 use of Sanction is actually the program that it was  
5 -- that Petitioners are now suggesting. But at this  
6 late of a date, Respondent just does not have the  
7 capabilities to switch from a hard copy to an  
8 electronic courtroom to loading all the documents up.

9 We already have everything, all the  
10 exhibits for the Stipulation of Facts prepared for  
11 the witnesses and in binders. There just wouldn't be  
12 a way for Respondent's counsel to switch it at this  
13 late of a juncture.

14 THE COURT: Well, I think no one was  
15 expecting you to switch or not have the use of  
16 binders. But if there is anything you want to use  
17 electronically, and I don't think -- because you're  
18 not going to use an electronic courtroom, I don't  
19 think it prohibits the Petitioners from presenting  
20 their case electronically.

21 MS. MAY: Oh, that's -- I understand.  
22 Absolutely.

23 THE COURT: And I think -- Mr. Geraghty, if  
24 you can clarify -- in prior cases I had where if  
25 there's something you want put on the screen, I think

## Capital Reporting Company

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1 you'd have someone that would help them right at the  
2 time?

3 MR. GERAGHTY: Yeah. We -- I think someone  
4 sent an e-mail yesterday or the day before just  
5 offering them to come over to our office and we'd  
6 help them get familiar with the program and, you  
7 know, help them load it or whatever.

8 THE COURT: So, Ms. May, I'm not expecting,  
9 you know, you to have -- but if there is some time  
10 that -- I even have had prior where Respondent's  
11 counsel has made a chart while listening to  
12 testimony. He wanted to put the chart up and ask  
13 questions from it, trying to summarize some  
14 calculation that was done. You know, I think if the  
15 parties worked together, I think, you know, things  
16 should be going fine.

17 And I just -- my other housekeeping issue  
18 was just to make sure, Mr. Geraghty, you made the  
19 arrangements that you needed to have the equipment  
20 ready in the courtroom?

21 MR. GERAGHTY: We will, yeah.

22 THE COURT: And if my chambers  
23 administrator -- just follow up with her. I believe  
24 she's reached out to you about getting into the  
25 courtroom the Friday before the trial starts.



## Capital Reporting Company

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1 MR. GERAGHTY: Okay.

2 THE COURT: And things will be locked --  
3 would be locked and so they'd be ready to go Monday  
4 morning.

5 MR. GERAGHTY: Okay.

6 THE COURT: Anything else?

7 MR. GERAGHTY: We have a couple of the  
8 witnesses we've -- I think we gave you the order of  
9 the witnesses. We had two of them that I think are  
10 changing by a day or something. I guess I just want  
11 to alert The Court to -- I don't think -- one expert  
12 has been moved to the 20th or 25th and I think Jeff  
13 Messenger has to move a couple days. I don't think  
14 it'll prejudice anyone, but just to alert The Court.

15 THE COURT: Oh, that reminds me about  
16 motion in limine. There are two motions in limine  
17 regarding witnesses that came in earlier that I asked  
18 for a response; and the other motion in limine,  
19 Respondent's motion in lim- -- they all came kind of  
20 under the regular deadline. So they'll have to --  
21 responses are due to them on August 4th.

22 So any motions in limine that The Court  
23 does not rule on prior to the trial that will be our  
24 -- that will be a matter of business so we'll have a  
25 hearing -- briefing hearings on the remaining motions

## Capital Reporting Company

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1 in limine. But some I might decide that I don't need  
2 to hear from the parties and I can act on those  
3 before the trial.

4 MS. MAY: That's fine, Your Honor.

5 Your Honor, if I can just state one thing?  
6 I don't believe that I've actually seen all of the  
7 ordering. But I was informed by Petitioner's counsel  
8 that they want to have their expert witness, Mr.  
9 Cousik (phonetic), testify on Thursday the 25th,  
10 which would be during Respondent's case in chief, not  
11 Petitioner's.

12 And it might be a moot issue since there is  
13 a motion in limine that's pending against Mr.  
14 Cousik, but Respondent has a concern about that  
15 Petitioners have essentially reserved the vast  
16 majority of the two-week time that we have to try  
17 this case. And to take the -- one of the two days  
18 that Respondent has to present their case, it is  
19 prejudicial to Respondent.

20 This was an agreed-upon trial date back in  
21 April or back in March actually. And so -- and the  
22 entire reason this case was continued was because of  
23 issues with witnesses being able to attend the trial.  
24 I think to now request that Respondent's case in  
25 chief is eaten up or that Respondent has to stop

## Capital Reporting Company

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1 mid-stride in presenting their case to allow  
2 Petitioner's expert witness to testify would be  
3 prejudicial.

4 Also, we just would point out that there's  
5 no motion that's pending for that so we were unclear  
6 whether this remained an issue or not.

7 THE COURT: This is the first -- if  
8 Petitioner's -- Mr. Geraghty, if you can respond to  
9 this?

10 MR. GERAGHTY: Yeah. I think that as far  
11 as I know, it just came up this week that he wouldn't  
12 be available till the 25th. And I don't know how  
13 long his testimony is, but I don't think it's that  
14 long. And he certainly can be put on early in the  
15 morning if he's --

16 THE COURT: Or maybe he could be put on in  
17 the evening.

18 MR. GERAGHTY: Whatever -- yeah.

19 THE COURT: And so it wouldn't --

20 MS. MAY: I think that Respondent would  
21 have significant questions -- if Mr. Cousik is  
22 admitted as an expert, I think that there would be  
23 substantial voir dire on the part of Respondent, and  
24 I believe that there would also be quite a few  
25 questions as to the basis of his opinion. So I don't

## Capital Reporting Company

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1 believe that he would be a short witness.

2 Also since his expert report will be coming  
3 in as his direct, essentially most of the time would  
4 be Respondent doing cross-examination, which  
5 Petitioners wouldn't know the amount of time that  
6 that would take.

7 THE COURT: All right. I respect the  
8 parties have tried to work this out. And if you can  
9 confirm and -- because, as Ms. May did point out,  
10 this trial was supposed to commence in April; and due  
11 to Petitioner, we tried to accommodate and have it,  
12 and this August date has been known for a while.

13 MR. GERAGHTY: Yeah. I -- yeah.

14 THE COURT: And also, when we had  
15 conversations, it was The Court's belief that it  
16 might spill into a second week; and I know now that  
17 as we get closer it would definitely be a second  
18 week. So I would have thought that when you were  
19 first reaching out to your witnesses, you wouldn't  
20 have even known if we would have still been in court  
21 that date.

22 MR. GERAGHTY: Yes, Your Honor.

23 THE COURT: Okay. Anything further?

24 MR. GERAGHTY: We have one issue that we're  
25 kind of struggling with with one of the witnesses.



## Capital Reporting Company

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1 His name is Dan Platkowski. He's going to testify he  
2 was a business associate of Ron's who made advances  
3 to Ron and he also was involved with some other  
4 dealings with Ron.

5 He was going to testify he received a  
6 subpoena from the IRS that asked for all documents  
7 related to VHC and Ron Van Den Heuvel, and in  
8 addition to his role as a lender to Ron and some of  
9 the other transactions he carried on a lot of  
10 business transactions with them. He was an engineer  
11 so they would design -- he would do the design work  
12 for Proctor & Gamble, for example.

13 And he has literally eight file cabinets  
14 full of material that in talking to him he feels that  
15 are -- is completely unrelated to the case in the  
16 sense that it's drawings, it's related to his  
17 projects that he worked on together with either Ron's  
18 companies or VHC. And he's very concerned about it.

19 I know he called Lauren and asked and she  
20 said no, they want all the documents. And he called  
21 me to see what I could do and I've reached out to  
22 Respondent and they -- Respondent's position is that  
23 they can't talk to us because we don't represent him.  
24 And we formally don't represent him. But -- and we  
25 represent -- we want to make him trial effective, and

## Capital Reporting Company

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1 it just seems -- and we're just looking for direction  
2 from The Court as to kind of how to resolve this.

3 THE COURT: Well, I feel that The Court  
4 would review an appropriate motion to quash by  
5 someone who's representing --

6 MR. GERAGHTY: Yeah.

7 THE COURT: -- the Pet- -- representing the  
8 witness.

9 MR. GERAGHTY: Okay. I was hoping we could  
10 do something today in terms of --

11 THE COURT: I don't -- no. We can't do  
12 anything today about that.

13 MR. GERAGHTY: Okay.

14 THE COURT: Is that it?

15 MR. GERAGHTY: One last issue that we have  
16 kind of -- we're struggling with is the supplemental  
17 Stipulation of Facts. We've proposed it. I guess we  
18 just haven't heard from Respondent. We proposed it,  
19 I think, two or three weeks ago.

20 But, you know, it would go a lot to kind of  
21 get some of these notes in and things like that.  
22 But, you know, just leave it at Court's input if  
23 anything can be done to kind of move that process  
24 along.

25 THE COURT: Well, The Court always thinks

Capital Reporting Company

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1 it's in the best interest of the parties to stipulate  
2 as much as they can. And, you know, if I get to a  
3 situation during the trial when I think things should  
4 be stipulated, I might just stop the trial and have  
5 the parties stipulate.

6 But I just encourage the parties to use now  
7 and between the start of the trial to continue trying  
8 to work on what can be reached agreement on the  
9 stipulations.

10 I don't know if you had anything you wanted  
11 to add on that, Ms. May.

12 MS. MAY: Respondent absolutely agrees.  
13 And actually the supplemental Stipulation of Facts  
14 was provided to Respondent last Tuesday. We've been  
15 in the process of trying to review through the 2,000  
16 pages of documents that Petitioners have also  
17 provided and meet the scheduling order. We're  
18 attempting to process things as quickly as possible.

19 I would point out that there's quite a few  
20 things in the supplemental Stipulation of Facts that  
21 have been discussed with Petitioners so they know our  
22 position. And we're absolutely attempting to work  
23 with Petitioners on getting a supplemental  
24 Stipulation of Facts in order. And we absolutely  
25 know it would be in the best interest of parties, but

## Capital Reporting Company

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1 we can't stipulate to things that we've clearly  
2 objected to in the past. So we'll continue to work  
3 on them.

4 THE COURT: All right. And I just wanted  
5 to remind, because the issue of the electronic  
6 courtroom came up, that The Court is expecting, you  
7 know, stipulations, the exhibits to come in  
8 electronically, and that would include supplemental.  
9 And we talked about having a sentence at the end of  
10 the stipulation agreeing that exhibits are being  
11 submitted electronically.

12 And then the other thing I just wanted to  
13 remind the parties too is The Court plans on having  
14 -- ordering the post-trial briefs to be hyperlinked.

15 MS. MAY: Yes, Your Honor.

16 THE COURT: And I don't know, Mr. Geraghty,  
17 if you had anything further?

18 MR. GERAGHTY: No. Just to clarify, I  
19 think the supplemental Stipulation of Facts was sent  
20 July 20th is what somebody told me before I came  
21 today. So I don't --

22 THE COURT: Okay.

23 MR. GERAGHTY: -- you know, I don't know  
24 when it was but...

25 THE COURT: All right. So that concludes



## Capital Reporting Company

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1 our business for today. Thank you.

2 THE CLERK: All rise.

3 (Whereupon, at 2:57 p.m., the above-  
4 entitled matter was concluded.)

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## Capital Reporting Company

50

1 CERTIFICATE OF TRANSCRIBER AND PROOFREADER

2 CASE NAME: VHC, Inc. and Subsidiaries v.

3 Commissioner

4 DOCKET NOS.: 4756-15, 21583-15

5 We the undersigned, do hereby certify that the  
6 foregoing pages, numbers 1 through 50, inclusive, are  
7 the true, accurate and complete transcript prepared  
8 from the verbal recording made by electronic  
9 recording by Dylan Hinds on August 3, 2016, before  
10 the United States Tax Court at its session in  
11 Washington, DC, in accordance with the applicable  
12 provisions of the current verbatim reporting contract  
13 of the Court, and have verified the accuracy of the  
14 transcript by comparing the typewritten transcript  
15 against the verbal recording.

16 Lisa Beauchamp 8/4/16

17 Lisa Beauchamp 8/4/16

18 (Transcriber) (Date)

19 Cynthia Cooley 8/5/16

20 Cynthia Cooley 8/5/16

21 (Proofreader) (Date)

22

23

24

25

**UNITED STATES TAX COURT  
WASHINGTON, DC 20217**

VHC, INC. AND SUBSIDIARIES, ET AL.,	)	
	)	
Petitioner(s),	)	
	)	
v.	)	Docket No. 4756-15, 21583-15.
	)	
COMMISSIONER OF INTERNAL REVENUE,	)	
	)	
Respondent	)	

**ORDER**

These consolidated cases are calendared for a special session commencing on August 15, 2016, in Milwaukee, Wisconsin. Pursuant to a Court Order, the parties filed issues memoranda on May 27, 2016. On June 24, 2016, petitioners filed a motion in limine regarding new issues allegedly raised in respondent's issues memorandum. On July 1, 2016, respondent filed a response to petitioners' motion in limine. On August 3, 2016, the Court held a hearing in Washington, D.C., on so much of the motion in limine as regards the substantiation of the \$90 million in claimed loans. The parties appeared and were heard.

