

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C.**

In the Matter of:

**Taotao USA, Inc.,
Taotao Group Co., Ltd., and
Jinyun County Xiangyuan Industry
Co., Ltd.,**

Respondents.

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**Docket No.
CAA-HQ-2015-8065**

BUSINESS CONFIDENTIALITY ASSERTED

The exhibits submitted with Respondents' Prehearing Exchange contain material claimed to be confidential business information ("CBI") pursuant to 40 C.F.R. § 2.203(b). The material claimed as CBI are Respondent's Exhibits 1 and 3. Exhibit 1 consists of correspondence regarding confirmatory testing on vehicles belonging to an engine family. Exhibit 3 consists of Respondent Taotao USA, Inc's 2014 tax returns. These exhibits are filed under seal.

A complete set of all exhibits, and a set in which the exhibits containing CBI are omitted, are being filed with the Hearing Clerk.

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**Docket No.
CAA-HQ-2015-8065**

**RESPONDENTS TAOTAO USA, INC., TAOTAO GROUP CO., LTD., AND JINYUN
COUNTY XIANGYUAN INDUSTRY CO., LTD.'S JOINT PREHEARING EXCHANGE**

Respondents, Taotao USA, Inc. ("Taotao USA"), Taotao Group Co., Ltd. ("Taotao Group"), and Jinyun County Xiangyuan Industry Co. Ltd. ("JCXI") by and through its Attorney of Record, William Chu, file this Joint Prehearing Hearing.

A. Potential Witnesses

Respondents may call any or all of the following witnesses at the evidentiary hearing in this matter. Because it is too early to determine which witnesses will be available at the hearing, whether they will be able to travel to Washington, D.C., and whether there will be a need for additional or alternative witnesses, Respondents will supplement this list, upon adequate notice to the Tribunal and to Complainant.

1. Matao Cao, Taotao USA, Inc. Mr. Cao is the president of Taotao USA and may testify to Respondent Taotao USA Inc.'s inability to pay and the likelihood that Taotao USA, Inc. will go out of business if it is ordered to pay the proposed penalty.
2. David Garibyan, Taotao USA, Inc. Mr. Garibyan is an employee of Taotao USA who has been present when certain emission tests were conducted on the subject vehicles. Mr. Garibyan may testify concerning the testing procedures, company practices, and the steps

Respondents have taken, and monies spent, to comply with the Environmental Protection Agency's demands and suggestions in the years preceding the filing of this Complaint, and since.

3. Jackie Wang, Taotao USA, Inc. Mr. Wang is an employee of Taotao USA and may testify regarding the process of importing and exporting vehicles, the tests conducted on the vehicles, the costs of additional tests, the process of ordering catalytic converters, and Respondents' efforts in remedying any effects of the alleged noncompliance.
4. James Xu, Manager, Stanley Marketing and Consulting, LLC. Mr. Xu is the certification consultant and authorized representative for certification purposed for Taotao USA. Mr. Xu prepares the applications for Certificates of Compliance ("COCs") for Taotao USA, the importer of the subject vehicles in this matter. Mr. Xu may testify to the contents of the applications for COCs submitted to the Environmental Protection Agency's Compliance division. Mr. Xu may also testify to his dealings and correspondences with EPA's Compliance division. Additionally, Mr. Xu may be qualified to testify as an expert about the procedure of submitting applications and collecting information for COC applications given that he submits COC applications, similar to those that are the subject matter of this complaint, for various other unrelated manufacturers and importers.
5. Larry Swiencki, Project Manager, California Environmental Engineering ("CEE"), an Environmental Testing Laboratory. Mr. Swiencki may testify about the emissions tests conducted at CEE on the vehicles imported by Taotao USA, and the removal of catalysts and the process of shipping them for further testing; how many such tests were conducted; and the costs of such tests. Additionally, Mr. Swiencki may be qualified to testify as an expert witness to provide an opinion regarding the test results, the impact of

catalysts and catalytic active materials on emission, and the likely reasons for any discrepancies between emissions tests conducted on the same vehicles at different locations and/or different times.

B. Documents and Exhibits

See “Respondents’ Joint Prehearing Exchange Index,” for a list of the exhibits that Respondent may introduce at the hearing. Copies of the exhibits are provided in tandem with this Prehearing Exchange. All other exhibits that Respondents’ intend to introduce as evidence at the hearing at this time that have already been provided by the Complainant, please see Complainants’ Initial Prehearing Exhibits. Respondents will supplement this Exchange, upon adequate notice to the Tribunal and to Complainant, to include additional exhibits as more information regarding the matter is gathered, and need for such additional exhibits is discovered.

C. Location of Hearing

Respondent is not opposed to the Complainants request that the hearing on this matter be held in Washington D.C., provided that Respondents’ witnesses are allowed to appear via video conference or testify in a deposition. Respondent will submit the appropriate requests for such alternate methods for providing testimony.

D. Brief Explanation of Arguments in Support of Respondents Defenses

Respondents have raised the following allegations in support of their defenses.

(1) Complainant has failed to state a claim against which relief can be granted. Specifically, there have been no allegations of Respondents exceeding emission standards under the Clean Air Act (“CAA”).

Complainants Amended Complaint states the following alleged violations of law:

EPA analyzed the precious metal content of catalytic converters taken from highway motorcycles and recreational vehicles representing ten engine families...In each catalytic converter analyzed, the required catalytic active material was either missing or not present in the quantity or concentration described in the relevant applications for COC applications. Because the catalytic converters do not conform to the design specifications described in the relevant applications for COC, the vehicles do not conform in all material aspects to the specifications in the COC applications and are therefore not covered by those COCs.

There have been no allegations that the alleged violations resulted in exceeding emission standards under the CAA.

In Complainants' Initial Prehearing Exchange Complainant has alleged that evidence will show that because vehicles imported "were equipped with catalytic converters in vehicles imported were built differently than the catalytic converters described in the applications for Certificates of Conformity Respondents submitted for the vehicles, the difference was material. Complainant has thereby alleged that any difference in actual catalytic converter active material concentration and an application for COC is "material" because it "reasonably may be affected to effect emission controls." In support of its argument, Complainant has cited to a decision in a 1979 case, which relied on a regulation that has since been deleted.¹

Because Complainant's Amended Complaint does not make any allegations that Respondents have exceeded emission standards under the CAA, the complaint fails to state a claim against which relief can be granted, Respondent cannot be held liable for a CAA violation.

¹ See *United States v. Chrysler Corp.*, 591 F.2d 958, 960 (D.C. Cir. 1979) (relying on 40 C.F.R. § 85.074-30 (a)(2) (1976)); Compare 40 C.F.R. 86.437-78, as amended and 40 C.F.R. 85.074-30 (1976) (repealed in 1977).

(2) The Complaint fails to state a claim against Respondents Taotao Group and JCXI upon which relief can be granted.

Respondents have raised the defense that neither Respondents Taotao Group, nor JCXI is a “person” under the CAA because Taotao Group and JCXI did not import the subject vehicles. The Clean Air Act prohibits “...in case of a person, the importation into the United States, of any new motor vehicle or new motor vehicle engine...unless such vehicle is covered by a certificate of conformity...” CAA § 203(a)(1), 42 U.S.C. § 7522(a)(1). Because the Complaint alleges that Respondent is a “person” under the CAA, and because Respondent JCXI did not import the subject vehicles or engines into the United States, Respondent JCXI is not subject to CAA § 203(a)(1) and 42 U.S.C. § 7522(a)(1).

Furthermore, Respondents Taotao Group and JCXI are not subject to CAA § 203(a)(1) 42 U.S.C. § 7522(a)(1) as neither Taotao Group nor JCXI was the “manufacturer” subject to the Certificate of Conformity requirements under the statute. As stated in Paragraph 24(c) of the Complaint, a “manufacturer” means “any person engaged in the manufacturing or assembling of new motor vehicles, new motor vehicle engines, new nonroad vehicles or new nonroad engines, or importing such vehicles or engines for resale...” CAA § 216(1), 42 U.S.C. § 7550(1); 40 C.F.R. § 1051.801. Respondents aver to the definition of “manufacturer” in the statute and deny that every manufacturer, under the plain meaning, must submit a COC application. In fact, Taotao Group and JCXI did not apply for the COCs in this case.

Complainant has alleged in its Initial Prehearing Exchange that because Taotao USA imports vehicles manufactured by Taotao Group and JCXI, Taotao Group and JCXI are “manufacturers” pursuant to 42 U.S.C. § 7550(1). Complainant’s argument is flawed because as mentioned above, the only violation in the Amended Complaint is that the active materials of the

catalytic converters in the tested vehicles did not match the active materials stated in the COC applications, and Taotao USA filed the COC applications, not Taotao Group or JCXI. Furthermore, Taotao Group and JCXI are not even listed as the manufacturers of the catalytic converters in the aforementioned COC applications. Each COC application referenced in the Amended Complaint lists the catalytic converter manufacturer as Nanjing Enserver Technology Co., Ltd, or Beijing ENTE Century Environmental Technology Co., Ltd., Chinese manufacturing companies. Given that Taotao Group and JCXI (1) did not apply for the COC, (2) did not import the subject vehicles, and (3) did not manufacture the catalytic converters, upon which the entire complaint is premised upon, Complainant's allegations against Taotao Group and JCXI fail to state a claim against Taotao Group and JCXI for which relief may be granted.

(3) Complainant has not alleged any facts showing that Respondent's conduct was a cause in fact of any release of excess emissions from mobile sources as set forth in Paragraph 23 of the complaint, including hydrocarbons, oxides of nitrogen, and carbon monoxide, nor has Respondent caused any impact to any regulatory scheme.

In Complainant's Initial Prehearing Exchange, Complainant has alleged that only Counts 1 and 2 produced emissions in excess of CAA standards testing and that EPA does not have information about emissions from Counts 9 and 10. Therefore, Complainant has admitted that vehicles belonging to the engine families described in Counts 3 through 8 did not exceed CAA emission standards.

Respondents submit that proposed testimony and evidence will demonstrate that Respondents are not liable for exceeding the emissions standards of CAA. In the event that any catalysts active material was either missing or not present in the quantity or concentration described in the relevant COC applications for the 10 Engine Families, as asserted in the

Complaint, such deviations from the COC applications were *de minimis* in their contribution to any potential emission of excess pollutants and were therefore insufficient as a matter of law under the due process and equal protection rights guaranteed by the United States Constitution and pursuant to the *de minimis* doctrine to give rise to any liability.

E. Information relevant to the assessment of a penalty

Complainant has calculated the economic benefit using the “rule of thumb” method provided under the penalty policy. *See* Clean Air Act Mobile Source Civil Penalty Policy (“Penalty Policy”). The use of the rule of thumb in calculating the economic benefit is not appropriate in this case. First, the Penalty Policy that complainant has relied upon specifically states that the use of the “Rule of Thumb” method is inappropriate and should not be used when a hearing is likely on the amount of the penalty; or the defendant identifies economic benefit factors that are unique to the case. Because Respondents have not benefitted from the purchase of the catalytic converter that had active materials in concentrations that were different from the active material concentrations listed in the relevant COC applications, the economic benefit should be calculated as 0. Respondents had no reason to import catalyst converters in different quantities than what were listed on the COC application because no specific concentration is generally required.

Respondents will provide testimony that even if the Court finds that there was some economic benefit achieved by importing vehicles with catalytic converters in which the active materials were either missing or not in the concentration specified in the COC applications, the benefit was *de minimis* and certainly did not amount to \$15 per vehicle or engine.

Second, Respondents affirmatively state that certification violations are generally not of “major” egregiousness. The Mobile Source penalty policy itself states that “violations should be

classified as "Major" if vehicles or engines are uncertified and there is no information about the emissions from these vehicles or engines, or test data of the uncertified engines shows the engines to exceed emissions standards." Respondent argue that information about emissions from these vehicles and test data is available, and should be analyzed in any penalty policy analysis, if any analysis is performed.

Next, the upward adjustment of the vehicles by 30% is not appropriate. As stated above, there is no evidence of any violations of the emission standards of CAA, therefore, there is no basis for a gravity component and no basis for an upward adjustment for failure to remediate vehicles. Given that the violations alleged against Respondents are not violations that Respondents intentionally committed, if any such violations even existed, there is no benefit from scaling the penalties upwards. *See* Penalty Policy at 9 ("the Penalty Policy is intended to provide incentives for companies to remedy violations involving uncertified vehicles or engines in order to prevent the actual excess emissions that would result from their use." Because there was no actual excess in emissions, the use of the Penalty Policy against Respondents is against the Penalty Policy's intended purpose.

F. Detailed narrative explaining that the proposed penalty should be reduced or eliminated

Complainant has stated in its Initial Prehearing Exchange that it has determined that Respondents' have the ability to pay based on (1) Taotao Group's website that "boasts of global sales and revenues exceeding \$100 million" and (2) an interview with Matao Cao regarding Taotao's sales financial condition and market share. Neither of the two documents relied upon, and submitted as exhibits, can be used to determine a company's ability to pay.

First, Taotao Group's website that Complainant has admitted was used as basis for its determination of an ability to pay, clearly states that it has a revenue of \$100 million, not profits.

Taotao Group is only one of the Respondents in the Complaint, which as demonstrated above, is not even subject to the CAA for which the complaint has been filed. Furthermore, a foreign website is not an accurate reflection of each Respondent's ability to pay, nor is it credible evidence. In fact, Respondents have previously provided Complainant with credible evidence consisting of tax returns, financial statements, et cetera, which Complainant has chosen to ignore.

Second, the interview by Matao Cao regarding Taotao Group's financial condition is an "interview" posted on Dealernews.com. The interview does not reflect Taotao Groups's financial condition, neither is the interviewee is not in the best source of information regarding Taotao Group's financial condition. Again, credible evidence of each Respondent's inability to pay was provided to Complainant, which was ignored in its assessment of penalties.

Respondent Taotao USA will supplement this Prehearing Exchange and provide 2015 tax returns as evidence of inability to pay once the tax returns become available.

Respectfully submitted,



William Chu
Texas State Bar No. 04241000
4455 LBJ Freeway, Suite 1008
Dallas, Texas 75244
Telephone: (972) 392-9888
Facsimile: (972) 392-9889
wmchulaw@aol.com
COUNSEL FOR RESPONDENTS

CERTIFICATE OF SERVICE

The undersigned certifies that on October 28, 2016 the foregoing Respondents' Joint Prehearing Exchange, together with Respondents' Proposed Exhibits that do not contain CBI, were filed electronically using the EPA Office of Administrative Law Judges' E-Filing System. In addition, the original and one copy of Respondents' Joint Prehearing Exchange, a full set of Respondents' Proposed Exhibits, and one set of Respondent's Proposed Exhibits from which exhibits containing CBI have been omitted, were sent the same day via certified mail, return receipt requested, to the Headquarters Hearing Clerk in the EPA Office of the Headquarters Hearing Clerk at the address listed below:

Sybil Anderson, Headquarters Hearing Clerk
Office of Administrative Law Judges
1200 Pennsylvania Avenue, N.W., Mail Code 1900R,
Washington, D.C. 20460

The undersigned certifies that a copy of Respondents' Joint Prehearing Exchange, together with a full set of Respondents' Proposed Exhibits were sent this day via certified mail, return receipt requested, for service on counsel for Complainant at the address listed below:

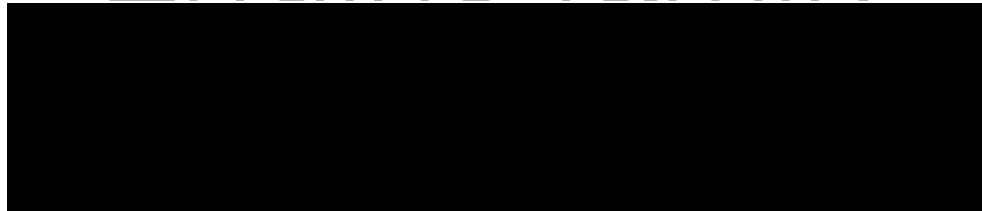
Ed Kulschinsky, Esq.
Air Enforcement Division
Office of Civil Enforcement
Office of Enforcement and Compliance Assurance
1200 Pennsylvania Ave., NW
William J. Clinton Federal Building
Room 1142C, Mail Code 2242A
Washington, DC 20460
(202) 564-4133
Kulschinsky.edward@epa.gov


Salina Tariq

RESPONDENTS' JOINT PREHEARING EXCHANGE INDEX

<i>Exhibit No.</i>	<i>CBI OR PII</i>	<i>Title</i>	<i>Pages</i>
1	CBI	Confirmatory Testing & Correspondence on engine family FTAOC.049MC2	00001-00032
2		Email from Larry Swiencki	00033
3	CBI	Taotao USA, Inc.'s 2014 Tax Returns	00034 - 00080

Confirmatory
Testing &
Correspondence on
Engine family



The confirmatory testing unit was original from the 24 units OECA selected for confirmatory test.