The primary issue in this case is respondent's disallowance of deductions in taxable years 2004 through 2013, excluding taxable year 2005, for partially worthless debt. Petitioners contend that advances to the debtors were debt based on all the facts and circumstances. In the alternative, to the extent the Court finds that petitioners' advances were not debt, petitioners argue the advances are deductible as ordinary expenses under section 162.<sup>1</sup>

Petitioners contend that respondent's issues memorandum raises the new issue that petitioners have not provided substantiating documents reflecting the \$90 million in loans petitioners claim were extended to Ronald H. Van Den Heuvel and/or his entities.

Deductions are a matter of legislative grace, and a taxpayer must prove its entitlement to a deduction. INDOPCO, Inc. v. Commissioner, 503 U.S. 79, 84 (1992); New Colonial Ice Co. v. Helvering, 292 U.S. 435, 440 (1934). To that end a taxpayer is required to substantiate each claimed deduction by maintaining records sufficient to establish the amount of the deduction and to enable the Commissioner to determine the correct tax liability. Sec. 6001; Higbee v. Commissioner, 116 T.C. 438, 440 (2001); sec. 1.6001-1(a), Income Tax Regs.

At this point, it cannot be determined whether petitioners have substantiated their position. Absent agreement between the parties on this point, the question remains to be decided by the Court after consideration of the evidence presented at trial, not before.

---

<sup>1</sup> All section references are to the Internal Revenue Code in effect for the years at issue.

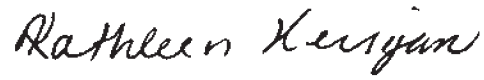
**SERVED Aug 04 2016**

SA 0169

- 2 -

Premises considered, it is

ORDERED that so much of the motion in limine as regards the substantiation of the \$90 million in claimed loans is denied.

A handwritten signature in black ink, reading "Kathleen Kerrigan". The script is cursive and fluid.

Kathleen Kerrigan  
Judge

Dated: Washington, D.C.  
August 4, 2016

VHC INC.  
3090 Holmgren Way  
Green Bay, WI 54304

79-57759 6004

DATE Dec. 30, 2005

ASSOCIATED BANK  
GREEN BAY, WI 54307-9005

PAY TO THE ORDER OF Baylake Bank \$ 69,758.39

Sixty nine thousand seven hundred fifty eight + 39/100 DOLLARS

INV. NO.	AMOUNT	INV. NO.	AMOUNT
Loan # 422602			

VOID AFTER 90 DAYS

David Van Ken Havel

AUTHORIZED SIGNATURE

⑈006004⑈ ⑆075900575⑆2 223 002 320⑈

THIS DOCUMENT INCLUDES A SECURITY SCREEN ON BACK OF THE CHECK

**BAYLAKE BANK**  
217 North 4th Avenue, P.O. Box 9  
Sturgeon Bay, WI 54235-0009  
(920) 743-5551 MEMBER FDIC

**NOTICE**  
OF PAST DUE LOAN PAYMENT

LOAN NUMBER	MATURITY	PRINCIPAL
422602	09/10/24	8733,050.57

PAST DUE DATE
12/10/05

PAST DUE . 69,758.39  
LATE CHARGES 27,903.28  
TOTAL DUE 97,661.67

\*\*\* SECOND NOTICE \*\*\*

--- COPY ---

VHC INC  
3090 HOLMGREN WAY  
GREEN BAY WI 54304

TRANSACTIONS AFTER 12/27/05 NOT REFLECTED

000 34 02 058 FAST DUE LOAN PAYMENT 12/27/05  
BAYLAKE BANK - STURGEON BAY, WI 54235

BORROWER:	RE-BOX PAPER INC
LOAN NUMBER	422602
PAST DUE DATE	12/10/05
PAST DUE	69,758.39
LATE CHARGES	27,903.28
TOTAL AMOUNT DUE	97,661.67

\*\*\*\*\*  
\* YOU HAVE GUARANTEED THE ABOVE LOAN \*  
\* AND MAY BE RESPONSIBLE FOR PAYMENT \*  
\*\*\*\*\*

VHC\_112122

SA 0171



\$125,000.00

11-30-05

For value received, Tissue Products Technology Corp. hereby promises to pay to the order of Spirit Construction Services Inc. the principal sum of ONE HUNDRED TWENTY-FIVE THOUSAND AND 00/100 DOLLARS (\$125,000.00). The unpaid principal of this Note shall bear interest until paid at an interest rate of prime as published at Associated Bank, Green Bay. The unpaid principal and interest of this Note shall be paid in full on or before May 30, 2006. The maker shall have the right to make prepayments of interest or principal without penalty at any time.

The Maker hereby agrees to pay all reasonable fees and expenses incurred for the collection of this note if not paid on time.

Tissue Products Technology Corp.

By: 

Witness: 

VHC\_112172

SA 0172

## SPIRIT CONSTRUCTION SERVICES INC.

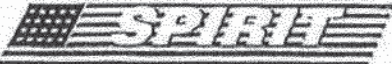
11/30/05

Check #: 74445

Vendor ID: TPTC

Vendor Name: TPTC

Invoice No.	Date	Invoice Amount	Amount Paid	Discounts Taken	Credits Taken	Net Amount
113005LOAN	11/30/05	125000.00	125000.00	0.00	0.00	125000.00
Net Check Amount						125000.00

CONSTRUCTION SERVICES INC.  
118 Coleman Blvd. Savannah, GA 31408JOHNSON BANK  
79-1185/759

74445

\*\*\*\*\* One Hundred Twenty Five Thousand &amp; 00/100 Dollars

DATE

11/30/05

AMOUNT

\*\*\*125,000.00

PAY  
TO THE  
ORDERTPTC  
2079A LAWRENCE DR  
DE PERE, WI 54115

VOID AFTER 90 DAYS

⑈074445⑈ ⑆075911852⑆ 1000767698⑈

VHC 112173

SA 0173

3:44 PM  
07/15/16  
Accrual Basis

VHC Inc.  
General Ledger  
As of December 31, 2006

Type	Date	Num	Name	Memo	Amount	Balance
130 - NOTE RECEIVABLE-ECO-FIBRE						7,127,521.68
Check	01/30/2006	8083	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,197,280.07
Deposit	02/03/2006	09369	RE-BOX PAPER, INC.	PRINCIPAL PAYMENT	-69,758.39	7,127,521.68
Check	02/28/2006	6147	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,197,280.07
Deposit	03/03/2006	09395	RE-BOX PAPER, INC.	PRINCIPAL PAYMENT	-69,758.39	7,127,521.68
Check	03/28/2006	6202	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,197,280.07
Check	04/26/2006	6264	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,267,038.46
Check	05/30/2006	6317	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,336,796.85
Check	06/28/2006	6372	MICHAEL BEST & FRIEDRICH, LLP	LEGAL FEES	507.75	7,337,304.60
Check	07/27/2006	6443	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,407,062.99
Check	08/17/2006	6485	MICHAEL BEST & FRIEDRICH, LLP	LEGAL FEES	4,015.22	7,411,078.21
General Journal	08/24/2006	FJE 137		LEGAL EXPENSES	0.00	7,411,078.21
Check	08/28/2006	6493	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,480,836.60
Check	08/28/2006	6545	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,550,594.99
Check	09/26/2006	6552	MICHAEL BEST & FRIEDRICH, LLP	LEGAL FEES FOR OPTVECO BANKRUPTCY	2,274.22	7,552,869.21
Check	10/31/2006	6626	BAYLAKE BANK		69,758.39	7,622,627.60
Check	11/28/2006	6684	BAYLAKE BANK		69,758.39	7,692,385.99
Total 130 - NOTE RECEIVABLE-ECO-FIBRE					564,964.31	7,692,385.99

6:32 AM  
08/18/18

VHC Inc.  
Transaction Journal  
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
6,598	Check	01/30/2008	6083	BAYLAKE BANK		100 - CASH IN BANK-ASSOCIATED BANK			69,758.39
				BAYLAKE BANK	ADDITIONAL LOAN	130 - NOTE RECEIVABLE-ECO-FIBRE		69,758.39	
TOTAL								69,758.39	69,758.39

SA 0175

**BAYLAKE BANK**  
MEMBER FDIC  
A Baylake Corp. Company

OSP NO. 80100

**CUSTOMER RECEIPT**

ALWAYS OBTAIN AN OFFICIAL RECEIPT  
WHEN MAKING A TRANSACTION.  
TRANSACTION NUMBER, DATE, TYPE AND AMOUNT  
OF TRANSACTION ARE SHOWN BELOW.

STURGEON BAY, WISCONSIN 54235-9000

3512 212 01/30/06 RE :  
Loan Payment  
Acct# XXXX02 \$69,758.39

Ask About Our Free Financial Review

NON-NEGOTIABLE  
ALL ITEMS RECEIVED ARE SUBJECT TO THE CONDITIONS AND TERMS STATED ON SIGNATURE CARDS CURRENTLY USED

\*\*\*\*\*  
\* YOU HAVE GUARANTEED THE ABOVE LOAN \*  
\* AND MAY BE RESPONSIBLE FOR PAYMENT \*  
\*\*\*\*\*

01/25/06

**ON PAYMENT**

**1ST DUE DATE**  
01/10/06

DUE 69,758.39  
CHARGES 23,487.91  
DUE 93,246.30

**COND NOTICE \*\*\***

**C O P Y**

000 34 02 030 PAST DUE LOAN PAYMENT 01/25/06  
BAYLAKE BANK - STURGEON BAY, WI 54235

BORROWER: RE-BOX PAPER INC  
LOAN NUMBER 422602  
PAST DUE DATE 01/10/06  
PAST DUE 69,758.39  
LATE CHARGES 23,487.91  
TOTAL AMOUNT DUE 93,246.30

\*\*\*\*\*  
\* YOU HAVE GUARANTEED THE ABOVE LOAN \*  
\* AND MAY BE RESPONSIBLE FOR PAYMENT \*  
\*\*\*\*\*

FOR SECURITY PURPOSES, THE BORDER OF THIS DOCUMENT CONTAINS MICROPRINTING

VHC INC.  
3090 Holmgren Way  
Green Bay, WI 54304

79-57759 6083

DATE Jan. 30, 2006

PAY TO THE ORDER OF Baylake Bank \$ 69,758.39

Sixty nine thousand seven hundred fifty eight & 39/100 DOLLARS

INV. NO.	AMOUNT	INV. NO.	AMOUNT
10a # 422602			

VOID AFTER 90 DAYS

David Van Ken Havel  
AUTHORIZED SIGNATURE

⑈006083⑈ ⑆075900575⑆ 2 223 002 320⑈

VHC 112248

SA 0176


1-30-06 3:50pm  
 Katie  
 1-30-06 3:50pm



6:32 AM  
08/18/1

VHC, Inc.  
Transaction Journal  
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
6,721	Check	02/28/2006	6147	BAYLAKE BANK		100 - CASH IN BANK-ASSOCIATED BANK			69,758.39
				BAYLAKE BANK	ADDITIONAL LOAN	130 - NOTE RECEIVABLE-ECO-FIBRE		69,758.39	
TOTAL								69,758.39	69,758.39
								69,758.39	69,758.39

 <b>BAYLAKE BANK</b> 217 North 4th Avenue, P.O. Box 9 Sturgeon Bay, WI 54235-0009 (920) 743-5551 MEMBER FDIC			<b>NOTICE</b> OF PAST DUE LOAN PAYMENT	
LOAN NUMBER	MATURITY	PRINCIPAL	PAST DUE DATE	
422602	09/10/24	8279,950.35	02/17/06	
VHC INC 3090 HOLMGREN WAY GREEN BAY WI 54304			PAST DUE 49,758.39 LATE CHARGES 23,487.91 TOTAL DUE 93,246.30	
TRANSACTIONS AFTER 02/17/06 NOT REFLECTED			COPY	

<b>VHC INC.</b> 3090 Holmgren Way Green Bay, WI 54304		79-57759  <div style="font-size: 2em; font-weight: bold;">6147</div>								
FOR SECURITY PURPOSES, THE BORDER OF THIS DOCUMENT CONTAINS MICROPRINTING										
ASSOCIATED BANK GREEN BAY, WI 54307-9006	<div style="text-align: right; margin-bottom: 10px;">           DATE <u>2-28-06</u> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 60%;">           PAY TO THE ORDER OF <u>Baylake Bank</u>  <u>Sixty-nine thousand seven hundred fifty-eight</u> </div> <div style="width: 35%; text-align: right;"> <div style="font-size: 1.5em; font-weight: bold;">\$ 69,758.<sup>39</sup></div> <div style="font-weight: bold;">DOLLARS</div> </div> </div>									
	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr> <td style="font-size: 0.8em;">INV. NO.</td> <td style="font-size: 0.8em;">MACRO</td> <td style="font-size: 0.8em;">INV. NO.</td> <td style="font-size: 0.8em;">MICROPRINT</td> </tr> <tr> <td style="text-align: center;">10000</td> <td style="text-align: center;">472602</td> <td></td> <td></td> </tr> </table>	INV. NO.	MACRO	INV. NO.	MICROPRINT	10000	472602			
INV. NO.	MACRO	INV. NO.	MICROPRINT							
10000	472602									
VOID AFTER 90 DAYS										
<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="font-family: monospace; font-size: 1.2em;">           @006147 @075900575:2 223 002 320         </div> <div style="text-align: right;"> <div style="font-size: 1.5em; font-family: cursive;">David Van der Horst</div> <div style="font-size: 0.8em; font-weight: bold;">AUTHORIZED SIGNATURE</div> </div> </div>										
THIS DOCUMENT INCLUDES A SECURITY SPOT ON BACK OF THE CHECK										


VHC 112250

SA 0178

6:33 AM  
08/18/17

VHC, Inc.  
Transac n Journal  
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
6,836	Check	03/28/2006	6202	BAYLAKE BANK		100 - CASH IN BANK-ASSOCIATED BANK			69,758.39
				BAYLAKE BANK	ADDITIONAL LOAN	130 - NOTE RECEIVABLE-ECO-FIBRE		69,758.39	
TOTAL								69,758.39	69,758.39
								69,758.39	69,758.39

 <p><b>BAYLAKE BANK</b> 217 North 4th Avenue, P.O. Box 9 Sturgeon Bay, WI 54235-0009 (920) 742-5551 MEMBER FDIC</p>			<p align="center"><b>NOTICE</b> OF PAST DUE LOAN PAYMENT</p>	
LOAN NUMBER	MATURITY	PRINCIPAL	PAST DUE DATE	
422602	09/10/24	\$278,950.35	03/10/06	
<p>VHC INC 3090 HOLMGREN WAY GREEN BAY WI 54304</p>			<p>PAST DUE 69,758.39 LATE CHARGES 26,975.82 TOTAL DUE 96,734.21</p>	
<p>TRANSACTIONS AFTER 03/17/06 NOT REFLECTED</p>			<p align="center">--- C O P Y ---</p>	

FOR SECURITY PURPOSES, THE BORDER OF THIS DOCUMENT CONTAINS MICROPRINTING

<p><b>VHC INC.</b> 3090 Holmgren Way Green Bay, WI 54304</p>		79-57759	6202
--	--	----------	------

DATE March 28, 2006

PAY TO THE ORDER OF Baylake Bank \$ 69,758.39

Sixty nine thousand seven hundred fifty eight 39/100 DOLLARS

INV. NO.	AMOUNT	INV. NO.	AMOUNT
Loan # 422602			
to Bay Paper, Inc			

VOID AFTER 90 DAYS

*David Van der Horst*  
AUTHORIZED SIGNATURE

⑈006202⑈ ⑆075900575⑆ 2 223 002 320⑈

THIS DOCUMENT INCLUDES A SECURITY SCREEN ON BACK OF THE CHECK

VHC\_112252

SA 0180

6:33 AM  
08/18/18

VHC, Inc.  
Transaction Journal  
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
7,012	Check	04/26/2006	6264	BAYLAKE BANK		100 - CASH IN BANK-ASSOCIATED BANK			69,758.39
				BAYLAKE BANK	ADDITIONAL LOAN	130 - NOTE RECEIVABLE-ECO-FIBRE		69,758.39	
TOTAL								69,758.39	69,758.39
								69,758.39	69,758.39

SA 0181



69,758.39

April 26, 2006

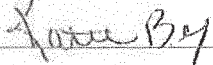
For value received, Eco Fibre, Inc., hereby promise to pay to the order of VHC, Inc. the principal sum of SIXTY NINE THOUSAND SEVEN HUNDRED FIFTY EIGHT AND 39/100 DOLLARS (\$69,758.39). The unpaid principal of this Note shall bear interest until paid at an interest rate of prime as per Associated Bank prime rate per annum. The unpaid principal and interest of this Note shall be paid in full on or before October 26, 2006. The Maker shall have the right to make prepayments of interest or principal without penalty at any time.

The Maker hereby agrees to pay all reasonable fees and expenses incurred for the collection of this note if not paid on time.

Eco Fibre, Inc.

By: 

Ronald H. Van Den Heuvel,  
President

Witness: 

By: 

Steven C. Peters,  
Secretary

Witness: 

VHC\_112254

SA 0182

000 34 02 00058

<b>BAYLAKE BANK</b> MEMBER FDIC A Baylake Corp. Company BOX 9 STURGEON BAY, WISCONSIN 54235-0009	OSP NO. 80130 <b>CUSTOMER RECEIPT</b> ALWAYS OBTAIN AN OFFICIAL RECEIPT WHEN MAKING A TRANSACTION. TRANSACTION NUMBER, DATE, TYPE AND AMOUNT OF TRANSACTION ARE SHOWN BELOW	
	City Center 3633 2 Loan Payment Acct# XXXX02	04/26/06 14:19 \$69,758.39
Ask About Our Free Financial Review		
NON-NEGOTIABLE ALL ITEMS RECEIVED ARE SUBJECT TO THE CONDITIONS AND TERMS STATED ON SIGNATURE CARDS CURRENTLY USED		

3090 HOLMGREN WAY  
 GREEN BAY WI 54304

LOAN: 422602

AS OF: 04/17/06

\* P A S T D U E N O T I C E \*

PAGE 1

BORROWER:

RE-BOX PAPER INC

LOAN TYPE:	COMMERCIAL	MATURITY DATE:	09/10/24
PRINCIPAL BALANCE:	8,236,567.55	ORIGINAL LOAN DATE:	09/10/04
CURRENT RATE:	6.9500	ORIGINAL LOAN AMOUNT:	8,963,352.16
INTEREST THRU 04/17/06:	62,161.76	LAST PAYMENT RECEIVED:	03/28/06
ONE DAY'S INTEREST:	1,590.11	LAST PAYMENT AMOUNT:	69,758.39
LATE CHARGE BALANCE:	30,463.73		

PAST DUE DATE: 04/10/06  
 AMOUNT PAST DUE: 69,758.39  
 LATE CHARGES: 30,463.73

TOTAL AMOUNT DUE: \*\*\*\*\* 100,222.12 \*\*\*\*\*

ADD ADDITIONAL LATE CHARGE OF 3,487.91 IF NO PAYMENT IS RECEIVED BY 04/25/06  
 \* YOU HAVE GUARANTEED THE ABOVE LOAN AND MAY BE RESPONSIBLE FOR PAYMENT \*

- - - - - C O P Y - - - - -

FOR SECURITY PURPOSES, THE BORDER OF THIS DOCUMENT CONTAINS MICROPRINTING	
<b>VHC INC.</b> 3090 Holmgren Way Green Bay, WI 54304	79-57759 6264
DATE April 26, 2006	\$ 69,758.39
PAY TO THE ORDER OF Baylake Bank	Fifty nine thousand seven hundred fifty eight <sup>39</sup> / <sub>100</sub> DOLLARS
INV. NO. 1000 # 422602	AMOUNT
VOID AFTER 90 DAYS	David Van den Heuvel
AUTHORIZED SIGNATURE	MP
006264 075900575 2 223 002 320	THIS DOCUMENT INCLUDES A SECURITY SCREEN ON BACK OF THE CHECK



VHC 112255

SA 0183

6:34 AM  
08/18/11

VHC, Inc.  
**Transac n Journal**  
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
7,065	Check	05/30/2006	6317	BAYLAKE BANK		100 - CASH IN BANK-ASSOCIATED BANK			69,758.39
				BAYLAKE BANK	ADDITIONAL LOAN	130 - NOTE RECEIVABLE-ECO-FIBRE		69,758.39	
								69,758.39	69,758.39
TOTAL								69,758.39	69,758.39

SA 0184

\$69,758.39

May 30, 2006

For value received, Eco Fibre, Inc., hereby promise to pay to the order of VHC, Inc. the principal sum of SIXTY NINE THOUSAND SEVEN HUNDRED FIFTY EIGHT AND 39/100 DOLLARS (\$69,758.39). The unpaid principal of this Note shall bear interest until paid at an interest rate of prime as per Associated Bank prime rate per annum. The unpaid principal and interest of this Note shall be paid in full on or before November 30, 2006. The Maker shall have the right to make prepayments of interest or principal without penalty at any time.

The Maker hereby agrees to pay all reasonable fees and expenses incurred for the collection of this note if not paid on time.

Eco Fibre, Inc.

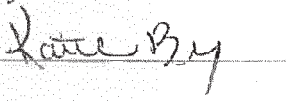
By: 

Ronald H. Van Den Heuvel,  
President

Witness: \_\_\_\_\_

By: 

Steven C. Peters,  
Secretary

Witness: 

VHC\_112257

SA 0185

6:34 AM  
08/18/17VHC, Inc.  
Transaction Journal  
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
7,210	Check	06/28/2006	6372	MICHAEL BEST & FRIEDRICH, LLP		100 - CASH IN BANK-ASSOCIATED BANK			1,015.50
				MICHAEL BEST & FRIEDRICH, LLP LEGAL FEES	129 - NOTE RECEIVABLE-TPTC			507.75	
				MICHAEL BEST & FRIEDRICH, LLP LEGAL FEES	130 - NOTE RECEIVABLE-ECO-FIBRE			507.75	
								1,015.50	1,015.50
								<u>1,015.50</u>	<u>1,015.50</u>

TOTAL



\$507.75

June 28, 2006


For value received, Eco Fibre, Inc., hereby promise to pay to the order of VHC, Inc. the principal sum of FIVE HUNDRED SEVEN AND 75/100 DOLLARS (\$507.75). The unpaid principal of this Note shall bear interest until paid at an interest rate of prime as per Associated Bank prime rate per annum. The unpaid principal and interest of this Note shall be paid in full on or before June 28, 2008. The Maker shall have the right to make prepayments of interest or principal without penalty at any time.

The Maker hereby agrees to pay all reasonable fees and expenses incurred for the collection of this note if not paid on time.

Eco Fibre, Inc.

By: 

Ronald H. Van Den Heuvel,  
President

Witness: 

By: 

Steven C. Peters,  
Secretary

Witness: 

VHC\_112259

SA 0187

6:35 AM  
08/18/18

VHC, Inc.  
Transaction Journal  
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
7,339	Check	07/27/2006	6443	BAYLAKE BANK		100 - CASH IN BANK-ASSOCIATED BANK			69,758.39
				BAYLAKE BANK	ADDITIONAL LOAN	130 - NOTE RECEIVABLE-ECO-FIBRE		69,758.39	
TOTAL								69,758.39	69,758.39
								69,758.39	69,758.39

SA 0188

6:36 AM  
08/18/17

VHC, Inc.  
Transaction Journal  
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
7,427	Check	08/17/2006	5485	MICHAEL BEST & FRIEDRICH, LLP		100 - CASH IN BANK-ASSOCIATED BANK			8,030.45
				MICHAEL BEST & FRIEDRICH, LLP	LEGAL FEES	129 - NOTE RECEIVABLE-TPTC		4,015.23	
				MICHAEL BEST & FRIEDRICH, LLP	LEGAL FEES	130 - NOTE RECEIVABLE-ECO-FIBRE		4,015.22	
TOTAL								<u>8,030.45</u>	<u>8,030.45</u>
								<u>8,030.45</u>	<u>8,030.45</u>

①

\$4,015.22

August 17, 2006

For value received, Eco Fibre, Inc., hereby promise to pay to the order of VHC, Inc. the principal sum of FOUR THOUSAND FIFTEEN AND 22/100 DOLLARS (\$4,015.22). The unpaid principal of this Note shall bear interest until paid at an interest rate of prime as per Associated Bank prime rate per annum. The unpaid principal and interest of this Note shall be paid in full on or before August 17, 2008. The Maker shall have the right to make prepayments of interest or principal without penalty at any time.

The Maker hereby agrees to pay all reasonable fees and expenses incurred for the collection of this note if not paid on time.

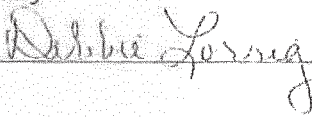
Eco Fibre, Inc.