5/12/2014

Assembly of the confirmatory scooter



Office of Transportation and Air Quality

To assure the test article validity, we request that you record **every action** taken on the motorcycle during your possession of the vehicle. You should record each item as listed in the Test Vehicle Custody Records form. Where applicable, actions that must be recorded include, but are not limited to, all emission tests conducted after manufacturer's certification tests and prior to ship the vehicle to EPA; shipping, receiving, "after shipment" inspection, basic diagnostic checks, selection from production line, **daily log** of service accumulation, any scheduled maintenance (ref 40 CFR 86.428-80) or unscheduled maintenance (ref: 40 CFR 86.429-78), etc..

Highway Motorcycle Test Vehicle Custody Records (Attachment 2-2)

Test Order # [REDACTED] VIN or ID [REDACTED]
 Engine Family Name [REDACTED] Production Vehicle (Y/N) N

Start Date	Start Time	Start Odometer	Action/Event Description	End Date	End Time	End Odometer	Recorder Name	Recorder Initial
MMDDYY	HR:MIN	Reading		MMDDYY	Hr:Min	Reading		
5-12-14	9:15AM	0	ASSEMBLY OF SCOOTER	5-12-14	11:00AM	0	MR. HAN	M-H
5-13-14	1:40PM	0	TEST DRIVE SCOOTER	5-13-14	1:54PM	2	DAVID	D.G.
5-16-14	10:00AM	2	SHIP UNIT TO CEE WITH MAX TRANSPORT	5-16-14	11:50AM	2	DAVID	J.C.
5-16-14	11:50AM	2	RECEIVE UNIT AT CEE	5-16-14	11:50AM	2	LARRY	L.S.
8-4-14	4:00PM	2	START PACKING FOR SHIPPING AT CEE	8-4-14	4:15	2	DAVID	D.G.
8-4-14	4:20PM	2	OLD DOWN ON FREIGHT LINE PICKUP SCOOTER FROM CEE	8-4-14	4:25PM	2	FRED	F.F.

Notes:

7/24/2014

EPA notified us for confirmatory testing at Lotus



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
NATIONAL VEHICLE AND FUEL EMISSIONS LABORATORY
2565 PLYMOUTH ROAD
ANN ARBOR, MICHIGAN 48105-2498

OFFICE OF
AIR AND RADIATION

July 24, 2014

TaoTao USA Inc.
2425 Camp. Ave. Suite 100
Carrollton, TX 75006
Attention: Mr. Matao Cao

Dear Mr. Cao:

This letter is to inform you that the following Engine Family/Model has been selected for the Agency ordered emissions tests under authority of 40 CFR 86.422-78, 427-78(f) & (g), and 434-78 as appropriate:

[REDACTED]
Vehicle Type: 2nd Certification Emission Data Vehicle (EDV)

Per 40 CFR 86.434-78(a) TaoTao USA Inc. is required to perform service accumulation (SA) and conduct emissions tests for deterioration in accordance with 40 CFR 86 Subparts E and F to the applicable full durability distance of 6,000 km prior to shipping the vehicle for the ordered test. The EDV requested should be a vehicle that is representative for this 2015 engine family. All of the related test reports and a summary table containing all final results and deterioration factors (DFs) must be submitted to the Agency before the date of the scheduled EPA test.

EPA reserves the right to require you to send and prepare another or more test vehicles from the same engine family should we decide to disqualify the one received (ref. 40 CFR 86.422-78 & 427-78(f)).

The letter required us to send the unit in
before 8/8/2014

The selected test vehicle shall arrive at the above specified test facility [REDACTED]
You are advised to contact the specified test lab and make pre-arrangement to ensure the vehicle
arrives as scheduled. You are asked to notify Emily Chen [REDACTED]
Chen.Emily@epa.gov), of EPA and the testing lab at your earliest convenience if you
acknowledge that the test vehicle may miss the specified arrival date.

Failure to deliver the test vehicle to the specified test facility on time could result in a reschedule
at EPA's determination and a possible delay of issuance of your Certificate of Conformity.

TaoTao USA Inc. may request to send up to three representatives to witness the EPA ordered test
by sending the attached Intent to Witness form as instructed on the form. Please send your
request in time so that Emily and the specified testing lab can make a coordinated arrangement.
The manufacturer representative(s) may be asked to sign a test vehicle set-up concurrence sheet.

**In accordance with 40 CFR 86.427-78(g), the emission results generated by the EPA
ordered tests shall be used to determine compliance with applicable emission standards.**

If you have any questions regarding this letter, please feel free to contact Emily Chen of this
Center at [REDACTED]

Sincerely,

[REDACTED]

Cleophas Jackson, Director
Gasoline Engine Compliance Center
Compliance Division
Office of Transportation and Compliance

Attachments:

8/4/2014

Confirmatory scooter - 6KM test done
(final test result in on next page)

California Environmental Engineering
2530 S. Birch Street. Santa Ana California

TEST NUMBER	[REDACTED]	DATE	08-04-2014	RANGE	AUTO
VEHICLE REF	[REDACTED]	A.C.	[REDACTED]	FUEL TYPE	INDOLENE
V.I.N.	[REDACTED]	ENGINE FAM.	[REDACTED]	DENSITY	16.33
OPERATOR	ALEX HERRERA	EVAP.FAM.	[REDACTED]	SPECIF. CO2	13.4
DRIVER	[REDACTED]	TEST TYPE	EPAAH____.MCT	Gr.C/gal.	2433
MAKE	[REDACTED]	SHIFT FILE	AUTO .M_T	FUEL Fract.	.8646
MODEL	[REDACTED]	INERTIA WGT	160KG	SP. GRAVITY	.741
YEAR	[REDACTED]	F0_SET_SI	5.19	N.H.V.	18489
TANK CAP	50%=.66	F1_SET_SI	0.000	WT FACTOR	.43
ODOMETER	6009.1Km	F2_SET_SI	0.0241	WT FACTOR	1
TRANS.	AUTO			WT FACTOR	.57
REMARKS	FINAL TEST AFTER 6000KM				
REMARKS					
REMARKS					
START TIME	15:01:45	END TIME	15:42:52	FINAL ODO.	6022.3KM

WEIGHTED THC CO NOX CO2 NMHC FUEL ECONOMY
GRAMS/MI
GRAMS/KM



CEE Quality Audit

Accept Reject
Date 8-5-14 By: J. Brunchi

8/4/2014

ship unit from CEE to Lotus



Office of Transportation and Air Quality
2012

To assure the test article validity, we request that you record **every action** taken on the motorcycle during your possession of the vehicle. You should record each item as listed in the Test Vehicle Custody Records form. Where applicable, actions that must be recorded include, but are not limited to, all emission tests conducted after manufacturer's certification tests and prior to ship the vehicle to EPA; shipping, receiving, "after shipment" inspection, basic diagnostic checks, selection from production line, **daily log** of service accumulation, any scheduled maintenance (ref 40 CFR 86.428-80) or unscheduled maintenance (ref: 40 CFR 86.429-78), etc..

Highway Motorcycle Test Vehicle Custody Records (Attachment 2-2)

Test Order # [REDACTED] VIN or ID [REDACTED]
 Engine Family Name [REDACTED] Production Vehicle (Y/N) N

Start Date	Start Time	Start Odometer Reading	Action/Event Description	End Date	End Time	End Odometer Reading	Recorder Name	Recorder Initial
MMDDYY	HR:MIN			MMDDYY	Hr:Min			
5-12-14	9:15am	0	ASSEMBLY OF SCOOTER	5-12-14	11:00am	0	MR. HAN	M-H
5-13-14	1:40pm	0	TEST DRIVE SCOOTER	5-13-14	1:54pm	2	DAVID	D.G.
5-16-14	10:00am	2	SHIP UNIT TO CEE WITH MAX TRANSPORT	5-16-14	11:50am	2	JAWA	J.C
5-16-14	11:50am	2	RECEIVE UNIT AT CEE	5-16-14	11:50am	2	LARRY	L.S
8-4-14	4:00pm	2	START PACKING FOR SHIPPING AT CEE	8-4-14	4:15	2	DAVID	D.G.
8-4-14	4:20pm	2	OLD DOWN ON FREIGHT LINE PICKUP SCOOTER FROM CEE	8-4-14	4:25pm	2	FRED	FF

Notes:

8/21/2014

Test was done at Lotus.



ENGINEERING

**LOTUS ENGINEERING INC.
VEHICLE EMISSIONS LAB**

Date/Time.....	8/21/14 11:59 AM	Transmission.....	Automatic
Test Number.....	14082101	Engine.....	49 cc
Data file number.....	751831	Preconditioning.....	6023.51 km
Client's name.....	Jacobs - EPA	Start Odometer.....	6032.72 km
O.E.M. name.....	[REDACTED]	End Odometer.....	6045.84 km
Model Year.....	[REDACTED]	Inertia Weight.....	160 kg
Vehicle Number.....	[REDACTED]	Horse Power Coeff.....	A=5.19 C=.0241
Vehicle Type.....	[REDACTED]	Coast Down Times.....	4.1, 4.0, 4.1 secs
Engine Family.....	[REDACTED]	Fuel Tank Capacity.....	5 L
Vehicle Make.....	[REDACTED]	Amount of Fuel Added.....	2.5 L
Vehicle Model.....	[REDACTED]	Drive wheel Tire Pressure....	32 psi
Emission control system.....	TWC-PAIR	Operator.....	S Devlin
Idle RPM....	1700 rpm	Observer.....	S Culross
Dyno Used.....	M/C dyno-S/N:4118	Driver.....	E Knight

FINAL WEIGHTED RESULTS FOR TEST per 40 CFR 86.544-90

CH4 (g/km).....	[REDACTED]
HC (g/km).....	[REDACTED]
NMHC (g/km).....	[REDACTED]
CO (g/km).....	[REDACTED]
NOx (g/km).....	[REDACTED]
CO2 (g/km).....	[REDACTED]
HC + NOx (g/km).....	[REDACTED]
CFR Fuel Economy (kpg).....	[REDACTED]


9/3/2014

[REDACTED]

Fwd: RE: FTAOC.049MC2 / 14-HMC-CE-26 TaoTao



 **Stanley Consulting** <stanleyconsult@gmail.com>

9/3/14 



to me 

Please send to CEE and ask larry why the test is different.

James

----- Forwarded message -----

From: "Chen, Emily" <Chen.Emily@epa.gov>

Date: Sep 3, 2014 5:51 AM

Subject: [REDACTED]

To: "James Xu" <stanleyconsult@gmail.com>

Cc: "Swain, David" <swain.david@epa.gov>, "Ringle, Donna" <Ringle.Donna@epa.gov>, "Jackson, Cleophas" <jackson.cleophas@epa.gov>, "Isin, Amelie" <Isin.Amelie@epa.gov>

Hi James,

Please see the attached testing file. [REDACTED]
standard. Your client may choose to exam the test bike and/or review the testing process to indentify if there any reason could make this test result invalid, or request for a second EPA test (ref: 40 CFR 86.434-78(b)). Your client may also accept the testing result as final.

Please inform EPA your client's determination ASAP.

9/4/2014

David emailed our EPA consultant with opinion from CEE [REDACTED] at Lotus.

We were suspecting the reason why the unit was failed due to adjustment made by Lotus for test 8/21/2014.

(no subject) □



TaoTao Usa Parts David <[REDACTED]>

9/4/14 ☆



to [REDACTED] ▾

Hi James

Larry from CEE thinks the adjustment that was done at [REDACTED]. He thinks the IDLE speed is too high according to their report. I also believe that the throttle cable adjustments that were done by Lotus are incorrect. Lotus did not tell me exactly what they did to the cable, but if the cable is not adjusted properly it will cause all the numbers to be different as tested at CEE. I will have Larry send an official report when he comes back to the office.

9/12/2014

David sent email to Joe at Lotus notified Joe that he will be at Lotus 9/15/2014 to witness the second confirmatory test.

(no subject)



done x



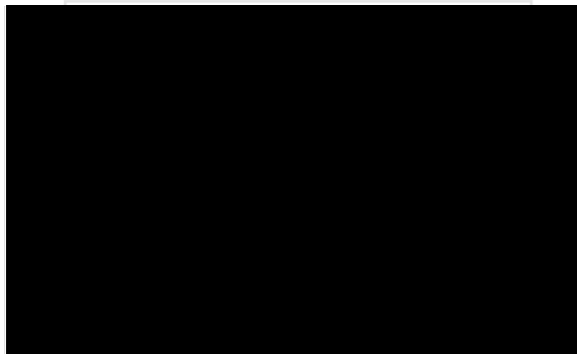
TaoTao Usa Parts David <[REDACTED]>

9/12/14 ☆




to Joe ▾

HI JOE ATTACHED IS THE WITNESS SHEET . I WILL SEE YOU MONDAY



On 8/7/2014, before the unit was sent to Lotus.
The COC application was included in the package.
(See next page for idle speed info from manufacturer)

 **James Xu** <stanleyconsult@gmail.com> 📧 8/7/14 ☆ ↶ ▾
to Chen.Emily, Joe, Stan, Dave, me, joe.kazmierski ▾

Hi Joe,

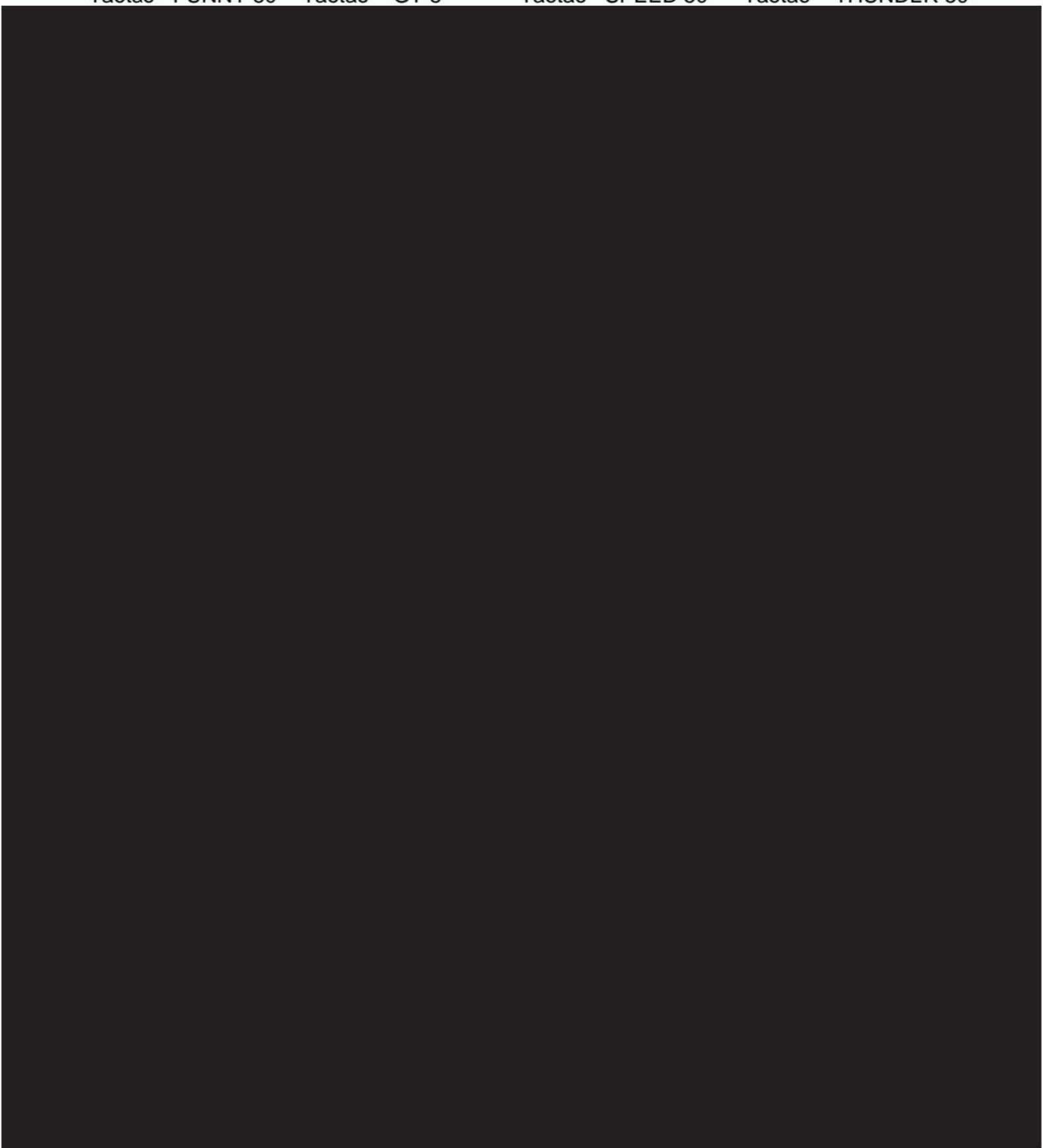
Here are all the documents you need.owner's manual is coming with vehicle.
Let me know if anything else miss.

James

From: [Joe Kazmierski](#)
Sent: Thursday, August 07, 2014 8:40 AM
To: [James Xu](#)
Cc: [REDACTED]; joe.kazmierski@lotus-usa.com
Subject: RE: EPA test order

⋮

6 Attachments ↓ ↻



9/15/2014

David inspected the testing unit and Robert Specht oversaw the whole process.


 **Chen, Emily** <Chen.Emily@epa.gov> 10/17/14   
to me, James, Jackie, Cleophas, David, Julian, Donna 

Hi David,

Our records (see below) for this test indicated that the idle speed was set by the manufacturer's representative during the maintenance that he performed on the vehicle before its precondition on 9/15/14 and the manufacturer representative's stated purpose in setting the vehicle's idle speed was to resolve a "stalling" issue.

Also, please note that this EPA guidance A/C MC-6 specifically addresses "tune-up/VECI label" in Section IV.A and "EPA test vehicle" adjustable parameter settings in Section IV.B

Sincerely,

Emily Chen, P.E.
Office of Transportation and Air Quality
U.S. Environmental Protection Agency


Chen.emily@epa.gov

continued

From: Robert Specht [<mailto:robertdspecht@att.net>]
Sent: Monday, September 15, 2014 6:59 PM
To: chen.emily@epa.gov
Cc: 'Swain, David'; 'Knott, Dave'
Subject: [REDACTED] Pre-Test Maintenance & Precondition

Emily,

Please note that today I observed while [REDACTED] performed the following inspections and maintenance on the subject vehicle:

1. Checked the throttle cable to ensure that it was securely connected at both ends.
2. Created slightly more slack in the throttle cable.
3. Checked the spark plug Makro NTSC Part # TT 5005 A7TC and found it to be somewhat fouled. Note that he wanted to replace it with a new spark plug bearing the [REDACTED] but this request was denied since TaoTao's certification application does not list the part number of the new spark plug.
4. Relieved the tension on a vacuum hose by removing a wire tie and replacing it with another one at a slightly different location.
5. Raised the idle speed of the engine to resolve the stalling issue.
6. Checked the vehicle's air filter and found it to be somewhat soiled but acceptable.
7. Checked the cylinder inlet and exhaust valve gaps and determined the following:

The gap for the valve at the cylinder inlet is 0.16 mm (Specified range is 0.03 to 0.05 mm)

The gap for the valve at the exhaust port is 0.13 mm (Specified range is 0.05 to 0.07 mm)

Note: The specified ranges shown above are the same in both the manufacturer's certification application (attached) and on a label on the vehicle (photographed).

Note: Pages 30 and 31 of the attached Owner's Manual call for the "Valve Gap" to be inspected at 4,000 km, 8,000 km, and 12,000 km of service accumulation. The vehicle currently has approx.. 6,000 km of service accumulation.

9/16/2014

Second test was done at Lotus.



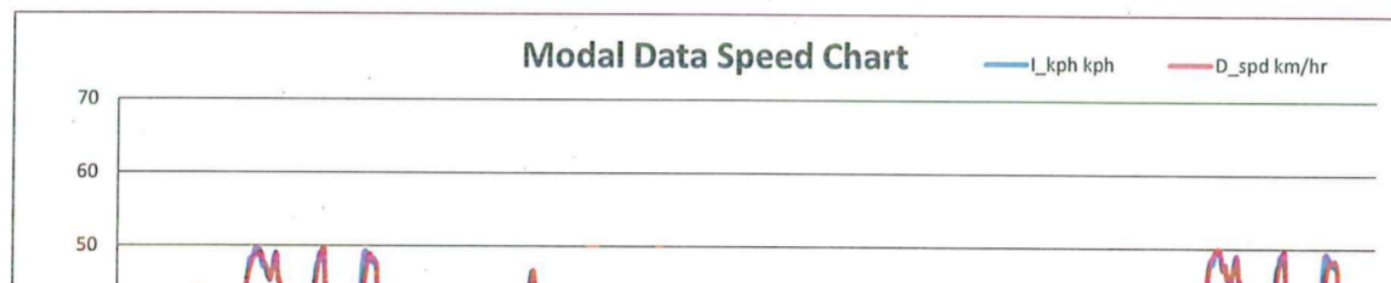
United States Environmental Protection Agency
Confirmatory Testing - Vehicle Test Report
Test Location: Lotus Engineering Vehicle Emissions Lab

Date/Time.....	9/16/14 11:04 AM	Transmission.....	Automatic
Test Number.....	[REDACTED]	Engine.....	49 cc
Data file number.....	751833	Preconditioning.....	6057.79 km
Client's name.....	Jacobs - EPA	Start Odometer.....	6070.93 km
O.E.M. name.....	[REDACTED]	End Odometer.....	6084.06 km
Model Year.....	[REDACTED]	Inertia Weight.....	160 kg
Vehicle Number.....	[REDACTED]	Horse Power Coeff.....	A=5.19 C=0.0241
Vehicle Type.....	[REDACTED]	Coast Down Times.....	4.1, 4.1, 4.1 secs
Engine Family.....	[REDACTED]	Fuel Tank Capacity.....	0.6 gals
Vehicle Make.....	[REDACTED]	Amount of Fuel Added.....	0.3 gals
Vehicle Model.....	[REDACTED]	Drive wheel Tire Pressure....	32 psi
Emission control system.....	TWC-PAIR	Operator.....	S Devlin
Idle RPM.....	1700 rpm	Observer.....	S Culross
Dyno Used.....	M/C dyno-S/N:4118	Driver.....	E Knight

FINAL WEIGHTED RESULTS FOR TEST per 40 CFR 86.544-90

CH4 (g/km).....	[REDACTED]
HC (g/km).....	[REDACTED]
NMHC (g/km).....	[REDACTED]
CO (g/km).....	[REDACTED]
NOx (g/km).....	[REDACTED]
CO2 (g/km).....	[REDACTED]
HC + NOx (g/km).....	[REDACTED]
CFR Fuel Economy (kpg).....	[REDACTED]

Comments



9/18/2014

EPA sent us official letter notified us
the second testing was failed at Lotus.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
NATIONAL VEHICLE AND FUEL EMISSIONS LABORATORY
2565 PLYMOUTH ROAD
ANN ARBOR, MICHIGAN 48105-2498

OFFICE OF
AIR AND RADIATION

September 18, 2014

TaoTao USA Inc.
2425 Camp. Ave. Suite 100
Carrollton, TX 75006
Attention: [REDACTED]

Cc: Mr. James Xu
Stanley Marketing & Consulting LLC
[REDACTED]

Subject: Confirmatory Test Results for [REDACTED]

Dear Mr. Cao,

This letter is to provide you with the final confirmatory test report for Engine Family [REDACTED]. In accordance with 40 CFR 86.434-78(b) and 86.427-78(g), the emission test results within this report is the Agency's final results within the 2 tests conducted and shall be used to determine compliance with applicable emission standards.

The attached report indicates that Engine Family [REDACTED] [REDACTED] therefore, your Application for Certification for this Engine family is rejected in accordance with 40 CFR 86.434-78(c).

Please feel free to contact Emily Chen ([REDACTED]) and Chen.Emily@epa.gov) should you

10/14/2014

Emily emailed us back regarding idle speed adjustment.

From: "Chen, Emily" <Chen.Emily@epa.gov>
Date: October 14, 2014 at 12:06:19 PM PDT
To: TaoTao Usa Parts David [REDACTED], Jackie Wang <[REDACTED]>
Cc: James Xu <stanleyconsult@gmail.com>, "Ringle, Donna" <Ringle.Donna@epa.gov>, "Jackson, Cleophas" <jackson.cleophas@epa.gov>, "Davis, Julian" <davis.julian@epa.gov>, "Swain, David" <swain.david@epa.gov>
Subject: [REDACTED]

Hi David and Jackie,

Regarding "Lotus set the Idle speed to 3,000+ Rpm more then the manufacturer recommended speed of 1,700 Rpm ", I am assuming that you have not yet read this EPA guidance posted at http://iaspub.epa.gov/otaqpub/display_file.jsp?docid=14384&flag=1 (also attached for your convenient). And hopefully, you all have read the regulations below (red color and underline added):

§86.428-80 Maintenance, scheduled; test vehicles.

(a) Periodic maintenance on the engine, emission control system, and fuel system of test vehicles shall be scheduled for performance at the same distance intervals that will be specified in the manufacturer's maintenance instructions furnished to the ultimate purchaser. Such maintenance shall be performed only under the following provisions.

(b) Periodic major engine tune-ups to the manufacturer's specifications may be performed no more frequently than as follows nor may any tune-up be performed within 1000 km prior to the official test.

Displacement class	Minimum interval (kilometer)
I	3,000
II	3,000
III	4,000

(c) A scheduled major engine tune-up shall be restricted to items listed below and shall be conducted in a manner consistent with service instructions and specifications provided by the manufacturer for use by customer service personnel. The following items may be inspected, replaced, cleaned, adjusted, and/or serviced as required: (1) Breaker points, timing, (2) idle speed and idle air/fuel mixture, (3) valve lash, (4) engine bolt torque, and (5) spark plugs.

(d) The Administrator will specify the ignition timing, idle air fuel mixture and other fuel system adjustments to be used at each tune-up. **The settings selected will be those the Administrator deems appropriate within the physically available range.**

As you know, you are required by EPA regulation to test your certification vehicle at representative "the worst case scenario of emissions" for the intended certifying engine family (EF) and present the "worst emissions" data in your application for certification for this EF.

At this time, we have completed the EPA ordered tests for your E [REDACTED] under Order [REDACTED]. You are free to

Emily Chen and Robert Specht sent us
a regulation from EPA from 1978 for Automotive Idle Adjustment
worst case scenario.



OMSAPC ADVISORY CIRCULAR

**U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF AIR AND WASTE MANAGEMENT**

A/C NO. MC-6

June 30, 1978

PAGE 1 OF 3 PAGES

**SUBJECT: Clarification of Motorcycle Parameter Adjustment
Provision, 40 CFR 86.428-80(d).**

I. Purpose

This advisory circular describes the basic criteria MSAPC will employ in certification to designate settings to be used during emission testing when the parameter adjustment provision of the motorcycle regulations is applied.

II. Background

A. On January 5, 1977 EPA published regulations for control of exhaust emissions from motorcycles (42 FR 1122). Included in those regulations was a provision which would permit the Administrator to designate, at scheduled major engine tune-ups, settings for ignition timing, idle air-fuel mixture, and other fuel system adjustments found on test vehicles (40 CFR 86.428-80(d)). This provision will go into effect with the 1980 model year.

B. 40 CFR 86.428-80(d) provides that the settings selected will be those the Administrator deems appropriate within the physically available range.

9/26/2014

Lotus testing unit was shipped back to CEE.
CEE did a test as received conditions. Idle speed at 3500 rpm.

California Environmental Engineering
2530 S. Birch Street. Santa Ana California

TEST NUMBER	[REDACTED]	DATE	09-26-2014	RANGE	AUTO
VEHICLE REF	[REDACTED]	A.C.	[REDACTED]	FUEL TYPE	INDOLENE
V.I.N.	[REDACTED]	ENGINE FAM.	[REDACTED]	DENSITY	[REDACTED]
OPERATOR	ALEX HERRERA	EVAP.FAM.	[REDACTED]	SPECIF. CO2	[REDACTED]
DRIVER	RENE ACOSTA			Gr.C/gal.	[REDACTED]
MAKE	[REDACTED]	TEST TYPE	EPAAH____.MCT	FUEL Fract.	[REDACTED]
MODEL	[REDACTED]	SHIFT FILE	AUTO .M_T	SP. GRAVITY	[REDACTED]
YEAR	[REDACTED]	INERTIA WGT	160KG	N.H.V.	[REDACTED]
TANK CAP	50%=.66	F0_SET_SI	[REDACTED]	WT FACTOR	[REDACTED]
ODOMETER		F1_SET_SI	[REDACTED]	WT FACTOR	[REDACTED]
TRANS.	AUTO	F2_SET_SI	[REDACTED]	WT FACTOR	[REDACTED]
REMARKS	REDUCED TRACE SPEED 31.2				
REMARKS	As received from Lotus				
REMARKS	Idle 3500 RPM				
START TIME	10:25:51	END TIME	11:07:01	FINAL ODO.	8.8

#	EVENT	MILES	Km	TIME	TIME trace	HOLD	TIME trace	ERROR	GrCtrl
[REDACTED]									

9/26/2014

Test unit was sent Tovatt Engineering. Idle speed at 3500 rpm.