By: 

Ronald H. Van Den Heuvel,  
President

Witness: By: 

Steven C. Peters,  
Secretary

Witness: 

VHC\_112262

SA 0190

6:36 AM  
08/18/18

VHC, Inc.  
Transaction Journal  
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
7,451	Check	08/28/2006	6493	BAYLAKE BANK		100 - CASH IN BANK-ASSOCIATED BANK			69,758.39
				BAYLAKE BANK	ADDITIONAL LOAN	130 - NOTE RECEIVABLE-ECO-FIBRE		69,758.39	
TOTAL								69,758.39	69,758.39
								69,758.39	69,758.39

SA 0191



6:36 AM  
08/18/16

VHC, Inc.  
Transac. n Journal  
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
7,557	Check	09/28/2006	6545	BAYLAKE BANK		100 - CASH IN BANK-ASSOCIATED BANK			69,758.39
				BAYLAKE BANK	ADDITIONAL LOAN	130 - NOTE RECEIVABLE-ECO-FIBRE		69,758.39	
TOTAL								69,758.39	69,758.39
								69,758.39	69,758.39

8:37 AM  
08/18/16VHC, Inc.  
Transaction Journal  
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
7,564	Check	08/28/2006	6552	MICHAEL BEST & FRIEDRICH, LLP		100 - CASH IN BANK-ASSOCIATED BANK			4,548.45
				MICHAEL BEST & FRIEDRICH, LLP	LEGAL FEES FOR OPTI/ECO BANKRUPTCY	129 - NOTE RECEIVABLE-TPTG		2,274.23	
				MICHAEL BEST & FRIEDRICH, LLP	LEGAL FEES FOR OPTI/ECO BANKRUPTCY	130 - NOTE RECEIVABLE-ECO-FIBRE		2,274.22	
								4,548.45	4,548.45
								4,548.45	4,548.45

TOTAL

\$2,274.22

September 26, 2006

For value received, Eco Fibre, Inc., hereby promise to pay to the order of VHC, Inc. the principal sum of TWO THOUSAND TWO HUNDRED SEVENTY-FOUR AND 22/100 DOLLARS (\$2,274.22). The unpaid principal of this Note shall bear interest until paid at an interest rate of prime as per Associated Bank prime rate per annum. The unpaid principal and interest of this Note shall be paid in full on or before March 26, 2007. The Maker shall have the right to make prepayments of interest or principal without penalty at any time.

The Maker hereby agrees to pay all reasonable fees and expenses incurred for the collection of this note if not paid on time.

Eco Fibre, Inc.

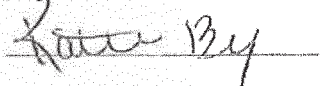
By: 

Ronald H. Van Den Heuvel,  
President

Witness: 

By: 

Steven C. Peters,  
Secretary

Witness: 

VHC\_112266

SA 0194

①

\$4,015.22

August 17, 2006

For value received, Eco Fibre, Inc., hereby promise to pay to the order of VHC, Inc. the principal sum of FOUR THOUSAND FIFTEEN AND 22/100 DOLLARS (\$4,015.22). The unpaid principal of this Note shall bear interest until paid at an interest rate of prime as per Associated Bank prime rate per annum. The unpaid principal and interest of this Note shall be paid in full on or before August 17, 2008. The Maker shall have the right to make prepayments of interest or principal without penalty at any time.

The Maker hereby agrees to pay all reasonable fees and expenses incurred for the collection of this note if not paid on time.

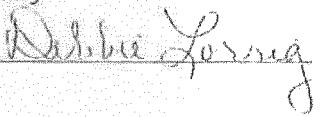
Eco Fibre, Inc.

By: 

Ronald H. Van Den Heuvel,  
President

Witness: By: 

Steven C. Peters,  
Secretary

Witness: 

VHC\_112262

SA 0190

\$2,274.22

September 26, 2006

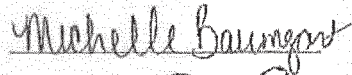
For value received, Eco Fibre, Inc., hereby promise to pay to the order of VHC, Inc. the principal sum of TWO THOUSAND TWO HUNDRED SEVENTY-FOUR AND 22/100 DOLLARS (\$2,274.22). The unpaid principal of this Note shall bear interest until paid at an interest rate of prime as per Associated Bank prime rate per annum. The unpaid principal and interest of this Note shall be paid in full on or before March 26, 2007. The Maker shall have the right to make prepayments of interest or principal without penalty at any time.

The Maker hereby agrees to pay all reasonable fees and expenses incurred for the collection of this note if not paid on time.

Eco Fibre, Inc.

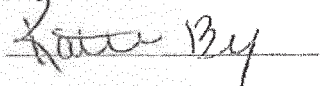
By: 

Ronald H. Van Den Heuvel,  
President

Witness: 

By: 

Steven C. Peters,  
Secretary

Witness: 

VHC\_112266

SA 0194



6:38 AM  
08/18/18

VHC, Inc.  
Transac. n Journal  
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
7,732	Check	10/31/2006	6626	BAYLAKE BANK	100 - CASH IN BANK-ASSOCIATED BANK				69,758.39
				BAYLAKE BANK	130 - NOTE RECEIVABLE-ECO-FIBRE		69,758.39		
TOTAL								69,758.39	69,758.39
								69,758.39	69,758.39

6:38 AM  
08/18/17

VHC, Inc.  
Transaction Journal  
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
7,831	Check	11/28/2006	6584	BAYLAKE BANK	100 - CASH IN BANK-ASSOCIATED BANK				69,758.39
				BAYLAKE BANK	130 - NOTE RECEIVABLE-ECO-FIBRE			69,758.39	
								69,758.39	69,758.39
								69,758.39	69,758.39
TOTAL									


\$750,000.00

September 30, 2006

For value received, VHC, Inc. hereby extends to Eco-Fibre, Inc. (formerly Re-Box Paper, Inc.), a line of credit in the amount of SEVEN HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$750,000.00). EcoFibre, Inc. hereby promise to pay to the order of VHC, Inc. the principal draws on this line of credit plus interest. The unpaid principal of this Note shall bear interest until paid at an interest rate of prime as per Associated Bank prime rate per annum. The unpaid principal and interest of this Note shall be paid in full on or before September 30, 2008. The Maker shall have the right to make prepayments of interest or principal without penalty at any time.

The Maker hereby agrees to pay all reasonable fees and expenses incurred for the collection of this note if not paid on time.

Eco-Fibre, Inc. (formerly Re-Box Paper, Inc.)

By:   
Ronald H. Van Den Heuvel,  
President

Witness: 

This note replaces note dated March 31, 2006

Date	Description	Amount	Balance
03/15/05	De Pere Water	\$151,356.52	\$151,356.52
05/03/05	Baylake Bank	\$69,758.39	\$221,114.91
06/28/05	Baylake Bank	\$69,758.39	\$290,873.30
08/20/05	Baylake Bank	\$69,758.39	\$360,631.69
08/29/05	Baylake Bank	\$69,758.39	\$430,390.08
10/28/05	Baylake Bank	\$69,758.39	\$500,148.47
11/04/05	Baylake Bank - loan repaid	(\$69,758.39)	\$430,390.08
11/29/05	Baylake Bank	\$69,758.39	\$500,148.47
12/30/05	Baylake Bank	\$69,758.39	\$569,906.86
03/28/06	Baylake Bank	\$69,758.39	\$639,665.25
07/27/06	Baylake Bank	\$69,758.39	\$709,423.64
Approval granted to increase the line			
08/28/06	Baylake Bank	\$69,758.39	\$779,182.03
09/26/06	Baylake Bank	\$69,758.39	\$848,940.42
10/31/06	Baylake Bank	\$69,758.39	\$918,698.81
11/28/06	Baylake Bank	\$69,758.39	\$988,457.20
01/02/07	Baylake Bank	\$69,758.39	\$1,058,215.59
01/30/07	Baylake Bank	\$69,758.39	\$1,127,973.98
06/04/07	Baylake Bank	\$69,758.39	\$1,197,732.37
Balance at 12/31/07 =			\$1,197,732.37

VHC\_112269

SA 0197

\$750,000.00

March 31, 2006

For value received, VHC, Inc. hereby extends to Eco-Fibre, Inc. a line of credit in the amount of SEVEN HUNDRED FIFTY THOUSAND NO/100 DOLLARS (\$750,000.00). Eco-Fibre, Inc. hereby promises to pay to the order of VHC, Inc. the principal draws on this line of credit plus interest. The unpaid principal on this line of credit shall bear interest until paid at an interest rate of prime as per published by Associated Bank per annum. The unpaid principal drawn plus interest shall be paid in full on or before September 30, 2006. The Maker shall have the right to make prepayment of interest or principal without penalty at any time.

The Maker hereby agrees to pay all reasonable fees and expenses incurred for the collection of this note if not paid on time.

Eco-Fibre, Inc. (formerly Re-Box Paper, Inc.)

By:

Steven C. Peters  
Secretary

Witness:

Debra Stary

**Draws (Paydowns)**

Date	Amount	Description
03/15/2005	\$ 151,356.52	De Pere Water
05/03/2005	\$ 69,758.39	Baylake Bank
06/28/2005	\$ 69,758.39	Baylake Bank
08/02/2005	\$ 69,758.39	Baylake Bank
08/29/2005	\$ 69,758.39	Baylake Bank
10/28/2005	\$ 69,758.39	Baylake Bank
11/04/2005	\$ (69,758.39)	Check 9314 10/28 - held to 11/04
11/29/2005	\$ 69,758.39	Baylake Bank
	\$ 500,148.47	

Additions: \$ 69,758.39  
 " \$ 69,758.39  
 TOTAL \$ 569,906.86  
 Total \$ 1,127,873.98

Renewal of line of credit dated 3/15/05 due 3/31/06

69,758.39

Baylake Bank 12-30-05

" " 1-31-06 3-28-06

Baylake Bank 7-27-06

709,423.11

69,758.39

779,181.50

Baylake Bank 8-28-06

Bal. on 8/28/06 779,181.50  
 Add'l loan 9/24/06 69,758.39  
 848,940.42  
 Add'l loan 10/31/06 69,758.39  
 918,698.81  
 Add'l loan 11/29/06 69,758.39  
 988,457.20  
 Add'l loan 1/2/07 69,758.39  
 1,058,215.59  
 Add'l Loan 1/30/07 69,758.39  
 1,127,973.98  
 Add'l Loan 6/4/07 69,758.39  
 1,197,732.37

VHC\_112270

SA 0198

\$ 750,000.00 Line of Credit


3/15/2005

For Value Received, Vhc, Inc., hereby extends to Eco Fibre, Inc a line of credit in the amount of Seven Hundred Fifty Thousand Dollars (\$750,000.00). Eco Fibre, Inc hereby promises to pay to the order of VHC, Inc the principal draws on this line of credit plus interest. The unpaid principal on this line of credit will bear interest until paid at an interest rate of prime as per published by Associated Bank per annum. The unpaid principal drawn plus interest shall be paid in full on or before March 31, 2006. The Maker shall have the right to make prepayments of interest or principal without penalty at any time.

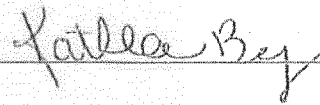
The Maker hereby agrees to pay all reasonable fees and expenses incurred for the collection of this note if not paid on time.

Eco Fibre, Inc

By:

  
 Steven C. Peters  
 Secretary

Witness:


**Draws (Paydowns)**

<u>Date</u>	<u>\$\$</u>	<u>Description</u>
3/15/2005	\$ 151,356.52	De Pere Water
5/3/2005	\$ 69,758.39	Baylake Bank
6/28/2005	\$ 69,758.39	Baylake Bank
8/2/2005	\$ 69,758.39	Baylake Bank
8/29/2005	\$ 69,758.39	Baylake Bank
10/28/2005	\$ 69,758.39	Baylake Bank
11/4/2005	\$ (69,758.39)	Check 9314 10/28 - held to 11/04
11/29/2005	\$ 69,758.39	Baylake Bank

---

 \$ 500,148.47
**Additions:**

69,758.39 Baylake Bank 12-30-05  
 569,906.86 Balance 12-31-05  
 69,758.39 1-30-06  
 -69,758.39 2-3-06  
 69,758.39 2-28-06  
 69,758.39 3-28-06  
 69,758.39 4-26-06  
 69,758.39 5-30-06

VHC\_112271

SA 0199



VHC – EcoFibre/Rebox

Payments – 2006

SA 0200

VHC\_112272

3:44 PM  
07/15/16  
Accrual Basis

VHC, Inc.  
General Ledger  
As of December 31, 2006

Type	Date	Num	Name	Memo	Amount	Balance
130 - NOTE RECEIVABLE-ECO-FIBRE						7,127,521.68
Check	01/30/2006	6083	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,197,280.07
Deposit	02/03/2006	08369	RE-BOX PAPER, INC.	PRINCIPAL PAYMENT	-69,758.39	7,127,521.68
Check	02/28/2006	6147	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,197,280.07
Deposit	03/03/2006	09395	RE-BOX PAPER, INC.	PRINCIPAL PAYMENT	-69,758.39	7,127,521.68
Check	03/28/2006	6202	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,197,280.07
Check	04/26/2006	6264	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,267,038.46
Check	05/30/2006	6317	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,336,796.85
Check	06/28/2006	6372	MICHAEL BEST & FRIEDRICH, LLP	LEGAL FEES	507.75	7,337,304.60
Check	07/27/2006	6443	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,407,062.99
Check	08/17/2006	6485	MICHAEL BEST & FRIEDRICH, LLP	LEGAL FEES	4,015.22	7,411,078.21
General Journal	08/24/2006	FJE 137		LEGAL EXPENSES	0.00	7,411,078.21
Check	08/28/2006	6493	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,480,836.60
Check	08/29/2006	6545	BAYLAKE BANK	ADDITIONAL LOAN	69,758.39	7,550,594.99
Check	09/26/2006	6552	MICHAEL BEST & FRIEDRICH, LLP	LEGAL FEES FOR OFTVECO BANKRUPTCY	2,274.22	7,552,869.21
Check	10/31/2006	6626	BAYLAKE BANK		69,758.39	7,622,627.60
Check	11/28/2006	6684	BAYLAKE BANK		69,758.39	7,692,385.99
Total 130 - NOTE RECEIVABLE-ECO-FIBRE					584,664.31	7,692,385.99

### MONTHLY PAYMENT GUARANTY

This Agreement dated as of the 10<sup>th</sup> day of September, 2004, is by and between BAYLAKE BANK ("Baylake") and VHC, Inc. ("VHC").