		TEST		
		Tovatt Engineering		
		17611 Metzler Lane Huntington Beach Ca 92647		
TEST NUMBER	TEST.txt	DATE	10/1/2014	RANGE
VEHICLE REF	test	TIRE PSI	Manufacture PSI	FUEL TYPE
V.I.N.	[REDACTED]	ENGINE FAM.	[REDACTED]	DENSITY
OPERATOR	J.DIETRICH	EVAP.FAM.	TEST	SPECIF. CO2
DRIVER	R.TOVATT	CERT		Gr.C/gal
MAKE	[REDACTED]	TEST TYPE	EPA78A.MCT	FUEL Fract.
MODEL	[REDACTED]	SHIFT FILE	AUTO.M_T	SP. GRAVITY
YEAR	[REDACTED]	INERTIA WGT	970	N.H.V.
TANK CAP	0	DYNO A	74.23000	WT FACTOR
ODOMETER	7	DYNO C	0.03490	WT FACTOR
TRANS.	6 SPEED	HP Spd/Sec	EPA 2.0/1.0	WT FACTOR
REMARKS	EPA TEST VEHICLE			
REMARKS				
START TIME	7:43:50 AM	END TIME	8:25:33 AM	FINAL ODO.
				20



PHASE 2 THC CO NOX CO2 CH4 Tdrv = 77.070 Tdn = 61.851

10/6/2014

CEE did second test on the same unit. Idle speed at 2000 rpm.

The test showed passing results.

California Environmental Engineering
2530 S. Birch Street, Santa Ana California

TEST NUMBER	V6005731	DATE	10-06-2014	RANGE	AUTO
VEHICLE REF	1300006-16	A.C.		FUEL TYPE	INDOLENE
V.I.N.	██████████	ENGINE FAM.	██████████	DENSITY	██████████
OPERATOR	ALEX HERRERA	EVAP.FAM.		SPECIF. CO2	██████████
DRIVER	RENE ACOSTA			Gr.C/gal.	██████████
MAKE	██████████	TEST TYPE	EPAAH____.MCT	FUEL Fract.	██████████
MODEL	██████████	SHIFT FILE	AUTO .M_T	SP. GRAVITY	██████████
YEAR	██████████	INERTIA WGT	160KG	N.H.V.	██████████
TANK CAP	50%=.66	F0_SET_SI	██████████	WT FACTOR	██████████
ODOMETER	2500.1km	F1_SET_SI	██████████	WT FACTOR	██████████
TRANS.	AUTO	F2_SET_SI	██████████	WT FACTOR	██████████
REMARKS	REDUCED TRACE SPEED 31.2				
REMARKS	2000 RPM				
REMARKS					
START TIME	09:56:21	END TIME	10:37:34	FINAL ODO.	2508.4

#	EVENT	MILES	Km	TIME	TIME trace	HOLD	TIME trace	ERROR	GrCtrl
1	Ready	0.000	0.000	0.4	0.0 for	0.0	0.0 for	0.0	1
2	Delay 10	0.000	0.000	10.0	0.0 for	0.0	0.0 for	0.0	1
3	Ready	0.000	0.000	0.7	0.0 for	0.0	0.0 for	0.0	281
4	Crank	0.000	0.000	2.9	0.0 for	0.0	0.0 for	0.0	795
5	Phase 1	2.487	3.998	505.0	0.0 for	0.0	0.0 for	0.0	787
6	Phase 2	3.333	5.357	864.0	0.0 for	0.0	0.0 for	0.0	1831
7	Eng Off	0.000	0.000	9.1	0.0 for	0.0	0.0 for	0.0	1835
8	Phase 2	0.000	0.000	5.0	0.0 for	0.0	0.0 for	0.0	1827
9	Soak+b1	0.001	0.001	15.0	0.0 for	0.0	0.0 for	0.0	775
10	Soak	0.015	0.024	525.0	0.0 for	0.0	0.0 for	0.0	2
11	Ready	0.000	0.001	12.8	0.0 for	0.0	0.0 for	0.0	3
12	Crank 3	0.000	0.000	1.5	0.0 for	0.0	0.0 for	0.0	835
13	Phase 3	2.489	4.001	505.0	0.0 for	0.0	0.0 for	0.0	835
14	Delay 15	0.000	0.001	15.0	0.0 for	0.0	0.0 for	0.0	3
15	Bags	0.000	0.000	1.0	0.0 for	0.0	0.0 for	0.0	7

TEST COMPLETED 2458.5 SECONDS DVT= 1.6

PHASE 1	THC	CO	NOX	CO2	NMHC	Tdry=	73.0	Tdp =	49.6
SAMPLE	61.07	540.7	2.9	0.138	5.3	BARO.=	753.50	SEC =	508.6
AMBIENT	5.76	5.5	0.0	0.052	2.5	NoxKf=	0.906	VOLC=	2826.0
GRAMS	2.556	49.874	0.402	127.14	2.424	M.P.G.	103.80	DF =	67.616
GMS/MI	1.027	20.046	0.162	51.10	.974	MPGnhv	107.36	MI =	2.488
G/Mwgt	0.189	3.684	0.030	9.39	.179	R-H =	43.70	KM =	3.999

PHASE 2	THC	CO	NOX	CO2	NMHC	Tdry=	74.1	Tdp =	49.8
SAMPLE	46.74	315.9	4.6	0.127	4.3	BARO.=	753.50	SEC =	878.1

10/30/2014

Engineering report was sent to Emily Chan.

Via Email

October 30, 2014

MEMORANDUM

To: Emily Chen, Office of Transportation and Air Quality, US EPA

Cc: David Swain, OTAC, US EPA

From: Mr. David Garibyan, TaoTao USA, Inc.

Subject: **EPA Confirmatory Test Engineering Assessment Report for Engine Family**
[REDACTED]

Introduction

This memorandum is to present to the Environmental Protection Agency (EPA) an engineering assessment of the emission test results of a confirmatory testing of [REDACTED] and a review of the confirmatory test procedures, as conducted by the Lotus Engineering (LOTUS) laboratory staff on September 21, 2014 that was ordered by the EPA OTAQ. The Emission Data Vehicle (EDV) that was tested at the laboratory was a [REDACTED] for engine family [REDACTED]. The test vehicle was a 49 cc motorcycle with a 4-stroke, single cylinder engine with a Vehicle Identification Number (VIN) of [REDACTED]. The purpose of the EPA confirmatory emission testing was to confirm the emission characteristics and emission test results of the EDV that had accumulated over 6,000 km of service durability or the vehicle's Full Useful Life (FUL) for a Class 1a motorcycle.

Certification Emission Testing

The EDV was initially subjected to certification emission testing by conducting the service durability kilometers and four (4) Federal Test Procedures (FTPs) emission tests, just prior to the

12/10/2014

Emily Chan authorized second confirmatory unit to be sent in.

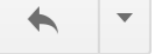
RE: [REDACTED]

Inbox x



Chen, Emily <Chen.Emily@epa.gov>

12/10/14 ☆



to me, Jackie, matao, James, David ▾

Hi Dave and Jackie,

Regarding the SA/tests for your FTAOC.049MC2, during my absence, James has confirmed the determination with Dave Swain that Taotao will send a *“new EDV ... and we will accumulate **6000km full useful life before send to Lotus for confirmatory test**”* (see yellow-highlighted text in the James’s email below).

Emily

Emily Chen, P.E.
Office of Transportation and Air Quality
U.S. Environmental Protection Agency

[REDACTED]
Chen.Emily@epa.gov

From: Swain, David
Sent: Wednesday, December 10, 2014 11:56 AM
To: Chen, Emily
Subject: [REDACTED]

fyi

From: James Xu [<mailto:stanleyconsult@gmail.com>]
Sent: Thursday, November 20, 2014 4:13 PM
To: Swain, David
Subject: Re: [REDACTED]

Yes, the new EDV will match the PLT vehicles from this family and we will accumulate 6000km full useful life before send to Lotus for confirmatory test.

James

11/19/2014

Assembly of the confirmatory scooter No.2



Office of Transportation and Air Quality

To assure the test article validity, we request that you record **every action** taken on the motorcycle during your possession of the vehicle. You should record each item as listed in the Test Vehicle Custody Records form. Where applicable, actions that must be recorded include, but are not limited to, all emission tests conducted after manufacturer's certification tests and prior to ship the vehicl to EPA; shipping, receiving, "after shipment" inspection, basic diagnostic checks, selection from production line, daily log of service accumulation, any scheduled maintenance (ref 40 CFR 86.428-80) or unscheduled maintenance (ref: 40 CFR 86.429-78), etc..

Highway Motorcycle Test Vehicle Custody Records (Attachment 2-2)

Test Order #		VIN or ID	
Engine Family Name		Production Vehicle (Y/N)	Y

Start Date	Start Time	Start Odometer	Action/Event Description	End Date	End Time	End Odometer	Recorder Name	Recorder Initial
MMDDYY	HR:MIN	Reading		MMDDYY	Hr.Min	Reading		
11-19-14	9:00AM	Ø	ASSEMBLY OF SCOOTER	11-19-14	11:30AM	Ø	DAVIDG	DS
11-20-14	9:00AM	Ø	TEST DRIVE SCOOTER	11-20-14	9:15AM	2 mi	DAVIDG.	D.S
11-21-14	11:15AM	2 mi	SHIP UNIT TO CEE	11-21-14	4:00PM	2 mi	MAX	MH
11-21-14	4:00PM	2 mi	RECEIVE UNIT AT CEE	11-21-14	4:00PM	2 mi	LARRY	LS
1-20-15	2:00PM	3 mi	START PACKING UNIT FOR SHIPPING	1-20-14	4:00PM	3 mi	DAVID	DS
1-20-15	4:30PM	3 mi	DRIVER PICK UP OLD DOMINION JEFF	1-20-14	4:40PM	3 mi	JEFF	JL

Notes:

1/19/2015

Confirmatory scooter No.2 - 6KM test done
(final test result in on next page)

California Environmental Engineering
2530 S. Birch Street, Santa Ana California

TEST NUMBER	[REDACTED]	DATE	01-19-2015	RANGE	AUTO
VEHICLE REF	[REDACTED]	A.C.	[REDACTED]	FUEL TYPE	INDOLENE
V.I.N.	[REDACTED]	ENGINE FAM.	[REDACTED]	DENSITY	[REDACTED]
OPERATOR	ALEX HERRERA	EVAP.FAM.	[REDACTED]	SPECIF. CO2	[REDACTED]
DRIVER	RENE ACOSTA			Gr.c/gal.	[REDACTED]
MAKE	[REDACTED]	TEST TYPE	EPAAH____.MCT	FUEL Fract.	[REDACTED]
MODEL	[REDACTED]	SHIFT FILE	AUTO .M_T	SP. GRAVITY	[REDACTED]
YEAR	[REDACTED]	INERTIA WGT	160KG	N.H.V.	[REDACTED]
TANK CAP	50%=.66	F0_SET_SI	[REDACTED]	WT FACTOR	[REDACTED]
ODOMETER	6011.4KM	F1_SET_SI	[REDACTED]	WT FACTOR	[REDACTED]
TRANS.	AUTO	F2_SET_SI	[REDACTED]	WT FACTOR	[REDACTED]
REMARKS	AFTER 6003 KM				
REMARKS	LOW SPEED TRACE 28.5MPH				
REMARKS	TIRE PSI 32				
START TIME	15:36:55	END TIME	16:18:24	FINAL ODO.	6023.6KM

#	EVENT	MILES	Km	TIME	TIME trace	HOLD	TIME trace	ERROR	GrCtrl
1	Ready	0.000	0.000	0.1	0.0 for	0.0	0.0 for	0.0	1
2	Delay 10	0.000	0.000	10.0	0.0 for	0.0	0.0 for	0.0	1
3	Ready	0.000	0.001	13.1	0.0 for	0.0	0.0 for	0.0	281
4	Crank	0.000	0.000	0.2	0.0 for	0.0	0.0 for	0.0	795
5	Phase 1	2.280	3.665	505.0	0.0 for	0.0	0.0 for	0.0	787
6	Phase 2	3.039	4.884	864.0	0.0 for	0.0	0.0 for	0.0	1831
7	Eng Off	0.000	0.000	10.2	0.0 for	0.0	0.0 for	0.0	1835
8	Phase 2	0.000	0.000	5.0	0.0 for	0.0	0.0 for	0.0	1827
9	Soak+b1	0.000	0.001	15.0	0.0 for	0.0	0.0 for	0.0	775
10	Soak	0.015	0.024	525.0	0.0 for	0.0	0.0 for	0.0	2
11	Ready	0.001	0.001	20.4	0.0 for	0.0	0.0 for	0.0	3
12	Crank 3	0.000	0.000	0.1	0.0 for	0.0	0.0 for	0.0	835
13	Phase 3	2.268	3.646	505.0	0.0 for	0.0	0.0 for	0.0	835
14	Delay 15	0.000	0.001	15.0	0.0 for	0.0	0.0 for	0.0	3
15	Bags	0.000	0.000	1.0	0.0 for	0.0	0.0 for	0.0	7
TEST COMPLETED		2465.8	SECONDS	DVT=	0.0				
PHASE 1	THC	CO	NOX	CO2	NMHC	Tdry=	74.1	Tdp =	57.9
SAMPLE	51.24	469.5	1.7	0.122	4.9	BARO.=	757.50	SEC =	518.3
AMBIENT	3.59	1.2	0.1	0.046	1.8	NoxKf=	0.985	VOLc=	2890.9
GRAMS	2.252	44.637	0.247	114.81	2.101	M.P.G.	105.83	DF =	76.979
GMS/MI	0.987	19.569	0.108	50.34	.921	MPGnhv	109.37	MI =	2.281
G/Mwgt	0.182	3.608	0.020	9.28	.169	R-H =	57.00	KM =	3.666



CEE Quality Audit

Accept Reject
Date 1-20-15 By: L. Lenczy

2/4/2015

Lotus tested the confirmatory scooter No.2



LOTUS ENGINEERING INC.
VEHICLE EMISSIONS LAB

NON-QA DATA

Date/Time.....	2/4/15 1:33 PM	Transmission.....	Automatic
Test Number.....	15020402	Engine.....	49 cc
Data file number.....	751847	Preconditioning.....	6023.6 km
Client's name.....	Jacobs - EPA	Start Odometer.....	6033.35 km
O.E.M. name.....	[REDACTED]	End Odometer.....	6047.27 km
Model Year.....	[REDACTED]	Inertia Weight.....	160 kg
Vehicle Number.....	[REDACTED]	Horse Power Coeff.....	A=5.19 C=0.0241
Vehicle Type.....	[REDACTED]	Coast Down Times.....	4.0, 4.1, 4.1 secs
Engine Family.....	[REDACTED]	Fuel Tank Capacity.....	0.6 gals
Vehicle Make.....	[REDACTED]	Amount of Fuel Added.....	0.3 gals
Vehicle Model.....	[REDACTED]	Drive wheel Tire Pressure.....	32 psi
Emission control system.....	TWC-PAIR	Operator.....	S Devlin
Idle RPM.....	1700 rpm	Observer.....	D Oesterle
Dyno Used.....	M/C dyno-S/N:4118	Driver.....	E Knight

FINAL WEIGHTED RESULTS FOR TEST per 40 CFR 86.544-90

CH4 (g/km).....	[REDACTED]
HC (g/km).....	[REDACTED]
NMHC (g/km).....	[REDACTED]
CO (g/km).....	[REDACTED]
NOx (g/km).....	[REDACTED]
CO2 (g/km).....	[REDACTED]
HC + NOx (g/km).....	[REDACTED]
CFR Fuel Economy (kpg).....	[REDACTED]

Comments

Modal Data Speed Chart

----- I_kph kph ----- D_spd km/hr

We realized there is an issue with Lotus lab.
And started asking questions about Lotus lab.

From: Jackie Wang [mailto:jackie@taotao.us]

Sent: Thursday, February 12, 2015 7:50 PM

To: Chen, Emily

Cc: matao cao; David Garibyan; Swain, David; Jackson, Cleophas

Subject: Re: Dear Emily

Dear Emily,

When the first 49cc scooter failed we thought the lack of maintenance and few things like cold fuel and high idle was the reason that it failed. Many experts told us that the scooter was not the issue but the lab dyno was. This time we have the same problem, but we know now this scooter is not the issue . All the maintenance where done correct and this scooter is working 100% perfect .

1) The dynamometer does not seem to comply with CFR regulations CFR Part 86 subpart F.

EPA conducted a lab audit in January of 2015 to investigate claims of inaccurate testing at Lotus. Our lab audit confirms that the Lotus dynamometer meets the rigorous standards of CFR Part 86 subpart F. Can you specifically comment on the regulation the dynamometer did not meet?

2) Recent changes in EPA test procedures seem to be in effect without written notice.

Please be more specific. What recent changes are you referring?

3) It seems Lotus is not complying or perform a test per CFR Part 86 subpart F.

EPA compliance testing confirms to 40 CFR Part 86, Subpart F test procedures. If there is a discrepancy between the CFR test procedures and the test procedures performed for EPA at Lotus engineering on the test vehicle of FTAOC.049MC2, we are asking that you specifically identify the violation.

2/25/2015

David Swain introduced us a new category of testing and certifying.

From: James Xu [<mailto:stanleyconsult@gmail.com>]
Sent: Wednesday, February 25, 2015 3:30 PM
To: Swain, David
Cc: LaCroix, John
Subject: [REDACTED]

Hi David,

We already have the DF assigned by the administrator, so we can extrapolate the end of useful life emission value by apply the DF.

As per your last email, the assigned DF is good for 2015 year, the vehicle is going to keep running to 5000km, once it complete, we will use it to generate the DF for the 2016 and later more year.

James

On Feb 25, 2015, at 12:19 PM, Swain, David <swain.david@epa.gov> wrote:

Good Morning James,
You will need two points on the low-hour vehicle with vehicle [REDACTED] the one point at 261 km (you have already), and the other point at 2516 km.

This way, we expect both of the [REDACTED] 2516 km points to correlate with each other, and this will allow us to combine all points and extrapolate from the 261 km low-hour to 5000 km. Does this make sense? Sorry James, I thought you have done this before ?? This is what to do to move vehicles from highway to offroad. The 2516 km points must be within 2-sigma of each other (2-sigma of the round robin phase II for HC+NOx).

Thanks,
-Dave

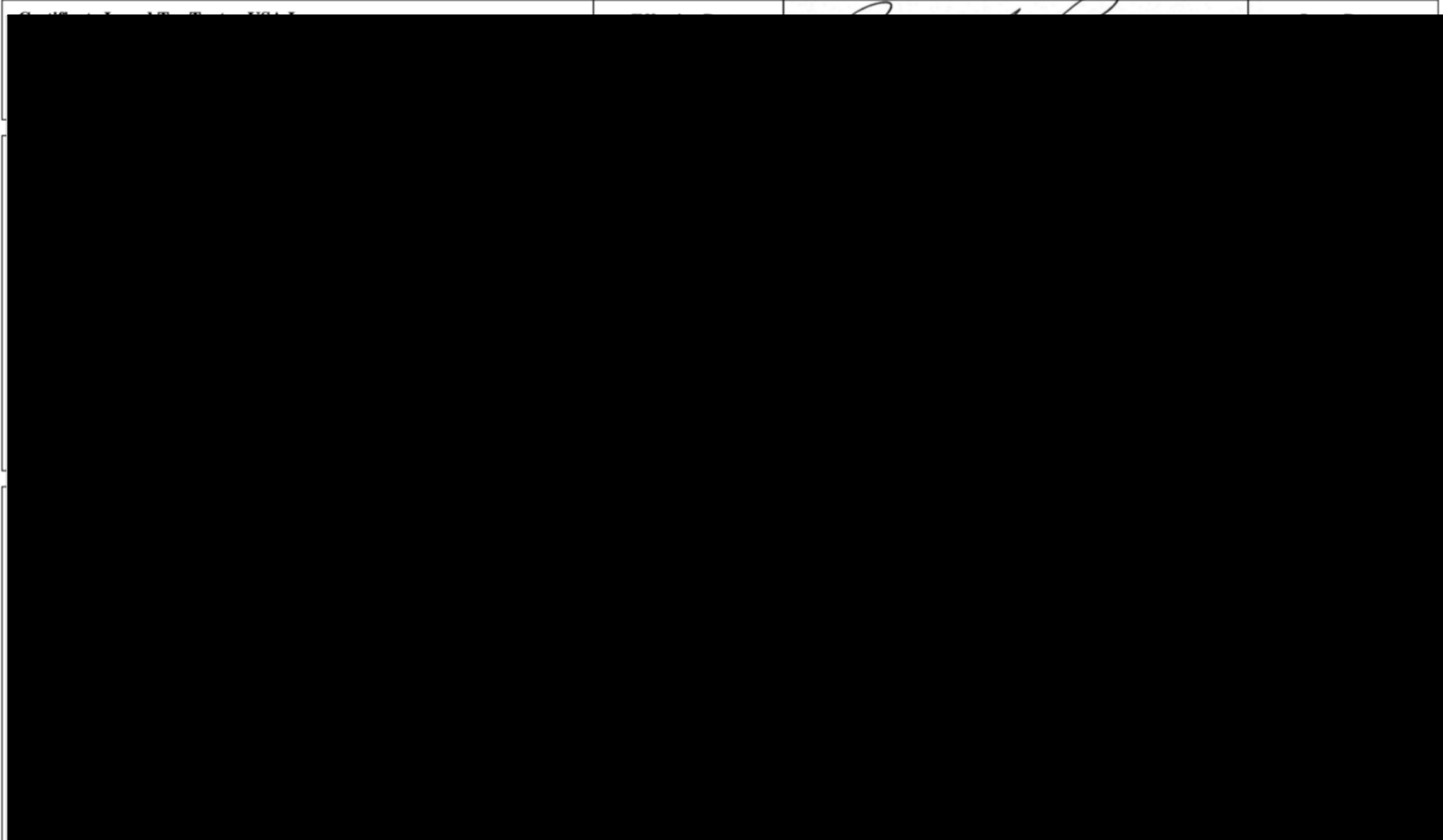
From: James Xu [<mailto:stanleyconsult@gmail.com>]
Sent: Wednesday, February 25, 2015 1:43 PM
To: Swain, David
Cc: LaCroix, John

4/2/2015



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
2015 MODEL YEAR
CERTIFICATE OF CONFORMITY
WITH THE CLEAN AIR ACT**

**OFFICE OF TRANSPORTATION
AND AIR QUALITY
ANN ARBOR, MICHIGAN 48105**





10/21/2015

William Chu, Attorney
4455 LBJ Freeway, Suite 909
Dallas, TX. 75244

Re: TaoTao vehicle audit

Dear Mr. Chu,

In 2014 California Environmental Engineering (CEE) conducted testing on twenty four vehicles for TaoTao US. This audit was ordered by the USEPA. The audit consisted of both on road scooters and off road vehicles. CEE ran durability mileage and conducted CVS75FTP tests per the audit order. All the tests were conducted according to the Code of Federal Regulations (CFR 40 Part 86). The test data was compiled and each test vehicle had a final report written which included pictures of each vehicle. CEE only conducted the emissions tests requested. CEE did not analyze the catalytic converters or remove anything from the test units. A TaoTao employee removed the catalysts and tagged them. CEE then boxed up the catalysts and shipped them to a laboratory in Canada for analysis.

If you have any questions please feel free to contact me.

Sincerely

A handwritten signature in black ink that reads 'Larry Swiencki'. The signature is written in a cursive style.

Larry Swiencki
Project Manager
CEE

U.S. Corporation Income Tax Return

For calendar year 2014 or tax year beginning _____, ending _____

▶ Information about Form 1120 and its separate instructions is at www.irs.gov/form1120.

A Check if: 1a Consolidated return (attach Form 851) <input type="checkbox"/> b Life/nonlife consolidated return <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (see instructions) <input type="checkbox"/> 4 Schedule M-3 attached <input type="checkbox"/>	TYPE OR PRINT	Name Taotao USA, Inc. Number, street, and room or suite no. If a P.O. box, see instructions. 2425 Camp Ave Ste 100 City or town State ZIP code Carrollton TX 75006 Foreign country name Foreign province/state/county Foreign postal code	B Employer identification number 5 [REDACTED] C Date incorporated [REDACTED] D Total assets (see instructions) \$ [REDACTED]
		E Check if: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input checked="" type="checkbox"/> Address change	

Income	1a	Gross receipts or sales	1a	[REDACTED]	
	b	Returns and allowance	1b	[REDACTED]	
	c	Balance. Subtract line 1b from line 1a	1c	[REDACTED]	
	2	Cost of goods sold (attach Form 1125-A)	2	[REDACTED]	
	3	Gross profit. Subtract line 2 from line 1c	3	[REDACTED]	
	4	Dividends (Schedule C, line 19)	4	[REDACTED]	
	5	Interest	5	[REDACTED]	
	6	Gross rents	6	[REDACTED]	
	7	Gross royalties	7	[REDACTED]	
	8	Capital gain net income (attach Schedule D (Form 1120))	8	[REDACTED]	
	9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	9	[REDACTED]	
10	Other income (see instructions—attach statement)	10	[REDACTED]		
11	Total income. Add lines 3 through 10	11	[REDACTED]		
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (see instructions—attach Form 1125-E)	12	[REDACTED]	
	13	Salaries and wages (less employment credits)	13	[REDACTED]	
	14	Repairs and maintenance	14	[REDACTED]	
	15	Bad debts	15	[REDACTED]	
	16	Rents	16	[REDACTED]	
	17	Taxes and licenses	17	[REDACTED]	
	18	Interest	18	[REDACTED]	
	19	Charitable contributions	19	[REDACTED]	
	20	Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	20	[REDACTED]	
	21	Depletion	21	[REDACTED]	
	22	Advertising	22	[REDACTED]	
	23	Pension, profit-sharing, etc., plans	23	[REDACTED]	
	24	Employee benefit programs	24	[REDACTED]	
	25	Domestic production activities deduction (attach Form 8903)	25	[REDACTED]	
	26	Other deductions (attach statement)	26	[REDACTED]	
	27	Total deductions. Add lines 12 through 26	27	[REDACTED]	
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11	28	[REDACTED]	
Tax, Refundable Credits, and Payments	29a	Net operating loss deduction (see instructions)	29a	[REDACTED]	
	b	Special deductions (Schedule C, line 20)	29b	[REDACTED]	
	c	Add lines 29a and 29b	29c	[REDACTED]	
30	Taxable income. Subtract line 29c from line 28 (see instructions)	30	[REDACTED]		
31	Total tax (Schedule J, Part I, line 11)	31	[REDACTED]		
32	Total payments and refundable credits (Schedule J, Part II, line 21)	32	[REDACTED]		
33	Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>	33	[REDACTED]		
34	Amount owed. If line 32 is smaller than the total of lines 31 and 33, enter amount owed	34	[REDACTED]		
35	Overpayment. If line 32 is larger than the total of lines 31 and 33, enter amount overpaid	35	[REDACTED]		
36	Enter amount from line 35 you want: Credited to 2015 estimated tax ▶ 249 Refunded ■ 36	36	[REDACTED]		

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer _____ Date _____	Title _____
May the IRS discuss this return with the preparer shown below (see instructions)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		

Paid Preparer Use Only	Print/Type preparer's name [REDACTED]	Preparer's signature [REDACTED]	Date [REDACTED]	Check <input type="checkbox"/> if PTIN [REDACTED]
City Plano State TX		ZIP code 75024		

Schedule C Dividends and Special Deductions (see instructions)		(a) Dividends received	(b) %	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)			
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)			
3	Dividends on debt-financed stock of domestic and foreign corporations		see instructions	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities			
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities			
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs			
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs			
8	Dividends from wholly owned foreign subsidiaries			
9	Total. Add lines 1 through 8. See instructions for limitation			0
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958			
11	Dividends from affiliated group members			
12	Dividends from certain FSCs			
13	Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12			
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15	Foreign dividend gross-up			
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3			
17	Other dividends			
18	Deduction for dividends paid on certain preferred stock of public utilities			
19	Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4			
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b			

Schedule J Tax Computation and Payment (see instructions)

Part I—Tax Computation

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))	<input type="checkbox"/>		
2	Income tax. Check if a qualified personal service corporation (see instructions)	<input type="checkbox"/>	2	
3	Alternative minimum tax (attach Form 4626)		3	
4	Add lines 2 and 3		4	
5a	Foreign tax credit (attach Form 1118)			
b	Credit from Form 8834 (see instructions)	5b		
c	General business credit (attach Form 3800)	5c		
d	Credit for prior year minimum tax (attach Form 8827)	5d		
e	Bond credits from Form 8912	5e		
6	Total credits. Add lines 5a through 5e		6	
7	Subtract line 6 from line 4		7	
8	Personal holding company tax (attach Schedule PH (Form 1120))		8	
9a	Recapture of investment credit (attach Form 4255)	9a		
b	Recapture of low-income housing credit (attach Form 8611)	9b		
c	Interest due under the look-back method—completed long-term contracts (attach Form 8697)	9c		
d	Interest due under the look-back method—income forecast method (attach Form 8866)	9d		
e	Alternative tax on qualifying shipping activities (attach Form 8902)	9e		
f	Other (see instructions—attach statement)	9f		
10	Total. Add lines 9a through 9f		10	
11	Total tax. Add lines 7, 8, and 10. Enter here and on page 1, line 31		11	

Part II—Payments and Refundable Credits

12	2013 overpayment credited to 2014		12	
13	2014 estimated tax payments		13	
14	2014 refund applied for on Form 4466		14	
15	Combine lines 12, 13, and 14		15	
16	Tax deposited with Form 7004		16	
17	Withholding (see instructions)		17	
18	Total payments. Add lines 15, 16, and 17		18	
19	Refundable credits from:			
a	Form 2439	19a		
b	Form 4136	19b		
c	Form 8827, line 8c	19c		
d	Other (attach statement—see instructions)	19d		
20	Total credits. Add lines 19a through 19d		20	0
21	Total payments and credits. Add lines 18 and 20. Enter here and on page 1, line 32		21	

Schedule K Other Information (see instructions)

1	Check accounting method: a <input type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input checked="" type="checkbox"/> Other (specify) ▶		Yes	No
2	See the instructions and enter the:			
a	Business activity code no. ▶			
b	Business activity ▶			
c	Product or service ▶	Products		
3	Is the corporation a subsidiary in an affiliated group or a parent-subsidary controlled group? If "Yes," enter name and EIN of the parent corporation ▶			
4	At the end of the tax year:			
a	Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part I of Schedule G (Form 1120) (attach Schedule G)			
b	Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part II of Schedule G (Form 1120) (attach Schedule G)			

Schedule K Other Information continued (see instructions)

5 At the end of the tax year, did the corporation:
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on Form 851, Affiliations Schedule? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below.

Table with 4 columns: (i) Name of Corporation, (ii) Employer Identification Number (if any), (iii) Country of Incorporation, (iv) Percentage Owned in Voting Stock.

b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below.

Table with 4 columns: (i) Name of Entity, (ii) Employer Identification Number (if any), (iii) Country of Organization, (iv) Maximum Percentage Owned in Profit, Loss, or Capital.

6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) If "Yes," file Form 5452, Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary.

7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of the corporation's stock entitled to vote or (b) the total value of all classes of the corporation's stock? For rules of attribution, see section 318. If "Yes," enter: (i) Percentage owned and (ii) Owner's country (c) The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached.

8 Check this box if the corporation issued publicly offered debt instruments with original issue discount. If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.