### RECITALS

A. Re-Box Paper Inc. ("Re-Box"), Partners Concepts Development, Inc. ("PCDI") and Tissue Products Technology Corp. ("TPTC") are currently indebted to Baylake Bank in the sum of approximately \$6,014,432.00, for which VHC guarantees the monthly payments. A portion of the debt arose from a prior obligation for which VHC was obligated.

B. Baylake was willing to take an assignment of the debt without requiring VHC to continue as a co-Borrower and is now willing to lend an additional \$3,020,000.00 pursuant to a Business Note (the "Note") to Re-Box, PCDI and TPTC without requiring VHC to be a co-Borrower.

C. VHC has agreed to guaranty the monthly payments owed by Re-Box, TPTC and PCDI on the new loan totaling \$9,034,432.00.

### AGREEMENTS

Now therefore, in consideration of the Recitals and the mutual covenants and agreements contained herein, the parties agree as follows:

1. Monthly Payment Guaranty. In each and every month commencing October 10, 2004, in which Baylake receives in the aggregate less than \$ 69,758.39 from Re-Box, TPTC and PCDI, VHC agrees to pay Baylake the difference between what Baylake has received from Re-Box, TPTC and PCDI, if anything, and \$ 69,758.39. Such amount shall be paid by VHC to Baylake in cash within 48 hours of receipt of written notice from Baylake that an amount is due. Baylake acknowledges that payment from Re-Box, TPTC and PCDI under the Note is not due until the 25<sup>th</sup> day of each month and Baylake shall not give notice to VHC prior to that date. All amounts paid by VHC hereunder shall be applied against the amounts due Baylake under the Note.

2. Guaranty Absolute and Unconditional. VHC's obligations hereunder shall continue until the \$9,034,432.00 owed under the Note is paid in full and shall be enforceable against VHC notwithstanding any failure on the part of Re-Box, TPTC and PCDI to pay amounts due, including without limitation,

Exhibit 554-J  
Docket No. 4756-15  
21583

VHC\_004779

SA 0202

failure by Re-Box, TPTC and PCDI to pay due to: (a) the dissolution of Re-Box, TPTC and/or PCDI; and (b) the bankruptcy of Re-Box, TPTC and/or PCDI.

Notwithstanding anything herein to the contrary, this Guaranty by VHC is limited to a guaranty of the \$ 69,758.39 monthly payments (until the \$9,034,432.00 due under the Note is paid in full). Under no circumstances shall this Guaranty be construed to make VHC liable for any balloon payment or any other obligation other than the \$ 69,758.39 monthly payment until the \$9,034,432.00 is paid in full.

3. Waiver. To the extent not prohibited by applicable law, VHC expressly waives: (a) notice of the acceptance of this Guaranty and proceedings to collect from Re-Box, TPTC and PCDI or anyone else; (b) presentment, demand, notice and protest; (c) any right to disclosures from Baylake regarding the financial condition of Re-Box, TPTC or PCDI or the enforceability of the \$9,034,432.00 Note; and (d) all other legal and equitable defenses.

4. Consent. To the extent not prohibited by applicable law, Baylake may from time to time without notice to VHC and without effecting the liability of VHC: (a) surrender, release, impair, sell or otherwise dispose of any security or collateral for the \$9,034,432.00 Note; (b) release or agree not to sue any guarantor or surety of the \$9,034,432.00 Note; (c) fail to perfect its security interest in or to realize upon any security or collateral; (d) fail to proceed against Re-Box, TPTC, PCDI or any guarantor or surety; (e) renew or extend the time of payment; (f) increase or decrease the rate of interest due under the \$9,034,432.00 Note pursuant to the terms of said note; (g) accept any additional security or collateral; (h) determine the allocation and application of payments and credits and accept partial payments; (i) determine what, if anything, may at any time be done with reference to any security or collateral; and (j) settle or compromise the amount due or owing or claimed to be due or owing from Re-Box, TPTC and PCDI or any guarantor or surety, which settlement or compromise shall not affect VHC's liability for the full amount of the unpaid portion of the \$9,034,432.00 Note.

VHC expressly consents to and waives notice of all of the above. To the extent not prohibited by law, VHC and Baylake consent that venue for any legal proceeding relating to collection of the amounts due under this Guaranty shall be in the Courts of the State of Wisconsin located in Brown County, Wisconsin, or the Federal District Court for the Eastern District of Wisconsin.

5. Persons Bound. This Guaranty benefits Baylake, its successors and assigns, and binds VHC, and its successors and assigns. This Guaranty shall continue in full force and effect notwithstanding any change in structure or status

of Re-Box, TPTC, PCDI or VHC whether by merger, consolidation, reorganization or otherwise.

6. Entire Agreement. This Guaranty is intended by VHC and Baylake as a final expression of this Guaranty and as a complete and exclusive statement of its terms, there being no conditions to the full effectiveness of this Guaranty. This Guaranty may not be supplemented or modified except in writing.

7. Wisconsin Law. This Guaranty shall be governed by and construed in accordance with the laws of the State of Wisconsin.

8. Jointly Drafted. Baylake and VHC acknowledge and agree that this Guaranty was drafted jointly by them and that no provision shall be construed for or against either of them on the basis that such party was the drafter hereof.

9. Headings. The headings in this Guaranty are for convenience only and shall not be construed as part of the Agreement.

10. Counterparts; Facsimile Signatures. This Agreement and any amendment hereof may be executed in several counterparts, each of which shall be deemed to be an original and all of which together shall constitute one agreement. Facsimile copies of any of the parties' signatures shall be deemed effective execution of this Agreement by such party.

Dated as of the day, month and year first above-written.

BAYLAKE BANK

By: [Signature]

VHC, INC.

By: [Signature]  
David E. Van Den Heuvel, President

By: [Signature]  
Nancy A. Stelpflug, Secretary



DB

**BAYLAKE BANK**  
**ADDENDUM TO COMMERCIAL NOTE**

N

**ADDENDUM**, effective this 10<sup>th</sup> day of September, 2004 by Re-Box Paper, Inc., Partnership Concepts Development, Inc., and Tissue Products Technology Corp., collectively called "Borrower", in favor of Baylake Bank, a Wisconsin banking corporation, hereafter called "Bank".

**WHEREAS**, Borrower has executed herewith a certain Promissory Note dated September 10, 2004, in the sum of Eight Million Nine Hundred Sixty Three Thousand three hundred fifty two and 16/100 (\$8,963,352.16) Dollars, called the "Note", under a credit arrangement with Bank for Loan #422602, said note being incorporated herein by reference and attachment thereto,

**NOW, THEREFORE**, in consideration of the execution of the aforesaid Note and of the mutual benefit accruing to Borrower and Bank, Borrower hereby acknowledges, accepts, and commits to the performance of the following terms and conditions subject to the same terms of performance and default set forth in the Note as if these terms and conditions were contained and shall be enforced for all purposes and remedies as if they had been made a part of the Note.

Borrower shall execute and bring into existence a certain OFTI to SCA Tissue Parent Roll Supply Agreement, dated as of July 30, 2004 by completing the said agreement on or before October 10, 2004 and any failure or delay in the completion, execution, and creation of said Agreement by said date shall constitute a full an irrevocable default under the terms of the Note and the underlying Loan Agreement.

This addendum replaces an addendum dated August 16, 2004.

Page 1 of 2

Fed Home Loan Rate  
3.45  
Sept 04


VHC\_004782

SA 0205


IN WITNESS WHEREOF, Borrower has executed this Addendum at Green Bay, Wisconsin effective as of the date first set forth above.

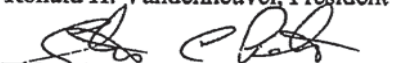
**RE-BOX, INC.**

BY:   
Ronald H. Vandenhuevel, President

BY:   
Steven C. Peters, Secretary

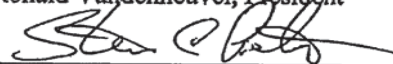
**PARTNERS CONCEPTS  
DEVELOPMENT, INC.**

BY:   
Ronald H. Vandenhuevel, President

BY:   
Steven C. Peters, Secretary

**TISSUE PRODUCTS TECHNOLOGY  
CORP.**

BY:   
Ronald Vandenhuevel, President

BY:   
Steven C. Peters, Secretary

## LOAN PURCHASE AND ASSIGNMENT AGREEMENT

THIS LOAN PURCHASE AND ASSIGNMENT AGREEMENT, dated as of April 28, 2006, is made by and between ASSOCIATED BANK, NATIONAL ASSOCIATION ("Assignor") and VHC, INC., a Wisconsin corporation ("Assignee").

WHEREAS, Assignee desires to purchase from Assignor and take an assignment of all of Assignor's right, title and interest in, to and under the documents and instruments described on Schedule 1 attached hereto (collectively, the "Loan Documents") relating to certain loans (collectively, the "Loan Facilities") from Assignor to Partners Concepts Development, Inc. and Tissue Products Technology Corporation. (f/k/a PCDI Oconto Falls Tissue, LLC) (collectively, the "Borrowers") and all obligations of the Borrowers related thereto to Assignor under the Loan Documents, on the terms and conditions set forth herein; and Assignee has agreed to undertake such purchase and assignment from Assignor on such terms and conditions.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Assignment. Assignor hereby unconditionally and irrevocably transfers, sells and assigns to Assignee, without recourse, all of Assignor's right, title and interest in, to and under the Loan Facilities.
2. Purchase Price. In consideration for the above described assignment, Assignee shall pay Assignor at Closing (as defined herein), in good funds, the sum of \$8,271,001.42 (the "Purchase Price"). The Purchase Price shall be in the form of a transfer of funds from Assignee to Assignor from the accounts of Assignee maintained at Assignor.
3. Closing. Subject to satisfaction of the conditions set forth in sections 4 and 5 hereof and the due execution and delivery of this Agreement by the parties hereto, the closing ("Closing") of the transactions contemplated herein shall take place on April 28, 2006.
4. Assignor's Obligations Prior to Closing. Assignor agrees that it shall, prior to or at Closing, deliver to Assignee all original Loan Documents listed on Schedule 1 attached hereto.
5. Assignee's Obligations Prior to Closing. Assignee, prior to or at Closing shall have consummated the refinancing of its obligations to Assignor and the proceeds thereof shall have been deposited in Assignee's accounts at Assignor.
6. Assignor's Representations and Warranties. Assignor makes no representations, warranties or affirmations (expressed or implied) of any kind or nature whatsoever regarding the Loan Facilities, the Loan Documents or the Borrowers, except as to the following:

- (a) Assignor has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions provided for herein and the execution and delivery of this Agreement by Assignor and the performance by it of the

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**Exhibit 560-J**  
**Docket No. 4756-15**  
**21583**

VHC\_005016

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obligations to be performed hereunder have been duly authorized by all necessary and appropriate action; and

(b) Assignor is the owner of the Loan Documents and has not previously assigned or transferred its right, title or interest in the Loan Documents.

7. Assignee's Representations and Warranties. Assignee hereby represents and warrants that:

(a) Assignee has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions provided for herein and, the execution and delivery of this Agreement by Assignee and the performance by it of its obligations to be performed hereunder have been duly authorized by all necessary and appropriate action.

(b) Assignee has made its own independent credit analysis of the Borrowers and has made its own independent review of the Loan Documents. Assignee has agreed to purchase the Loan Documents based upon such information and documents as Assignee has deemed necessary for such review. Assignee has independently ascertained the reliability and completeness of any information contained in the Loan Documents and regarding the Borrowers related thereto. Assignee hereby accepts the full risk of payment of the Borrowers' obligations to Assignor under the Loan Documents.

8. Exercise of Rights and Remedies. Assignee is hereby unconditionally and irrevocably empowered by Assignor to exercise, discharge and enforce all of the rights, obligations and remedies provided for under the Loan Documents and at law regarding Borrowers and the Loan Facilities, in its own name and for its own account and at its own risk.

9. Miscellaneous.

(a) This Agreement shall inure the benefit of and be deemed binding upon the successors and assigns of the parties hereto.

(b) This Agreement represents the entire agreement of the parties with respect to the subject matter hereof, and its provisions shall not be modified or waived in any manner, except by the written consent of the parties. This Agreement shall be construed without regard to any presumption or any rule requiring construction against the party causing this Agreement to be drafted.

(c) The validity, interpretation and enforcement of this Agreement shall be governed by the laws of the State of Wisconsin (irrespective of such state's choice of laws rules).