9 Enter the amount of tax-exempt interest received or accrued during the tax year \$

10 Enter the number of shareholders at the end of the tax year (if 100 or fewer)

11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here. If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.

12 Enter the available NOL carryover from prior tax years (do not reduce it by any deduction on line 29a.) \$

13 Are the corporation's total receipts (page 1, line 1a, plus lines 4 through 10) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year \$

14 Is the corporation required to file Schedule UTP (Form 1120), Uncertain Tax Position Statement (see instructions)? If "Yes," complete and attach Schedule UTP.

15a Did the corporation make any payments in 2014 that would require it to file Form(s) 1099? b If "Yes," did or will the corporation file required Forms 1099?

16 During this tax year, did the corporation have an 80% or more change in ownership, including a change due to redemption of its own stock?

17 During or subsequent to this tax year, but before the filing of this return, did the corporation dispose of more than 65% (by value) of its assets in a taxable, non-taxable, or tax deferred transaction?

18 Did the corporation receive assets in a section 351 transfer in which any of the transferred assets had a fair market basis or fair market value of more than \$1 million?

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash				
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach statement)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation	()
11a	Depletable assets				
b	Less accumulated depletion	()
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()
14	Other assets (attach statement)				
15	Total assets				
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach statement)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach statement)				
22	Capital stock: a Preferred stock				
	b Common stock				
23	Additional paid-in capital				
24	Retained earnings—Appropriated (attach statement)				
25	Retained earnings—Unappropriated				
26	Adjustments to shareholders' equity (attach statement)				
27	Less cost of treasury stock	()
28	Total liabilities and shareholders' equity				

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

Note: The corporation may be required to file Schedule M-3 (see instructions).

1	Net income (loss) per books		7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books			Tax-exempt interest \$	
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year (itemize):				
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation \$		a	Depreciation \$	
b	Charitable contributions \$		b	Charitable contributions \$	
c	Travel and entertainment \$				
6	Add lines 1 through 5		9	Add lines 7 and 8	
			10	Income (page 1, line 28)—line 6 less line 9	

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year		5	Distributions: a Cash	
2	Net income (loss) per books			b Stock	
3	Other increases (itemize):			c Property	
			6	Other decreases (itemize):	
4	Add lines 1, 2, and 3		7	Add lines 5 and 6	
				Balance at end of year (line 4 less line 7)	

Alternative Minimum Tax—Corporations

2014

Department of the Treasury
Internal Revenue Service

▶ Attach to the corporation's tax return.

▶ Information about Form 4626 and its separate instructions is at www.irs.gov/form4626.

Name

Employer identification number

Taotao USA, Inc.

Note: See the instructions to find out if the corporation is a small corporation exempt from the alternative minimum tax (AMT) under section 55(e).

1	Taxable income or (loss) before net operating loss deduction	1	
2	Adjustments and preferences:		
a	Depreciation of post-1986 property	2a	
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 type organizations only)	2h	
i	Tax shelter farm activities (personal service corporations only)	2i	
j	Passive activities (closely held corporations and personal service corporations only)	2j	
k	Loss limitations	2k	
l	Depletion	2l	
m	Tax-exempt interest income from specified private activity bonds	2m	
n	Intangible drilling costs	2n	
o	Other adjustments and preferences	2o	
3	Pre-adjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o	3	
4	Adjusted current earnings (ACE) adjustment:		
a	ACE from line 10 of the ACE worksheet in the instructions	4a	
b	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see instructions)	4b	
c	Multiply line 4b by 75% (.75). Enter the result as a positive amount	4c	
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 (see instructions). Note: You <i>must</i> enter an amount on line 4d (even if line 4b is positive)	4d	
e	ACE adjustment. <ul style="list-style-type: none"> If line 4b is zero or more, enter the amount from line 4c If line 4b is less than zero, enter the smaller of line 4c or line 4d as a negative amount 	4e	
5	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT	5	
6	Alternative tax net operating loss deduction (see instructions)	6	
7	Alternative minimum taxable income. Subtract line 6 from line 5. If the corporation held a residual interest in a REMIC, see instructions	7	
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 completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-	8a	0
b	Multiply line 8a by 25% (.25)	8b	0
c	Exemption. Subtract line 8b from \$40,000 (if 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	Multiply line 9 by 20% (.20)	10	
11	Alternative minimum tax foreign tax credit (AMTFTC) (see instructions)	11	
12	Tentative minimum tax. Subtract line 11 from line 10	12	
13	Regular tax liability before applying all credits except the foreign tax credit	13	
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	

For Paperwork Reduction Act Notice, see separate instructions.

Cost of Goods Sold

▶ **Attach to Form 1120, 1120-C, 1120-F, 1120S, 1065, or 1065-B.**
▶ **Information about Form 1125-A and its instructions is at www.irs.gov/form1125a.**

Name **Taotao USA, Inc.** Employer identification number [REDACTED]

1	Inventory at beginning of year	1	[REDACTED]
2	Purchases	2	[REDACTED]
3	Cost of labor	3	[REDACTED]
4	Additional section 263A costs (attach schedule)	4	[REDACTED]
5	Other costs (attach schedule)	5	[REDACTED]
6	Total. Add lines 1 through 5	6	[REDACTED]
7	Inventory at end of year	7	[REDACTED]
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return (see instructions)	8	[REDACTED]

9 a [REDACTED]

- b** Check if there was a writedown of subnormal goods
- c** Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

d If the LIFO inventory method was used for this tax year, enter amount of closing inventory computed under LIFO **9d** [REDACTED]

e If property is produced or acquired for resale, do the rules of section 263A apply to the entity (see instructions)? No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation [REDACTED]

Information on Certain Persons Owning the Corporation's Voting Stock

▶ **Attach to Form 1120.**
 ▶ **See instructions on page 2.**



Name Taotao USA, Inc.	Employer identification number (EIN) [Redacted]
--------------------------	----------------------------------------------------

Part I **Certain Entities Owning the Corporation's Voting Stock.** (Form 1120, Schedule K, Question 4a). Complete columns (i) through (v) below for any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization that owns directly 20% or more, or owns, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote (see instructions).

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Percentage Owned in Voting Stock

Part II **Certain Individuals and Estates Owning the Corporation's Voting Stock.** (Form 1120, Schedule K, Question 4b). Complete columns (i) through (iv) below for any individual or estate that owns directly 20% or more, or owns, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote (see instructions).

(i) Name of Individual or Estate	(ii) Identifying Number (if any)	(iii) Country of Citizenship (see instructions)	(iv) Percentage Owned in Voting Stock
[Redacted]	[Redacted]	[Redacted]	[Redacted]

Form **1125-E**

(Rev. December 2013)
 Department of the Treasury
 Internal Revenue Service

Compensation of Officers

▶ **Attach to Form 1120, 1120-C, 1120-F, 1120-REIT, 1120-RIC, or 1120S**
 ▶ **Information about Form 1125-E and its separate instructions is at www.irs.gov/form1125e.**

Name

Taotao USA, Inc.

Employer identification number

Note. Complete Form 1125-E only if total receipts are \$500,000 or more. See instructions for definition of total receipts.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1 [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
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		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
2 Total compensation of officers					2 [REDACTED]
3 Compensation of officers claimed on Form 1125-A or elsewhere on return					3
4 Subtract line 3 from line 2. Enter the result here and on Form 1120, page 1, line 12 or the appropriate line of your tax return					4 [REDACTED]

Depreciation and Amortization (Including Information on Listed Property)

2014

Department of the Treasury Internal Revenue Service (99)

Attach to your tax return.

Attachment Sequence No. 179

Information about Form 4562 and its separate instructions is at www.irs.gov/form4562.

Name(s) shown on return: Taotao USA, Inc. Business or activity to which this form relates: Identifying number:

Part I Election To Expense Certain Property Under Section 179

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

Form 4562 Part I table with rows 1-13 for Section 179 election details.

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

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

Form 4562 Part II table with rows 14-16 for special depreciation allowance.

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

Section A

Form 4562 Part III Section A table with rows 17-18 for MACRS deductions.

Section B - Assets Placed in Service During 2014 Tax Year Using the General Depreciation System

Table for Section B with columns (a) through (g) for asset classification, month placed in service, basis, recovery period, convention, method, and depreciation deduction.

Section C - Assets Placed in Service During 2014 Tax Year Using the Alternative Depreciation System

Table for Section C with columns for class life, recovery period, and method.

Part IV Summary (See instructions.)

Form 4562 Part IV table with rows 21-23 for summary of depreciation.

For Paperwork Reduction Act Notice, see separate instructions.

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

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

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

24a Do you have evidence to support the business/investment use claimed? 25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions) 26 Property used more than 50% in a qualified business use: 27 Property used 50% or less in a qualified business use: 28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 29 Add amounts in column (i), line 26. Enter here and on line 7, page 1

Section B—Information on Use of Vehicles

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

30 Total business/investment miles driven during the year (do not include commuting miles) 31 Total commuting miles driven during the year 32 Total other personal (noncommuting) miles driven 33 Total miles driven during the year. Add lines 30 through 32 34 Was the vehicle available for personal use during off-duty hours? 35 Was the vehicle used primarily by a more than 5% owner or related person? 36 Is another vehicle available for personal use?

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

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

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees? 38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners 39 Do you treat all use of vehicles by employees as personal use? 40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received? 41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

42 Amortization of costs that begins during your 2014 tax year (see instructions): 43 Amortization of costs that began before your 2014 tax year 44 Total. Add amounts in column (f). See the instructions for where to report

Line 10 (1120) - Other Income

1	Other income	1	
2	Total other income	2	

Line 26 (1120) - Other Deductions

1	From Form 4562 - Amortization	1	
2	Travel, Meals and Entertainment		
a	Travel	2a	
b	Meals and entertainment, subject to 50% limit	2b	
c	Meals and entertainment, subject to 80% limit (DOT)	2c	
d	Less disallowed	2d	
e	Subtract line d from lines b and c	2e	
3	Automobile and truck expenses	3	
4	Bank & credit card charges	4	
5	Dues and subscriptions	5	
6	Equipment rent	6	
7	Insurance	7	
8	Laundry and cleaning	8	
9	Legal and professional fees	9	
10	Miscellaneous	10	
11	Office expenses	11	
12	Postage	12	
13	Security	13	
14	Supplies	14	
15	Telephone	15	
16	Utilities	16	
17	Web hosting and maintenance exp	17	
18	Testing expense	18	
19	Management expense	19	
20	Freight expense	20	
21	Marketing expense	21	
22	Sample expense	22	
23	Commissions	23	
24	Training expense	24	
25	Total other deductions	25	
26	Total deductions less expenses for offsetting credits	26	

Line 14, Sch L (1120) - Other Assets

		Beginning		End
1	Deposit	1		
2	Loan to others	2		
3	Trademark	3		
4	Website	4		
5	Total other assets	5		

Line 18, Sch L (1120) - Other Current Liabilities

		Beginning		End
1	FICA Payable	1		
2	FUTA Payable	2		
4	Rounding	4		
5	State Payroll Tax Payable	5		
6	Credit Card Payable	6		
7	Child Support Payable	7		
8	Total other current liabilities	8		



Line 5 (1125-A) - Other Costs for Cost of Goods Sold

1	Freight-in	1	
2	Total other costs	2	
3	Total other costs less expenses for offsetting credits	3	





Use of Vehicles (4562 Part V, Section B) 1120

	Vehicle Description	Business Miles	Commuting Miles	Other Miles	Total Miles	Personal Use Off Duty?		More than 5% owner?		Another vehicle avail for use?	
						Y	N	Y	N	Y	N
1											



Form 4562 Statement - 1120

Item No.	Description of Property	Date Placed In Service	Asset Code	Business Use %	Cost or Other Basis	Sec. 179 Deduction	Credit	Special Allowance	Salvage Value	Recovery Basis	Recovery Period	Method	Convention Code	Prior Accum. Deprec., 179, Bonus	2014 Deprec.	2014 Accum. Deprec.
Total GDS 7-year property (Line 19c)						0	0									
Subtotal Depreciation																
Listed Property																
Listed property with more than 50% business use (Line 25 and 26)																
35																
						0	0		0							
Subtotal Listed Property						0	0		0							
Total Amortization (Line 44)																
45																
Total Amortization (Line 44)																
Total Depreciation and Amortization						0	0									

Taotao USA, Inc.

[REDACTED]

Taxpayer's Record of Estimated Tax Payments (CA 100-ES)

	Payment due date	(a) Date paid	(b) Check or money order number or confirmation number		(c) Amount paid (do not include any credit card convenience fee)		(d) 2014 overpayment credit applied		(e) Total amount paid and credited (add (c) and (d))
			Franchise/Income	QSub	Franchise/Income	QSub			
1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	

Form at bottom of page. ■

Installment 1 – File and Pay by the 15th day of the 4th month of the taxable year. When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day.

If no payment is due, do not mail this form.

WHERE TO FILE:

Using black or blue ink, make check or money order payable to the "Franchise Tax Board." Write the corporation number and "2015 Form 100-ES" on the check or money order. Detach form below. Enclose, but **do not** staple, payment with form and mail to:

**FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0531**

Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

ONLINE SERVICES:

Corporations can make payments online with Web Pay for Businesses. After a one-time online registration, corporations can make an immediate payment or schedule payments up to a year in advance. Go to **ftb.ca.gov** for more information.

✂ DETACH HERE IF NO PAYMENT IS DUE OR PAID ELECTRONICALLY, DO NOT MAIL THIS FORM DETACH HERE ✂

Caution: You may be required to pay electronically. See instructions.

Installment 1

TAXABLE YEAR

CALIFORNIA FORM

2015 Corporation Estimated Tax

100-ES

[Redacted form content]

Form at bottom of page. ■

Installment 2 – File and Pay by the 15th day of the 6th month of the taxable year. When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day.

If no payment is due, do not mail this form.

WHERE TO FILE:

Using black or blue ink, make check or money order payable to the "Franchise Tax Board." Write the corporation number and "2015 Form 100-ES" on the check or money order. Detach form below. Enclose, but **do not** staple, payment with form and mail to:

**FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0531**

Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

ONLINE SERVICES:

Corporations can make payments online with Web Pay for Businesses. After a one-time online registration, corporations can make an immediate payment or schedule payments up to a year in advance. Go to **ftb.ca.gov** for more information.

✂ DETACH HERE IF NO PAYMENT IS DUE OR PAID ELECTRONICALLY, DO NOT MAIL THIS FORM DETACH HERE ✂

Caution: You may be required to pay electronically. See instructions.

Installment 2

TAXABLE YEAR

CALIFORNIA FORM

2015 Corporation Estimated Tax

100-ES

[Redacted form content]

Form at bottom of page. ■

Installment 3 – File and Pay by the 15th day of the 9th month of the taxable year. When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day.

If no payment is due, do not mail this form.

WHERE TO FILE:

Using black or blue ink, make check or money order payable to the "Franchise Tax Board." Write the corporation number and "2015 Form 100-ES" on the check or money order. Detach form below. Enclose, but **do not** staple, payment with form and mail to:

**FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0531**

Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

ONLINE SERVICES:

Corporations can make payments online with Web Pay for Businesses. After a one-time online registration, corporations can make an immediate payment or schedule payments up to a year in advance. Go to **ftb.ca.gov** for more information.

✂ DETACH HERE IF NO PAYMENT IS DUE OR PAID ELECTRONICALLY, DO NOT MAIL THIS FORM DETACH HERE ✂

Caution: You may be required to pay electronically. See instructions.