[Signature Page Follows]

[Signature Page to Loan Purchase and Assignment Agreement]

ASSOCIATED BANK, NATIONAL  
ASSOCIATION

By: 

Title: Senior Vice President

VHC, INC.

By: 

Title: President



## SCHEDULE 1

Loan Documents

1. Business Credit Agreement dated as of November 30, 2001 between Assignor and Partners Concepts Development, Inc.
2. Business Note dated December 8, 2001 in the stated principal amount of \$3,995,000 issued by Custom Paper Products, Inc. and PCDI Oconto Falls Tissue, LLC (k/n/a Tissue Products Technology Corporation) and payable to the order of Assignor.
3. Selective Business Security Agreement dated as of May 8, 2001 from Custom Paper Products Corporation to Assignor.
4. Continuing Guaranty (Unlimited) dated as of May 8, 2001 from Ronald H. VanDenHeuvel to Assignor with respect to the obligations of Custom Paper Products, Inc. to Assignor.

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CUSTOMER #: 8629366

ACCOUNT #: 9001R

**BUSINESS NOTE**

(Use only for business purpose loans)

Dates not checked  
are inapplicable.CUSTOM PAPER PRODUCTS, INC. &  
PCDI OCONTO FALLS TISSUE, LLC  
(MAKER)DECEMBER 8, 2001  
(DATE)

\$ 3,995,000.00

1. Promise to Pay and Payment Schedule. The undersigned ("Maker," whether one or more) promises to pay to the order of Associated Bank, N.A. ("Lender") at 200 N. Adams St. PO Box 19006, Green Bay 54307-9006, Wisconsin, the sum of \$ 3,995,000.00.

[Check (a), (b), (c) or (d); only one shall apply.]

(a) ☒ Single Payment. In one payment on MAY 8, 2002, plus interest payable as set forth below unless interest is shown on line 4 at the bottom of this Note.

(b) ☐ Installments of Principal and Interest. In n/a equal payments of \$ n/a due on n/a, and on n/a the same day(s) of each n/a month thereafter ☐ every 7th day thereafter ☐ every 14th day thereafter, PLUS a final payment of the unpaid balance and accrued interest due on n/a, all subject to modification as set forth in 2(b) below, if applicable. All payments include principal and interest.

(c) ☐ Installments of Principal. In n/a equal payments of principal of \$ n/a due on n/a and on n/a the same day(s) of each n/a month thereafter ☐ every 7th day thereafter ☐ every 14th day thereafter, PLUS a final payment of the unpaid principal due on n/a, PLUS interest payable as set forth below.

(d) ☐ Other. n/a

2. Interest Calculation. If the amount of interest is not shown on line 4 below, this Note bears interest on the unpaid principal balance before maturity.

[Check (a) or (b) or complete line 4 below; only one shall apply.]

(a) ☒ Fixed Rate. At the rate of 9.250 % per year.

(b) ☐ Variable Rate. At the annual rate which is equal to the following Index Rate, ☐ plus ☐ minus n/a percentage points ("Note Rate"), and the Note Rate shall be adjusted as provided below. The Index Rate is:

☐ The prime rate ☐ The reference rate ☐ The base rate adopted by ☐ Lender ☐ n/a

n/a from time to time as its base or reference rate for interest rate determinations. The Index Rate may or may not be the lowest rate charged by Lender. n/a

The initial Note Rate is n/a %. An adjustment in the Note Rate will result in an increase or decrease in (1) ☐ the amount of each payment of interest, (2) ☐ the amount of the final payment, (3) ☐ the number of scheduled periodic payments sufficient to repay this Note in substantially equal payments, (4) ☐ the amount of each remaining payment of principal and interest so that those remaining payments will be substantially equal and sufficient to repay this Note by its scheduled maturity date, (5) ☐ the amount of each remaining payment of principal and interest (other than the final payment) so that those remaining payments will be substantially equal and sufficient to repay this Note by its scheduled maturity date based on the original amortization schedule used by Lender, plus the final payment of principal and interest, or (6) ☐ n/a

In addition, Lender is authorized to change the amount of periodic payments if and to the extent necessary to pay in full all accrued interest owing on this Note. The Maker agrees to pay any resulting payments or amounts. The Note Rate shall be adjusted only on the following change dates: ☐ the first day of each month ☐ each scheduled payment date ☐ as and when the Index Rate changes ☐ n/a

Interest is computed:

(c) ☒ For the actual number of days principal is unpaid on the basis of ☒ a 360 day year ☐ a 365 day year.

(d) ☐ For the number of days principal is unpaid on the basis of a 360 day year, counting each day as 1/30th of a month and disregarding differences in lengths of months and years.

Unpaid principal and interest bear interest after maturity until paid (whether by acceleration or lapse of time) at the rate ☐ which would otherwise be applicable plus n/a percentage points ☒ of 14.250 % per year, computed on the same basis as the interest rate before maturity.

3. Interest Payment. Interest is payable on JANUARY 8, 2002, and on ☒ the same day of each succeeding month thereafter, ☐ every 7th day thereafter, ☐ every 14th day thereafter, and at maturity, or, if box 1(b) is checked, at the times so indicated.

4. Other Charges. If any payment (other than the final payment) is not made on or before the 10TH day after its due date, Lender may collect a delinquency charge of 5.00 % of the unpaid amount. Maker agrees to pay a charge of \$ 15.00 for each check presented for payment under this Note which is returned unsatisfied.

5. Prepayment. Full or partial prepayment of this Note ☐ is permitted at any time without penalty ☒ SEE ADDITIONAL PROVISIONS

THIS NOTE INCLUDES ADDITIONAL PROVISIONS ON REVERSE SIDE.

CUSTOM PAPER PRODUCTS, INC. &  
PCDI OCONTO FALLS TISSUE, LLC (SEAL)

A WISCONSIN CORPORATION

(Type of Organization)

BY Daniel J. Platkowski (SEAL)  
DANIEL PLATKOWSKI PRESIDENTBY Steven C. Peters (SEAL)  
STEVEN C. PETERS SECRETARYBY Steven C. Peters (SEAL)  
STEVEN C. PETERS MEMBERBY Ronald H. Vandenheuvel (SEAL)  
RONALD H. VANDENHEUVEL MEMBER

2107 AMERICAN BLVD

DE PERE, WI 54115

(ADDRESS)

920-336-7278  
(PHONE)

Inapplicable unless filled in (use for add-on loans only).

Loan Proceeds \$ n/aCr. Life Ins. Charge n/aCr. A & S Ins. Charge n/aInterest (Add-on) n/an/aFace Amount Of Note \$ n/a

FOR LENDER CLERICAL USE ONLY

checked, insert applicable prepayment restrictions and penalties.  
If life or accident and sickness insurance is requested, a WBA 450 may be required.

34

BSA/SBSA 16 yrs.

846/H2U/GREGORY J LUNDBERG  
LOAN OFFICER

VHC\_005020

SA 0211





Associated Bank

8629366-9001

CUSTOMER # 8629366  
NOTE # 9801  
ATTACH TO NOTE DATED 12-08-01

EXTENSION AGREEMENT NO. \_\_\_\_\_

MAY 17 2002 26

THIS EXTENSION AGREEMENT, is made and entered into as of this 8th day of May, 2002 by and between ASSOCIATED BANK N.A. ("the Bank") and Custom Paper Products Inc-PCDI Oconto Falls ("the Borrower").  
Tissue LLC

## RECITAL

The Borrower has made, executed and delivered to the Bank a promissory note in the original amount of \$ 4,000,000.00 dated May 8, 2001 ("the Note"). The Note has or is about to mature and the parties desire to extend the maturity of the Note and set out that extension in this writing.

NOW THEREFORE, for good and valuable consideration and the mutual covenants contained herein the parties agree as follows:

1. **Note Extension.** The maturity date of the Note and the indebtedness evidenced thereby is hereby extended from 5-8-02 to 7-8-02.
2. **Survival.** All other terms of the Note, and any other document securing the indebtedness evidenced thereby shall remain in full force and effect except as the same may need to be modified to give force and effect to this Extension Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Extension Agreement on the day and year first above written.

"BANK"

ASSOCIATED BANK N.A.

By: Greg Lundberg, Senior Vice President

"BORROWER"

CUSTOM PAPER PRODUCTS INC

X Daniel J. Rothrock, Pres.  
X Steve Peters, Sec.

PCDI OCONTO FALLS TISSUE LLC

Ronald H. Vanden Heuvel, Member  
Steven C. Peters, Member



PARTNERS CONCEPT  
 (W.B.A.) 4488CA(2/01) F11238  
 © Wisconsin Bankers Association 2001

CUSTOMER #: 8610444

ACCOUNT #: 9002R



**BUSINESS CREDIT AGREEMENT**  
 (Business Loans)

The undersigned ("Customer", whether one or more) agrees with the undersigned lender ("Lender") as follows:

1. Loans. Customer requests that Lender lend to Customer from time to time such amounts as Customer may request in accordance with this Agreement (the "Loans"), and, subject to the terms of this Agreement, Lender agrees to lend such amounts up to (a) ☒ the aggregate principal amount of \$ 7,000,000.00 at any time outstanding, within which amount Customer may borrow, repay and reborrow under this Agreement (b) ☐ the aggregate principal amount of \$ n/a (the "Credit Limit"). Lender is not obligated to but may make Loans in excess of the Credit Limit, and in any event Customer is liable for and agrees to pay all Loans and other charges made to or imposed on Customer under this Agreement.

2. Loan Procedures. Customer may obtain Loans under this Agreement only as provided below:

- (a) ☒ Customer shall give Lender at least n/a business days' prior notice of any Loan requested under this Agreement, specifying the date and amount of the Loan. Lender will make the Loan available to Customer ☐ by crediting the amount of the Loan to Customer's deposit account no. n/a ☒ by DIRECTION OF BORROWER.
- (b) ☐ Whenever the ☐ ledger ☐ collected balance in Customer's deposit account no. n/a is less than \$ n/a on any business day ("Trigger Amount"), for whatever reason, Customer requests Lender to automatically advance funds in increments of \$ n/a to Customer's deposit account in an amount sufficient to increase the balance to the Trigger Amount, or such lesser amount as may be available to Customer under this Agreement.
- (c) ☐ n/a

3. Fees. Customer agrees to pay the following nonrefundable fees as a condition of access to credit under this Agreement:

- (a) ☐ Commitment fee in the amount of \$ n/a payable n/a
- (b) ☐ Commitment fee in an amount equal to n/a % per year of the average daily unused portion of the Credit Limit from the date of this Agreement until the Termination Date specified in section 6, payable ☐ at the times interest is payable under section 5 ☐ on the n/a day of each n/a payable n/a
- (c) ☐ Annual fee of n/a payable n/a
- (d) ☐ n/a

Customer agrees to repay any fees and charges described above as Loans under this Agreement if such fees and charges are not required by Lender to be paid in cash by Customer at the time the fee or charge is incurred under this Agreement. Furthermore, charges for credit insurance if separately requested by Customer may be charged by Lender as Loans to Customer under this Agreement.

4. Interest Rate and Other Charges. Customer agrees to pay interest to Lender on the unpaid principal balance outstanding from time to time under this Agreement (Check (a) or (b); only one shall apply.):

- (a) ☐ At the rate of n/a % per year.
- (b) ☒ At the annual rate, which is equal to the following Index Rate ☒ plus ☐ minus 0.000 percentage points. The Index Rate is ASSOCIATED BANK PRIME RATE. The Index Rate may or may not be the lowest rate charged by Lender. Any change in the interest rate resulting from a change in the Index Rate shall become effective without notice to Customer as of the day of the change in the Index Rate. A change in the interest rate will apply both to the outstanding principal balance and to new Loans. If the Index Rate ceases to be made available to Lender during the term of this Agreement, Lender may substitute a comparable Index.

Interest under (a) or (b) is computed on the basis of the actual number of days the principal balance is unpaid based upon a year of ☒ 360 days ☐ 365 days. If any payment (other than the final payment) is not made on or before the 10TH day after its due date, Lender may collect a delinquency charge of ☒ 5.00 % of the unpaid amount ☐ \$ n/a. Unpaid principal and interest bear interest after maturity (whether by acceleration or lapse of time) until paid at the rate ☒ which would otherwise be applicable plus 5.000 percentage points ☐ of n/a % per year, computed on the same basis. Customer agrees to pay a charge of \$ 15.00 for each check presented for payment under this Agreement which is returned unsatisfied.

5. Payment Schedule. Customer agrees to pay to Lender the unpaid principal balance and accrued interest as follows: (Check (a), (b), (c) or (d).)

- (a) ☐ In one payment on ☐ demand ☐ the Termination Date.
- (b) ☒ In payments of accrued interest, beginning DECEMBER 30, 2001, and on the same day(s) of each CONSECUTIVE month thereafter, plus a final payment of unpaid principal and accrued interest due on the Termination Date specified in section 6.
- (c) ☐ In payments each equal to n/a % of the unpaid principal balance, plus accrued interest, beginning n/a, and on the same day(s) of each n/a month thereafter, plus a final payment of unpaid principal and accrued interest due on the Termination Date specified in section 6.
- (d) ☐ n/a

In addition, Customer shall immediately pay any amount by which the Loans exceed the Credit Limit, any prior unpaid payments and any unpaid fees and charges. Lender is authorized to automatically charge payments due under this Agreement to any account of Customer with Lender. If payments are not automatically charged to Customer's account, payments must be made to Lender at its address shown below and are not credited until received in Lender's office. Lender is authorized to make book entries evidencing Loans and payments under this Agreement and the aggregate unpaid amount of all Loans as evidenced by those entries is presumptive evidence that those amounts are outstanding and unpaid to Lender.

6. Termination. Unless sooner terminated under section 11, Customer's right to obtain Loans and Lender's obligations to extend credit under this Agreement terminate on the date payment is due under section 5(a), if applicable, or on MARCH 30, 2002, whichever is earlier (the "Termination Date"). ☐ If checked here, the Termination Date shall be automatically extended from year to year for one year periods after this date unless Lender gives Customer notice to the contrary at least 30 days prior to the Termination Date, as extended from year to year. Customer may terminate Customer's right to obtain Loans under this Agreement at any time and for any reason by written notice to the Lender. Such notice of termination signed by a Customer shall be binding on each Customer who signs this Agreement. Termination, for whatever reason, does not affect Lender's rights, powers and privileges, nor Customer's duties and liabilities, with regard to the then existing balance under this Agreement. Lender may refuse to grant any Loan request received by Lender on or after the Termination Date.

7. Persons Bound and Other Provisions. This Agreement shall be binding upon and inure to the benefit of Lender and Customer and their respective heirs, personal representatives, successors and assigns, except that Customer may not assign or transfer any of Customer's rights under this Agreement without the prior written consent of Lender. This Agreement includes the Additional Provisions on the reverse side. Dated as of NOVEMBER 30, 2001.

Associated Bank, N.A. (SEAL)  
 (Name of Lender)

200 N. Adams St. PO Box 19006  
 Green Bay, WI 54307-9006

By 846/H2U/GRB GUNDBERG (Address)  
 (SENIOR VICE PRESIDENT) (Title)

By \_\_\_\_\_ (Title)

PARTNERS CONCEPTS DEVELOPMENT  
 INC. (SEAL)

A WISCONSIN CORPORATION  
 (Type of Organization)

By RONALD H. VANDEN HEUVEL (SEAL)  
 PRESIDENT

By STEVEN C. PETERS (SEAL)  
 SECRETARY

\_\_\_\_\_, (SEAL)

\_\_\_\_\_, (SEAL)

2079A LAWRENCE DR  
 DEPERE, WI 54115

(Address)

134  
 CBSA/GTY'S/STPR

A = 168 = 7,000,000.00

VHC\_005023

SA 0214



## ADDITIONAL PROVISIONS

8. **Security Interest.** This Agreement is secured by all existing and future security agreements, assignments and mortgages from any Customer to Lender, from any guarantor of this Agreement to Lender, and from any other person providing collateral security for Customer's obligations to Lender (all called "Security Documents"), and payment of the Loans may be accelerated according to any of them. Unless a lien would be prohibited by law or would render a nontaxable account taxable, Customer also grants to Lender a security interest and lien in any deposit account Customer may at any time have with Lender. Lender may at any time after the occurrence of an event of default set-off any amount unpaid under this Agreement against any deposit balances or other money now or hereafter owed to Customer by Lender.

9. **Venue.** To the extent not prohibited by law, venue for any legal proceeding relating to enforcement of this Agreement shall be, at Lender's option, the county in which Lender has its principal office in this state, the county in which Customer resides, or the county in which this Agreement was executed by Customer.

10. **Financial Statement.** Customer shall furnish to Lender financial statements at least annually and such other financial information respecting Customer at such times and in such form as Lender may request from time to time.

11. **Default and Acceleration.** Upon the occurrence of any one or more of the following events of default: (a) Customer fails to pay any amount when due under this Agreement or under any other instrument evidencing any indebtedness of Customer, (b) any information provided by Customer in connection with this Agreement is or was false or fraudulent in any material respect, (c) a material adverse change occurs in Customer's financial condition, (d) Customer fails to timely observe or perform any of the duties contained in this Agreement, (e) any guaranty of Customer's obligations under this Agreement is revoked or becomes unenforceable for any reason or any such guarantor dies or ceases to exist, or (f) an event of default occurs under any Security Document; then, at Lender's option, and upon written or verbal notice to Customer, Lender's obligation to make Loans under this Agreement shall terminate and the total unpaid balance shall become immediately due and payable without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by Customer. Lender's obligation to make Loans under this Agreement shall automatically terminate and the total unpaid balance shall automatically become due and payable in the event Customer becomes the subject of bankruptcy or other insolvency proceedings. Lender may waive any default without waiving any other subsequent or prior default. Customer agrees to pay all costs of collection before and after judgment, including reasonable attorneys' fees (including those incurred in successful defense or settlement of any counterclaim brought by Customer or incident to any action or proceeding involving Customer brought pursuant to the United States Bankruptcy Code). Customer agrees to indemnify and hold harmless Lender, its officers, directors, employees and agents, from and against any and all claims, damages, judgments, penalties and expenses, including reasonable attorneys' fees, arising directly or indirectly from credit extended under this Agreement or the activities of Customer. This indemnity shall survive termination of this Agreement, the repayment of all Loans and the discharge and release of any collateral for the Loans.

12. **Amendment.** No amendment, modification, termination or waiver of any provision of this Agreement shall in any event be effective unless it is in writing and signed by Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purposes for which given.

13. **Entire Agreement; Use of Proceeds.** This Agreement and the Security Documents are intended by Customer and Lender as a final expression of their agreement and as a complete and exclusive statement of its terms, there being no conditions to the full effectiveness of this Agreement except as set forth in this Agreement and the Security Documents. Customer represents and warrants to Lender that no part of any Loan will be used for personal, family, or household purposes.

14. **No Waiver; Remedies.** No failure on the part of Lender to exercise, and no delay in exercising, any right, power or remedy under this Agreement shall operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise of the right or the exercise of any other right. The remedies provided in this Agreement are cumulative and not exclusive of any remedies provided by law.

15. **More Than One Customer.** If more than one person signs this Agreement as Customer, Lender may at its option and without notice refuse any Loan request of any Customer. Any Customer may request Loans under this Agreement. Each Customer is jointly and severally liable for all Loans and other obligations under this Agreement.

16. **Notice.** Except as otherwise provided in this Agreement, all notices required or provided for under this Agreement shall be in writing and mailed, sent or delivered, if to Customer, at any Customer's last known address as shown on the records of Lender, and if to Lender, at its address shown on the reverse side, or, as to each party, at such other address as shall be designated by such party in a written notice to the other party. All such notices shall be deemed duly given when delivered by hand or courier, or three business days after being deposited in the mail (including any private mail service), postage prepaid, provided that notice to Lender pursuant to section 6 shall not be effective until received by Lender and Lender has a reasonable opportunity to act on the notice.

17. **Address.** Customer's address is shown on the reverse side. Customer shall immediately notify Lender in writing of any change of address.

18. **Interpretation.** The validity, construction and enforcement of this Agreement are governed by the internal laws of Wisconsin. Invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement.

19. **Other Provisions.** (If none stated, there are no other provisions.)

**Letter of Credit Limitation on Available Credit**

It is further agreed and understood that in the event Lender, either contemporaneously herewith or hereafter, issues a Letter of Credit on behalf of Customer, the amount of such Letter, or the aggregate amount of all such Letters of Credit, shall be applied against the Credit Limit for the purpose of determining the amount of credit available to Customer hereunder. The amount of each Letter of Credit shall continue to limit the available credit hereunder as long as the Lender is obligated under such Letter of Credit.

STOMER # 8610444  
DATE # 9002  
H TO NOTE DATED 03-30-02

#8610444-9002  
LQAS ENTERED

AMENDMENT TO BUSINESS CREDIT AGREEMENT JUN 21 2002

BY \_\_\_\_\_

THIS AMENDMENT TO BUSINESS CREDIT AGREEMENT dated as of the 30 day of March, 2002, amends and supplements that certain Business Credit Agreement by and between PARTNERS CONCEPTS DEVELOPMENT, INC. (the "Borrower") and ASSOCIATED BANK, N.A. (the "Bank") dated November 30, 2001, pursuant to which the Bank agreed to loan to the Borrower up to \$7,000,000.00 (the "Credit Agreement").

RECITAL

The Termination Date under the Credit Agreement occurred on March 30, 2002. The Borrower and the Bank desire to extend the Termination Date as set forth below.

AGREEMENTS

In consideration of the promises and agreements contained in the Credit Agreement, as amended hereby, the Bank and the Borrower agree as follows:

1. Definitions and References. Upon the satisfaction of the conditions in section 3 below, all references to the Credit Agreement contained in any agreements or instruments between the Borrower and the Bank shall mean the Credit Agreement as amended by this Agreement. Capitalized terms not defined herein shall have the meanings ascribed to them in the Credit Agreement.
2. Modification of Credit Agreement. The Credit Agreement is amended by deleting the date "March 30, 2002" in section 6 therein and inserting "August 1, 2002" in its place.
3. Effectiveness of this Amendment. This Amendment shall become effective upon execution and delivery hereof by the Borrower and the Bank.
4. No Waiver. The Borrower agrees that nothing contained herein shall be construed by the Borrower as a waiver by the Bank of the Borrower's compliance with any representation, warranty or covenant contained in the Credit Agreement or any agreements or instruments related thereto or any other agreements or instruments between the Borrower and the Bank (collectively, the "Loan Documents") and that no waiver of any provisions of the Credit Agreement or the other Loan Documents has occurred. The Borrower further agrees that nothing contained herein shall impair the right of the Bank to require strict performance by the Borrower of the provisions of the Credit Agreement or the other Loan Documents.

MW1865965MDJ:MDJ 03/30/02

entered  
06-12-02  
mm

VHC\_005025

SA 0216

5. Representations and Warranties. The Borrower represents and warrants that:

(a) The execution and delivery of this Agreement by the Borrower is within its corporate power, have been duly authorized by the proper corporate action on the part of the Borrower, is not in violation of any existing law, rule or regulation of any governmental agency or authority, any order or decision of any court, the By-Laws or Articles of Incorporation of the Borrower or the terms of any agreement, restriction or undertaking to which the Borrower is a party or by which it is bound, any governmental body, agency or authority or any other person or entity; and

(b) The representations and warranties of the Borrower contained in the Credit Agreement or the other Loan Documents are true and correct in all material respects as of the date of this Agreement.

6. Expenses and Fees. The Borrower shall reimburse the Bank for all out of pocket expenses incurred by the Bank and all legal fees and expenses incurred by the Bank in connection with the preparation, negotiation, execution and administration of this Agreement.

7. Full Force and Effect. The Credit Agreement, as amended hereby, remains in full force and effect.

*Ronald H. Van Den Heuvel*  
Chief Financial Officer  
X *Ronald H. Van Den Heuvel*  
RONALD H. VANDENHEUVEL  
PRESIDENT

PARTNERS CONCEPTS DEVELOPMENT, INC.

BY *Steve Peters*  
Its *Secretary*

ASSOCIATED BANK, N.A.