Installment 3

TAXABLE YEAR

CALIFORNIA FORM

2015 Corporation Estimated Tax

100-ES

[Redacted form content]

Form at bottom of page. ■

Installment 4 – File and Pay by the 15th day of the 12th month of the taxable year. When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day.

If no payment is due, do not mail this form.

WHERE TO FILE:

Using black or blue ink, make check or money order payable to the "Franchise Tax Board." Write the corporation number and "2015 Form 100-ES" on the check or money order. Detach form below. Enclose, but **do not** staple, payment with form and mail to:

**FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0531**

Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

ONLINE SERVICES:

Corporations can make payments online with Web Pay for Businesses. After a one-time online registration, corporations can make an immediate payment or schedule payments up to a year in advance. Go to **ftb.ca.gov** for more information.

✂ DETACH HERE IF NO PAYMENT IS DUE OR PAID ELECTRONICALLY, DO NOT MAIL THIS FORM DETACH HERE ✂

Caution: You may be required to pay electronically. See instructions.

Installation 4

TAXABLE YEAR

CALIFORNIA FORM

2015 Corporation Estimated Tax

100-ES

[REDACTED]	[REDACTED]	[REDACTED]	15	FORM 1
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

California Corporation Franchise or Income Tax Return

2014

100

RP



Schedule Q Questions (continued on Side 2)

A FINAL RETURN? [] Dissolved [] Surrendered (withdrawn) [] Merged/Reorganized [] IRC Section 338 sale [] QSub election

Enter date (mm/dd/yyyy)

- B 1. Is income included in a combined report of a unitary group?
2. If "Yes," indicate: [] wholly within CA (R&TC 25101.15) [] within and outside of CA
3. Is there a change in the members listed in Schedule R-7 from the prior year?
4. Enter the number of members (including parent or key corporation) listed in the Schedule R-7, Part I, Section A, subject to income or franchise tax
5. Is form FTB 3544 and/or 3544A attached to the return?

Table with 17 rows for State Adjustments. Columns include line number, description, and amount. Rows 10-15 show specific adjustments with amounts of 0.00. Row 16 is the total adjustment, and row 17 is the net income after adjustments.

Taotao USA, Inc.

CA Net Income	18	Net income (loss) for state purposes. Complete Schedule R if apportioning or allocating income. See instructions	18			
	19	Net operating loss (NOL) deduction. See instructions	19	0	00	
	20	Pierce's disease, EZ, LARZ, TTA, or LAMBRA NOL carryover deduction. See instructions	20	0	00	
	21	Disaster loss carryover deduction. See instructions	21	0	00	
	22	Net income for tax purposes. Combine line 19 through line 21. Then, subtract from line 18	22			
Taxes	23	Tax. 8.84% x line 22 (at least minimum franchise tax, if applicable). See instructions	23			
	24	New employment credit, amount generated		0		
	25	New employment credit, amount claimed	25			
	26					
	27					
	28	Add line 25 through line 27	28			
	29	Balance. Subtract line 28 from line 23 (at least minimum franchise tax, if applicable)	29			
30	Alternative minimum tax. Attach Schedule P (100). See instructions	30				
31	Total tax. Add line 29 and line 30	31				
Payments	32	Overpayment from prior year allowed as a credit	32	0	00	
	33	2014 Estimated tax payments. See instructions	33	6,378	00	
	34	2014 Withholding (Form 592-B and/or 593). See instructions	34	0	00	
	35	Amount paid with extension of time to file tax return	35	0	00	
	36	Total payments. Add line 32 through line 35	36			
Refund or Amount Due	37		37			
	38	Overpayment. If line 36 is more than line 31, subtract line 31 from line 36	38			
	39	Amount of line 38 to be credited to 2015 estimated tax	39			
	40	Use tax. This is not a total line. See instructions	40	0	00	
	41	Refund. If the sum of line 39 and line 40 is less than line 38, then subtract the result from line 38. See instructions to have the refund directly deposited. <input type="checkbox"/> Checking <input type="checkbox"/> Savings	41			
	41a.	Routing number	41b.	Type	41c.	Account number
	42	a Penalties and interest	42a			
	b <input type="checkbox"/> Check if estimate penalty computed using Exception B or C. See instructions.					
43	Total amount due. Add line 37, line 39, line 40, and line 42a. Then, subtract line 38 from the result	43				

Schedule Q Questions (continued from Side 1)

- C If the corporation filed on a water's-edge basis pursuant to R&TC Sections 25110 and 25113 in previous years, enter the date the water's-edge election ended (mm/dd/yyyy)
- D Was the corporation's income included in a consolidated federal return?
- E Principal business activity (leave blank):
Business activity
02/2007
- Where: State TX Country
- G Date business began in California or date income was first derived from California sources (mm/dd/yyyy)
- H First
- (Attach statement showing name, address, and FEIN/SSN/ITIN of previous business.)
- I "Do" ctions:

Schedule Q Questions (continued on Side 3)

Schedule Q Questions (continued from Side 2)

- J 1. During this taxable year, did another person or legal entity acquire control or majority ownership (more than a 50% interest) of this corporation or any of its subsidiaries that owned California real property (i.e., land, buildings), leased such property for a term of 35 years or more, or leased such property from a government agency for any term?
- 2. During this taxable year, did this corporation or any of its subsidiaries acquire control or majority ownership (more than a 50% interest) in another legal entity that owned California real property (i.e., land, buildings), leased such property for a term of 35 years or more, or leased such property from a government agency for any term?
- 3. During this taxable year, has more than 50% of the voting stock of this corporation cumulatively transferred in one or more transactions after an interest in California real property (i.e., land, buildings) was transferred to it that was excluded from property tax reassessment under R&TC Section 62(a)(2) and it was not reported on a previous year's tax return?
(Yes requires filing of statement, penalties may apply— see instructions.)
- K At any time during the taxable year, was more than 50% of the voting stock:
 - 1. Of the corporation owned by any single interest?
 - 2. Of another corporation owned by this corporation?
 - 3. Of this and one or more other corporations owned or controlled, directly or indirectly, by the same interests?
If 1 or 3 is "Yes," enter the country of the ultimate parent
 UNITED STATES
If 1, 2, or 3 is "Yes," furnish a statement of ownership indicating pertinent names, addresses, and percentages of stock owned. If the owner(s) is an individual, provide the SSN/ITIN.
- L Has the corporation included a reportable transaction or listed transaction within this return? (See instructions for definitions)
If "Yes," complete and attach federal Form 8886 for each transaction.
- M Is this corporation apportioning or allocating income to California using Schedule R?
- N How many affiliates in the combined report are claiming immunity from taxation in California under Public Law 86-272?
- O Corporation headquarters are: (1) Within California (2) Outside of California, within the U.S. (3) Outside the U.S.
- P Location of principal accounting records
- Q Accounting method: (1) (2) (3)
- R Does this corporation or any of its subsidiaries have a Deferred Intercompany Stock Account (DISA)?
If "Yes," enter the total balance of all DISAs \$
- S Is this corporation or any of its subsidiaries a RIC?
- T Is this corporation treated as a REMIC for California purposes?
- U Is this corporation a REIT for California purposes?
- V Is this corporation an LLC or limited partnership electing to be taxed as a corporation for federal purposes?
If "Yes", enter the effective date of the election (mm/dd/yyyy):
- W Is this corporation to be treated as a credit union?
- X Is the corporation under audit by the IRS or has it been audited by the IRS in a prior year?
- Y Have all required information returns (e.g. federal Forms 1099, 5471, 5472, 8300, 8865, etc.) been filed with the Franchise Tax Board? N
- Z Does the taxpayer (or any corporation of the taxpayer's combined group, if applicable) own 80% or more of the stock of an insurance company?
- AA Did the corporation file the federal Schedule UTP (Form 1120)?
- BB Does any member of the combined report own an SMLLC or generate/claim credits that are attributable to an SMLLC?

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	Signature of officer ▶	Title	Date	Telephone
Paid Preparer's Use Only	Officer's email address (optional)			
	Preparer's signature ▶	Date 04/30/2015	Check if self-employed <input type="checkbox"/>	PTIN
	Firm's name (or yours) ▶			

Schedule A Taxes Deducted. Use additional sheet(s) if necessary. Taotao USA, Inc.

(a) Nature of tax	(b) Taxing authority	(c) Total amount	(d) Nondeductible amount
, and total of column (d) on Side 1, line 2 or line 3. If the corporation uses California computation method to compute the net income, see instructions.			

Schedule F Computation of Net Income. See instructions.

Income	1	a) Gross receipts or gross sales						
		b) Less returns and allowance						1c
	2	Cost of goods sold. Attach federal Form 1125-A (California Schedule V)						2
	3	Gross profit. Subtract line 2 from line 1c						3
	4	Total dividends. Attach federal Schedule C, California Schedule H (100)						4
	5	a) Interest on obligations of the United States and U.S. instrumentalities						5a
		b) Other interest. Attach schedule						5b
	6	Gross rents						6
	7	Gross royalties						7
	8	Capital gain net income. Attach federal Schedule D (California Schedule D)						8
	9	Ordinary gain (loss). Attach federal Form 4797 (California Schedule D-1)						9
10	Other income (loss). Attach schedule						10	
11	Total income. Add line 3 through line 10						11	
Deductions	12	Compensation of officers. Attach federal Form 1125-E or equivalent schedule		12				
	13	Salaries and wages (not deducted elsewhere)		13				
	14	Repairs		14				
	15	Bad debts		15				
	16	Rents		16				
	17	Taxes (California Schedule A). See instructions		17				
	18	Interest. Attach schedule		18				
	19	Contributions. Attach schedule		19				
	20	Depreciation. Attach federal Form 4562 and FTB 3885		20				
	21	Less depreciation claimed elsewhere on return		21a				
	22	Depletion. Attach schedule		22				
	23	Advertising		23				
	24	Pension, profit-sharing plans, etc.		24				
	25	Employee benefit plans		25				
	26	a) Total travel and entertainment						
		b) Deductible amounts			26b			
	27	Other deductions. Attach schedule		27				
	28	Specific deduction for organizations under R&TC Section 23701r or 23701t. See instructions		28				0
	29	Total deductions. Add line 12 through line 28						29
30	Net income before state adjustments. Subtract line 29 from line 11. Enter here and on Side 1, line 1						30	

Schedule J Add-On Taxes and Recapture of Tax Credits. See instructions.

1	LIFO recapture due to S corporation election, IRC Sec. 1363(d) deferral: \$						1
2	Interest computed under the look-back method for completed long-term contracts (Attach form FTB 3834)						2
3	Interest on tax attributable to installment: a) Sales of certain timeshares and residential lots						3a
	b) Method for nondealer installment obligations						3b
4	IRC Section 197(f)(9)(B)(ii) election						4
5	Credit recapture name:						5
6	Combine line 1 through line 5, revise Side 2, line 37 or line 38, whichever applies, by this amount. Write "Schedule J" to the left of line 37 or line 38						6

Schedule V Cost of Goods Sold

1	Inventory at beginning of year	1
2	Purchases	2
3	Cost of labor	3
4	a Additional IRC Section 263A costs. Attach schedule	4a
	b Other costs. Attach schedule	4b
5	Total. Add line 1 through line 4b	5
6	Inventory at end of year	6
7	Cost of goods sold. Subtract line 6 from line 5. Enter here and on Side 4, Schedule F, line 2	7

Method of inventory valuation

Was there any change in determining quantities, costs of valuations between opening and closing inventory?

If "Yes," attach an explanation.

Enter California seller's permit number, if any

Check if the LIFO inventory method was adopted this taxable year for any goods. If checked, attach federal Form 970

If the LIFO inventory method was used for this taxable year, enter the amount of closing inventory under LIFO _____

Do the rules of IRC Section 263A (with respect to property produced or acquired for resale) apply to the corporation?

The corporation may not be required to complete Schedules L, M-1, and M-2. See Schedule M-1 instructions for reporting requirements.

Schedule L Balance Sheet

	Beginning of taxable year		End of taxable year	
	(a)	(b)	(c)	(d)
Assets				
1	Cash			
2	a Trade notes and accounts receivable			
	b Less allowance for bad debts			
3	Inventories			
4	Federal and state government obligations			
5	Other current assets. Attach schedule(s)			
6	Loans to stockholders/officers. Attach schedule			
7	Mortgage and real estate loans			
8	Other investments. Attach schedule(s)			
9	a Buildings and other fixed depreciable assets			
	b Less accumulated depreciation			
10	a Depletable assets			
	b Less accumulated depletion			
11	Land (net of any amortization)			
12	a Intangible assets (amortizable only)			
	b Less accumulated amortization			
13	Other assets. Attach schedule(s)			
14	Total assets			
Liabilities and Stockholders' Equity				
15	Accounts payable			
16	Mortgages, notes, bonds payable in less than 1 year			
17	Other current liabilities. Attach schedule(s)			
18	Loans from stockholders. Attach schedule(s)			
19	Mortgages, notes, bonds payable in 1 year or more			
20	Other liabilities. Attach schedule(s)			
21	Capital stock: a Preferred stock			
	b Common stock			
22	Paid-in or capital surplus. Attach reconciliation			
23	Retained earnings – Appropriated. Attach schedule			
24	Retained earnings – Unappropriated			
25	Adjustments to shareholders' equity. Attach schedule			
26	Less cost of treasury stock			
27	Total liabilities and stockholders' equity			

Taotao USA, Inc.

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

If the corporation completed federal **Schedule M-3 (Form 1120 /1120-F)**, see instructions.

1 Net income per books		7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax		a Tax-exempt interest	
3 Excess of capital losses over capital gains		b Other	
4 Taxable income not recorded on books this year (itemize)		8 Deductions in this return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)		a Depreciation	
a Depreciation \$		b State tax refunds	
b State taxes \$		c Other	
c Travel and entertainment \$		d Total. Add line 8a through line 8c	
d Other \$		9 Total. Add line 7c and line 8d	
e Total. Add line 5a through line 5d		10 Net income per return.	
6 Total. Add line 1 through line 5e		Subtract line 9 from line 6	

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Side 5, Schedule L, line 24)

1 Balance at beginning of year		5 Distributions:	a Cash	
2 Net income per books			b Stock	
3 Other increases (itemize)			c Property	
		6 Other decreases (itemize)		
		7 Total. Add line 5 and line 6		
4 Total. Add line 1 through line 3		8 Balance at end of year.		
		Subtract line 7 from line 4		

Schedule D California Capital Gains and Losses

Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less. Use additional sheet(s) if necessary.

(a)	(b)	(c)	(d)	(e)	(f)
Kind of property and description (Example, 100 shares of Z Co.)	Date acquired (mm/dd/yyyy)	Date sold (mm/dd/yyyy)	Gross sales price	Cost or other basis plus expense of sale	Gain (loss) (d) less (e)

2014

Alternative Minimum Tax and Credit Limitations — Corporations

Attach to Form 100 or Form 109.

Corporation name

TAOTAO USA, INC.