BY *William F. Hoff*  
Its *Executive President*



**CRITICIZED/CLASSIFIED ACCOUNT STRATEGY (GB METRO)**

Date: 3/02

Officer: GJL

Primary Borrower, City/State: Partners Concepts Development, Inc., et al.		Next Review: 6/02
Description of Business: Holding Company for PCDI Oconto Fall Tissue and ReBox		
<i>Substantiation note # 1,2,3</i>		
Current Asset Quality Rating/Watch:	Past Due Date:	Commercial Commitment: \$30,989,836
Last Presentation Date: 3/02	Accrued Int. Amt.:	Commercial Outstanding: \$22,446,000
Charged-Off Amt:	Non-Accrual Date: N/A	Other Related Debt (IL/ML): N/A
Credit / Term changes in past 6 months:		

Trend of Credit: ☐ Improving ☒ Stable ☐ Deteriorating  
 Proposed Account Strategy: ☐ Upgrade ☒ Retain ☐ Exit

Potential Loss Exposure: 0.00

Specific Reserve Allocation Amount: 0.00

Name	Title/Percent of Ownership	Name	Title/Percent of Ownership

CREDIT ARRANGEMENT ASSUMING CAMBRIDGE CAPITAL LOAN IS PUT IN PLACE							
	Name	Current Commitment	\$O/S	Loan Type/Purpose	Collateral	Mat./Orig. Amort./ Rem. Amort	Rate/ Fees
1	Partners Concepts Development, Inc. et al. #8610444-9001	\$ 875,000	\$ 875,000	CL	See Pool #1 Below	7-7-02	Int. Mo. Prime
2	Partners Concepts Development, Inc. et al. #8610444-9002	5,000,000	5,000,000	LOC/Support A/R and/or Inventory	See Pool #1 Below	6-30-02	Int. Mo. Prime
3	Partners Concepts Development, Inc. et al. #8610444-9005	576,000	576,000	LOC/Support A/R and/or Inventory	See Pool #1 Below	7-1-02	Int. Mo. Prime
4	Partners Concepts Development, Inc. et al.	1,000,000	0	Letter of Credit/ Support Cambridge financing	\$1MM CD	1 yr.	1 1/2%, fee annually
5	PCDI-OFTI #8613281-9001	2,400,000	--	Letter of Credit	See Pool #2 Below	12-31-02	At Maturity 7.75%
6	PCDI - OFTI #8602204-9003	2,000,000	2,000,000	CL	See Pool #2 Below	7-1-02	Int. Mo. Prime
7	PCDI - OFTI #8613281-9003	5,143,836	0	Letter of Credit/ Support Bonds	See Pool #3 Below	12-15-04	If Drawn 1 1/2%, fee annually
8	PCDI - OFTI #8602204-9004	8,000,000	8,000,000	CL/Refinance Debt	See Pool #3 Below	11-1-06/ 15-yr.	Int. Mo. until 7-1-02, then converts to P&I pymts. of \$62,226
9	Custom Paper Products Inc./PCDI-OFTI as Co-Borrowers #8629366-9001	3,995,000	3,995,000	CL/Purchase Equipment	See Pool #4 Below	6-8-02	Int. Mo. 9.25%
10	Ronald H. VanDenHeuvel #861718-9014	2,000,000	2,000,000	Tax Payment	Corp. Gift of VHC, PCDI & PCDI-OFTI	1 yr./ 5-yr. amort.	\$33,411 P&I Mo. P+1%

U.S. TAX COURT  
EX 1021 - J - P2 R

AUG 19 2016

Marked for Identification ☒  
 Received in Evidence ☒  
 Not Admitted ☐  
 Docket No. 4756-15, 21503-15

VHC\_009789

SA 0218

Credit Name: Partners Concepts Development, Inc., et al

Waiting approval @  
ECC

		Plus Other Exposure
\$30,989,836	\$22,446,000	Total ABC Exposure
		Less Amount Sold
\$30,989,836	\$22,446,000	Total Regional Exposure
		Less Government Guarantees
		Less Debt not Required for Aggregation under Legal Lending Limit Guidelines
\$30,989,836	\$22,446,000	Subject to Regional Lending Limit

**COLLATERAL POOLS:**

Pool #1: General Business Security Agreement on the assets of Partners Concepts Development Inc.; pledge of stocks of CCPI, OFTI, Rebox, Care for all Ages; unlimited guarantee of Ron VanDenHeuvel; and a limited \$1,000,000 guarantee of Ray VanDenHeuvel.

Pool #2: General Business Security Agreement on the assets of Oconto Falls Tissue Inc.; first lien on the receivables and inventory resulting from Paper Machine #2; the unlimited personal guarantees of Ron VanDenHeuvel and William Bain; and the limited \$1,000,000 guarantees of Ann and Pat Murphy and Bernie Dahlin.

Pool #3: General Business Security Agreement on the assets of Oconto Falls Tissue Inc.; assignment of lease on the OFTI water system; first lien on accounts receivable and inventory of #2 Paper Machine; corporate guarantee of VHC; and the unlimited personal guarantees of Ray T. VanDenHeuvel II, William Bain, Ronald Lentz, David VanDenHeuvel, Ronald H. VanDenHeuvel, Craig Kassner, Steven VanDenHeuvel, Guy Piontek, and Timothy VanDenHeuvel.

Pool #4: General Business Security Agreement on the assets of OFTI; SBSA backed by PMSI on assets of CCPI; and Ron VanDenHeuvel's unlimited personal guarantee.

**Financial Data:** (attached spreads for company financial information)

GUARANTY						
Name(s)	PFS Date	Unlim/Limited \$	Net Worth	Net Worth w/o Controlled Co.	Unencumbered Liquid Assets	Annual Income
Raymond VanDenHeuvel	05-17-99	Limited - \$1,000,000	\$ 2,713,600		\$ 14,600	\$314,000
Ray T. VanDenHeuvel II	04-15-01	Unlimited	2,749,930		2,500	340,000
William C. Bain	02-06-01	Unlimited	8,144,803		412,203	847,320
Ronald Lentz	05-30-01	Unlimited	3,001,797		67,000	Not Given
David VanDenHeuvel	05-30-01	Unlimited	3,341,700		12,000	Not Given
Ronald H. VanDenHeuvel	02-01-02	Unlimited	25,280,715		1,213,000	Not Given
Craig Kassner	04-15-01	Unlimited	2,273,400		4,000	385,560
Steven VanDenHeuvel	04-15-01	Unlimited	2,657,210		28,740	360,000
Guy Piontek	04-15-01	Unlimited	2,736,800		1,500	330,000
Timothy VanDenHeuvel	04-15-01	Unlimited	2,604,783		5,000	395,560

COLLATERAL ANALYSIS (000's)				
	Date	Value	Advance %	Estimated Collateral Value
A/R - OFTI	12/01	\$ 5,881	60%	\$ 3,529
Real Estate		16,000	85%	13,600
Inventory - OFTI	12/01	3,990	35%	1,397
<b>TOTAL COLLATERAL VALUE</b>		<b>\$25,871</b>		<b>\$18,526</b>
			<b>NET COLLATERAL POSITION</b>	<b>\$22,446</b>
			<b>TOTAL LOANS OUTSTANDING</b>	<b>\$22,446</b>
			<b>EFFECTIVE ADVANCE RATE %</b>	<b>121%</b>
			<b>COVERAGE RATIO</b>	<b>.83:1</b>

Cross-Collateralized ☐ Yes ☐ No Cross-Defaulted ☐ Yes ☐ No

The significant shortfall is mitigated by a number of factors. First, both the \$8,000,000 and the \$5,143,836 letter of credit are supported by the unlimited corporate guarantee of VHC, Inc. and the unlimited personal guarantees of the 9 principal owners of the company. The \$2,400,000 letter of credit and the \$2,000,000 loan have the unlimited guarantees of Ron VanDenHeuvel and Bill Bain as well as the guarantees of Ann and Pat Murphy and Bernie Dahlin each limited to \$1,000,000.

VHC\_009790

SA 0219



**Credit Name:** Partners Concepts Development, Inc. et al.

The collateral discounts reflect that some of the receivables are from CPPI and that some of the inventory is replacement motors and similar equipment.

**Documentation:**

Name of Law Firm/Attorney, if applicable:

Is the loan properly documented? ☐ Yes ☐ No (if no, explain)

Is insurance sufficient and proceeds assigned to us? ☐ Yes ☐ No (if no, explain)

Has lien priority been determined by search of public records? ☐ N/A ☐ Yes ☐ No Date of last lien search: 10/00

Identify prior liens and lien problems: N/A

**Background/Current Status:** (explain reason for credit grade and provide update on financial progress)

- (6/01) Startup operation with initial losses. Mill is for sale. Expected closing by 10/01.
- (9/01) YTD loss \$2MM. Sale to United Emirates did not happen.
- (3/02) Total exposure has decreased to VHC and PCDI from a high of \$77MM to \$55MM.

**Current Account Strategy:**

- (9/01) To be sent through committee—review grade at that time.
- (3/02) Goal is to reduce overall exposure and shift as much of the remaining debt as possible to VHC.

**Contingent Account Strategy:**

Planned Action	Target Date	Results

SAAS/GB METRO/gj17

VHC\_009791

SA 0220

**CRITICIZED/CLASSIFIED ACCOUNT STRATEGY-(GB METRO)**

Date: 12/01

Officer: GJL

Primary Borrower, City/State: Partners Concepts Development, Inc., et al	Next Review: 3/02
Description of Business: Holding Company for PCDI Oconto Fall Tissue and ReBox.	

Current Asset Quality Rating Watch	Past Due Date:	Commercial Commitment: 16,092,111
Last Presentation Date: 8/00	Accrued Int. Amt.:	Commercial Outstanding: 15,946,000
Charged-Off Amt:	Non-Accrual Date: N/A	Other Related Debt (IL/ML): n/a
Credit / Term changes in past 6 months:		

Trend of Credit: ☐ Improving ☒ Stable ☐ Deteriorating  
 Proposed Account Strategy: ☐ Upgrade ☒ Retain ☐ Exit

Potential loss exposure: 0.00

Specific Reserve Allocation Amount: 0.00

Name	Title / Percent of Ownership	Name	Title / Percent of Ownership

**CREDIT ARRANGEMENTS (000s)**

	Name	Original Commitment	\$O/S	Loan Type / Purpose	Collateral	Mat / Orig. Amort / Rem. Amort	Pmt	Rate/ Fees
1	8610444-9001 PCDI	875,000	875,000 (avail 0)	RL	GBSA/stock/GTY	12/01	Int. only mo.	P-.5%
2	8610444-9002 PCDI	7,000,000	7,000,000 (avail 0)	RL	GBSA/stock/GTY	11/01	Int. only mo.	P-.5%
3	8610444-9004 PCDI	146,111	0 (avail 146,111)	Letter of Credit	GBSA/stock/GTY	1-02	Int. only Mo.	7.75%
4	8610444-9005 PCDI	600,000	576,000 #	NR	GBSA/stock/GTY	12/01	Int. only mo.	Prime
5	8602204-9003 PCDI--OFTI	2,000,000	2,000,000	TL	GBSA/GTY	6/02	Int. mo.	Prime
6	PCDI--OFTI	5,000,000	--	Letter of credit/support bonds	1 <sup>st</sup> REM Corp Gty of VHC, pers. Gtys	11/04		
7	PCDI--OFTI	8,000,000	1,500,000	CL/refinance debt	1 <sup>st</sup> lien on A/R, Inv., & paper machine #2, Corp Gty of VHC, pers gtys	5 years	\$62,265 P&I mo.	Prime
8	8629366-9001 Custom Paper Products	3,995,000	3,995,000	TL	GBSA/gty/specific equipment	6/02	Int. mo.	9.25%

# No amount available

		Plus Other Region Debt or Holding Company Exposure
27,616,111	15,946,000	Total ABC Exposure
		Less Other Region Debt or Holding Company Exposure
27,616,111	15,946,000	Total Regional Exposure
		Less Government Guarantees and/or Debt not Required for Aggregation under Legal Lending Limit Guidelines
27,616,111	15,946,000	Subject to Regional Lending Limit

ACH Exposure: ☐ Yes ☒ No If yes, identify total exposure and entity name(s) here:If yes, does the total of the ACH exposure and the amount subject to regional lending limit (above) exceed the legal lending limit? ☐ Yes ☒ No**Financial Data:** (attached spreads for company financial information)**GUARANTY:**

Name(s)	PFS Date	Unlim / Limited \$	Net Worth	Net Worth w/o Controlled Co.	Unencumbered Liquid Assets	Annual Income
Ron VanDenHeuvel	6/01	Unlimited	71,773,293		1,162,411	
Ray VanDenHeuvel	5/99	Limited \$1MM	2,713,600	1,845,600	14,600	314,000

Credit Name: Partners Concepts Development, Inc., et al

VHC\_009792

SA 0221

**COLLATERAL ANALYSIS (000s)**

	Date	Value	Advance %	Estimated Collateral Value
A/R - CPPI	7/01	526	80%	421
New equipment - CPPI	7/01 cost	4,700	80%	3,760
A/R - OFTI	10/31	5,299	80%	4,239
Real Estate		16,000	85%	13,600
Inventory - OFTI	10/01	2,778	50%	1,389
<b>TOTAL COLLATERAL VALUE</b>		<b>29,303</b>	<b>NET COLLATERAL POSITION</b>	<b>23,409</b>
			<b>TOTAL LOANS OUTSTANDING</b>	<b>15,946</b>
			<b>EFFECTIVE ADVANCE RATE %</b>	<b>68%</b>
			<b>COVERAGE RATIO</b>	<b>1.46:1</b>

Cross Collateralized ☐ Yes ☐ No Cross Defaulted ☐ Yes ☐ No

**Documentation**

Name of Law Firm/Attorney, if applicable:

Is the loan properly documented? ☐ Yes ☐ No (if no, explain)

Is insurance sufficient and proceeds assigned to us? ☐ Yes ☐ No (if no, explain)

Has lien priority been determined by search of public records? ☐ N/A ☐ Yes ☐ No Date of last lien search: 10/00

Identify prior liens and lien problems: N/A

**Background/Current Status:** (explain reason for credit grade and provide update on financial progress)

- (6/01) Startup operation with initial losses. Mill is for sale. Expected closing by 10/01.
- (9/01) YTD loss \$2MM. Sale to United Emirates did not happen.

**Current Account Strategy:**

- (9/01) To be sent through committee—review grade at that time.

**Contingent Account Strategy:**

Planned Action	Target Date	Results

Saas/gbmicro/gjl7

**CERTIFICATE OF SERVICE**

I hereby certify that on April 15, 2019, I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Seventh Circuit by using the CM/ECF system. I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the CM/ECF system.

/s/ Robert M. Romashko