Part I Tentative Minimum Tax (TMT) and Alternative Minimum Tax (AMT) Com

- 1 Net income (loss) after state adjustments. Enter the amount from Form 100, line 17; the lesser of line 1 or line 2. See instructions
- 2 **Adjustments.** See instructions
 - a Depreciation of tangible property placed in service after 1986
 - b Amortization of certified pollution control facilities placed in service after 1986
 - c Amortization of mining exploration and development costs incurred after 1987
 - d Basis adjustments in determining gain or loss from sale or exchange of property
 - e Long-term contracts entered into after February 28, 1986
 - f Installment sales of certain property
 - g Tax shelter farm activities (personal service corporations only)
 - h Passive activities (closely held corporations and personal service corporations on
 - i Certain loss limitations
 - j Beneficiaries of estates and trusts. Enter the amount from Schedule K-1 (541), line 12a
 - k Merchant marine capital construction funds
 - l Combine line 2a through line 2k
- 3 **Tax preference items.** See instructions
 - a Depletion
 - b Intangible drilling costs
 - c Add line 3a and line 3b
- 4 **Pre-adjustment alternative minimum taxable income (AMTI):**
 - a Combine line 1, line 2l, and line 3c
 - b **Apportioned pre-adjustment AMTI.** If income is derived from sources both with see instructions. Otherwise, enter the amount from line 4a.
- 5 **Adjusted current earnings (ACE) adjustment:**
 - a Enter ACE. See instructions
 - b **Apportioned ACE.** If income is derived from sources both within and outside of California, see instructions. Otherwise, enter the amount from line 5a
 - c Subtract line 4b from line 5b (even if one or both of the figures are negative). If negative, use brackets
 - d Multiply line 5c by 75% (.75) and enter the result as a positive number
 - e Enter the excess, if any, of the corporation's total increases in AMTI from prior year reductions in AMTI from prior year ACE adjustments. Enter an amount on line 5e
 - f **ACE adjustment:**
 - If line 5c is a positive amount or zero, enter the amount from line 5d on line 5f a
 - If line 5c is a negative amount, enter the smaller of line 5d or line 5e on line 5f
- 6 Combine line 4b and line 5f. If zero or less, enter -0-
- 7 **a** Reduction for disaster loss carryover deduction, if any, from Form 100, line 21
- b** AMT net operating loss deduction. See instructions
- c** Combine line 7a and line 7b
- 8 AMTI. Subtract line 7c from line 6
- 9 Enter \$40,000 exemption. See instructions
- 10 Enter \$150,000 limitation. See instructions
- 11 Subtract line 10 from line 8. If zero or less, enter -0-
- 12 Multiply line 11 by 25% (.25)
- 13 Exemption. Subtract line 12 from line 9. If zero or less, enter -0-
- 14 Subtract line 13 from line 8. If zero or less, enter -0-
- 15 Multiply line 14 by 6.65% (.0665)
- 16 Banks and financial corps. Multiply Form 100, line 22, by 2.00% (.0200). See instruc

Part I Tentative Minimum Tax (TMT) and Alternative Minimum Tax (AMT) Computation (continue)

- 17 TMT. Add line 15 and line 16 from Side 1
- 18 Regular tax before credits. Enter the amount from Form 100, line 23 or Form 109, line 10. See instructions
- 19 AMT. Subtract line 18 from line 17. If zero or less, enter -0-. See instructions

Part II Credits that Reduce Tax

- 1 Regular tax from Form 100, line 23 or Form 109, line 10
- 2 TMT (before credits) from Part I, line 17 (but not less than the minimum franchise tax, if applicable)

		(a) Credit amount	Cr
Section A – Credits that reduce excess regular tax.			
3 Subtract line 2 from line 1. If zero or less, enter -0- and see instructions. This is the excess regular tax which may be offset by credits. Note: Reduce the amount in column (c) by the New Employment Credit amount claimed on Form 100, line 25, if applicable			
3	3		
A1 Credits that reduce excess regular tax and have no carryover provisions.			
4 Code: 162 Prison inmate labor credit			
4	4		0.
A2 Credits that reduce excess regular tax and have carryover provisions. See instructions.			
5 Code: [redacted] Credit Name: _____			
5	5		
Section B – Credits that may reduce regular tax below TMT.			
10 If Part II, line 3 is zero, enter the amount from line 1 minus the minimum franchise tax, if applicable. If line 3 is more than zero, enter the total of Part II, line 2, minus the minimum franchise tax, if applicable, plus line 9, column (c) or the last entry in column (c)			
10	10		
B Credits that reduce net tax and have carryover provisions. See instructions.			
11 Code: [redacted] Credit Name: _____			
11	11		
Section C – Credits that may reduce AMT. See instructions.			
15 Enter the AMT from Part I, line 19			
15	15		
16a Code: 180 Solar energy credit carryover from Section B, column (d)			
16a	16a		
[redacted]	[redacted]		
[redacted]	[redacted]		
[redacted]	[redacted]		
[redacted]	[redacted]		
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[redacted]	[redacted]		
[redacted]	[redacted]		
[redacted]	[redacted]		

2014

Apportionment and Allocation of Income

R

Attach this schedule behind the California tax return and prior to the supporting schedules.

For calendar year 2014 or fiscal year beginning month (mm/dd/yyyy) _____, and ending (mm/dd/yyyy) _____.

Corporation name TAOTAO USA, INC. California corporation number [REDACTED]

Water's-Edge Filers Only: If controlled foreign corporations are included in the combined report, attach form FTB 2416.

Complete Schedule R (Side 1 and Side 2) and all applicable Schedules (R-1 through R-7). See General Information for Schedule R.

Table with 1 column (1 a) and 1 row (Net income (loss) after state adjustments from Form 100 or Form 100W, Side 1, line 17; Form 100S, Side 1, line 14; Form 100X, line 4. Form 565 and Form 568 filers: Enter the total of line 1 through line 11c from Schedule K (565 or 568) less the total of line 12 through line 13e from Schedule K (565 or 568) 1a [REDACTED])

TAOTAO USA, INC.

California Business Income (Loss) subject to a separate apportionment formula.

- 28 California business income (loss) from a nonunitary partnership or LLC
- 29 California income (loss) from a separate trade or business. Attach supplemental schedule R.
- 30 California business income (loss) deferred from prior years. See General Information L
- 31 Total business income (loss) separately apportioned to California. Combine line 28 through line 30

Net Income (Loss) for California Purpose

- 32 Post-apportioned and allocated amounts from capital gain (loss) netting. See General Information M
- 33 Net income (loss) for California purposes before contributions adjustment. Combine lines 18b, 27, 31, and 32
- 34 Contributions adjustment from Schedule R-6, line 15
- 35 Net income (loss) for California purposes. Combine line 33 and line 34. Enter here and on Form 100 or Form 100W, Side 2, line 18 or Form 100S, Side 2, line 15

**Complete the applicable
Schedules R-1 through R-7,
starting on Side 3.**

Schedule R-1 Apportionment Formula.

The table is a Schedule R-1 Apportionment Formula, which is a complex multi-step calculation. It consists of a grid with 4 columns and approximately 18 rows. The first column contains descriptive text, which is almost entirely redacted with black bars. The second, third, and fourth columns contain numerical values and percentages, also largely redacted. The structure of the table is as follows:

- Row 1:** A shaded header row with 4 columns.
- Row 2-18:** A series of rows representing different steps in the apportionment process. Each row typically has a shaded cell in the second or third column.

[REDACTED]

[REDACTED]

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[REDACTED]

Schedule R-5 Computation of Interest Offset. Complete only if the Schedule R and if Schedule R-1 is required. See Gen

- 1 Total interest expense deducted
- 2 Water's-edge foreign investment interest offset from Side 1, line 1b
- 3 Balance. Subtract line 2 from line 1
- 4 Total interest income (Form 100 or Form 100W, Side 1, line 4 and Schedule F, line 5a and line 5b; or Form 100S, Side 1, line 3 and interest income included on Schedule F, line 5 or Schedule K, line 4)
- 5 Nonbusiness interest income from Side 1, line 3
- 6 Business interest income. Subtract line 5 from line 4
- 7 Excess interest expense over business interest income. Subtract line 6 from line 3. Enter -0- here and on Side 1, line 16, and **do not** complete the rest of this section
- 8 Total dividend income
- 9 Deducted dividends from Form 100, Side 1, lines 10 and 11; Form 100W, Side 1, lines 10 and 11a/b; or Form 100S, Side 1, lines 9 and 10
- 10 Net dividend income. Subtract line 9 from line 8
- 11 Business dividend income
- 12 Deducted dividends from Form 100, Side 1, lines 10 and 11; Form 100W, Side 1, lines 10 and 11a/b; or Form 100S, Side 1, lines 9 and 10, attributable to business dividend income
- 13 Net business dividend income. Subtract line 12 from line 11
- 14 Net nonbusiness dividend income. Subtract line 13 from line 10
- 15 Total nonbusiness interest and dividend income. Add line 5 and line 14
- 16 Enter the lesser of line 7 or line 15. Enter here and on Side 1, line 16

If interest and/or dividend income is reported on Side 1, line 19a or line 19b, enter the allocable portion of Schedule R-5, line 16 on Side 1, line 26. See General Information J. If no interest or dividend income is reported on Side 1, line 19a or line 19b, **do not** deduct any interest expense on Side 1, line 26.

Schedule R-6 Contributions Adjustment. See General Information N.

- 1 Total contributions paid (current year and carryover amount)
 - 2 Net income (loss) after state adjustments from Side 1, line 1c
 - 3 Portion of dividends deductible under R&TC Sections 24410 and 24411 (from Side 1 of the Form 100, line 11; Form 100W, lines 11a/b; or Form 100S, lines 9 and 10), and other adjustments. See General Information N
 - 4 Contributions deducted on Form 100, Form 100W, or Form 100S
 - 5 Total. Add line 2 through line 4. If zero or less, enter -0-
 - 6 Multiply line 5 by 10% (.10)
 - 7 Net income (loss) for state purposes before contributions adjustment from Side 2, line 33
 - 8 Business dividends deductible on line 3 multiplied by the average apportionment percentage from Schedule R-1, Part A, line 2 or Part B, line 5
 - 9 Amount of line 3 attributable to nonbusiness dividends reported on Side 1, line 19a
 - 10 Contributions deducted (from line 4 above) multiplied by the average apportionment percentage from Schedule R-1, Part A, line 2 or Part B, line 5
 - 11 Total. Add line 7 through line 10. If zero or less, enter -0-
 - 12 Multiply line 11 by 10% (.10)
- Contributions Adjustment**
- 13 Enter the amount shown on line 10
 - 14 Amount of contributions allowable:
 - a If line 1 equals or exceeds line 6, enter the lesser of line 1 or line 12
 - b If line 1 is less than line 6, divide line 11 by line 5. Then multiply line 1 by the result and enter here
 - 15 Contributions adjustment. Subtract line 14a or line 14b from line 13. Enter here and on Side 2, line 34. If the result is a negative amount, enter in brackets

2014 Election to File a Unitary Taxpayers' Group Return

R-7

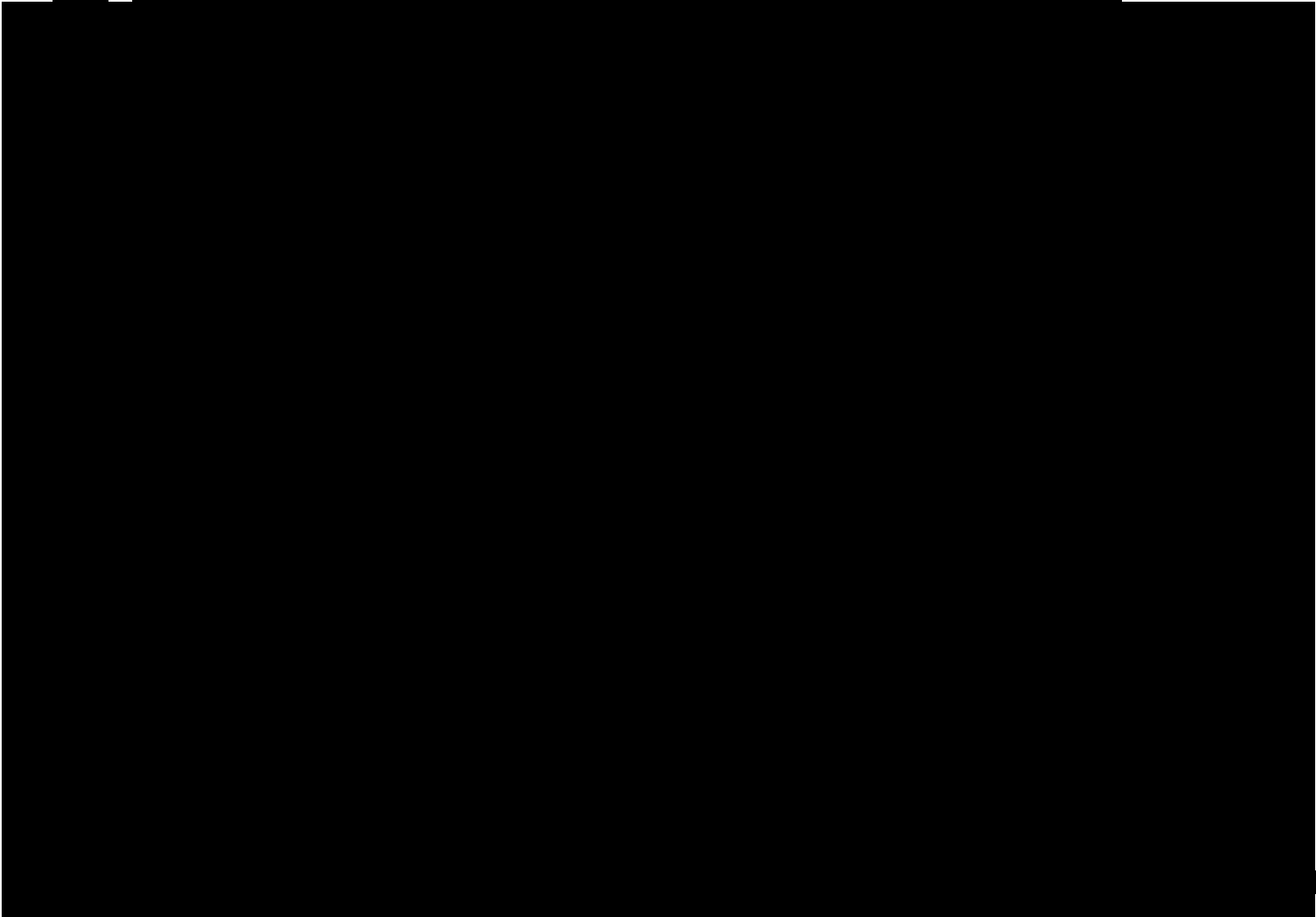
Fill out the Schedule R-7 Election completely to make a valid election.

Name of corporation filing the single group return (key corporation*)

California corporation number

TAOTAO USA, INC.

This election is an integral part of the return of all taxpayers participating in the election, and must be filed annually with Schedule R. Signing the California tax return is an acknowledgement that the key corporation and its electing affiliates agree to comply with the terms and conditions contained in this Schedule R-7 Election. (See Side 7 for the terms of this election).



**In order for a group return to satisfy the individual subsidiary's filing requirements, the Schedule R-7 must include all of the information requested in Part I, Section A, (see Cal. Code Regs., tit. 18 section 25106.5-11). If the information in Part I, Section A, is not filled out completely, the electing member(s) Schedule R-7 election may be disallowed. If an electing member(s) Schedule R-7 election is disallowed, they must file a separate California return.

Check box A if the electing member is incorporated, organized, qualified, or registered to do business in California.

Check box B if the electing member has any property, payroll, sales in California, or derives income from sources within California, but is not doing business in California.

Check box C if the Corporation is a new electing member for this current group.

Enter the California corporation number if one was assigned by the California Secretary of State (SOS) or the Franchise Tax Board (FTB).

Schedule R-7, Part I, Section A, should only contain information of corporations that are required to file a return in California, and who are subject to California income or franchise tax. If a corporation does not have a California return filing requirement, the entity should not be listed in this Part I, Section A. The entity should be listed in Part II, Other Affiliated Corporations. The first corporation listed should be the "key corporation." The "key corporation" information entered in Schedule R-7, Part I, Section A, must match the information of the corporation entered on Form 100 or Form 100W, Side 1.

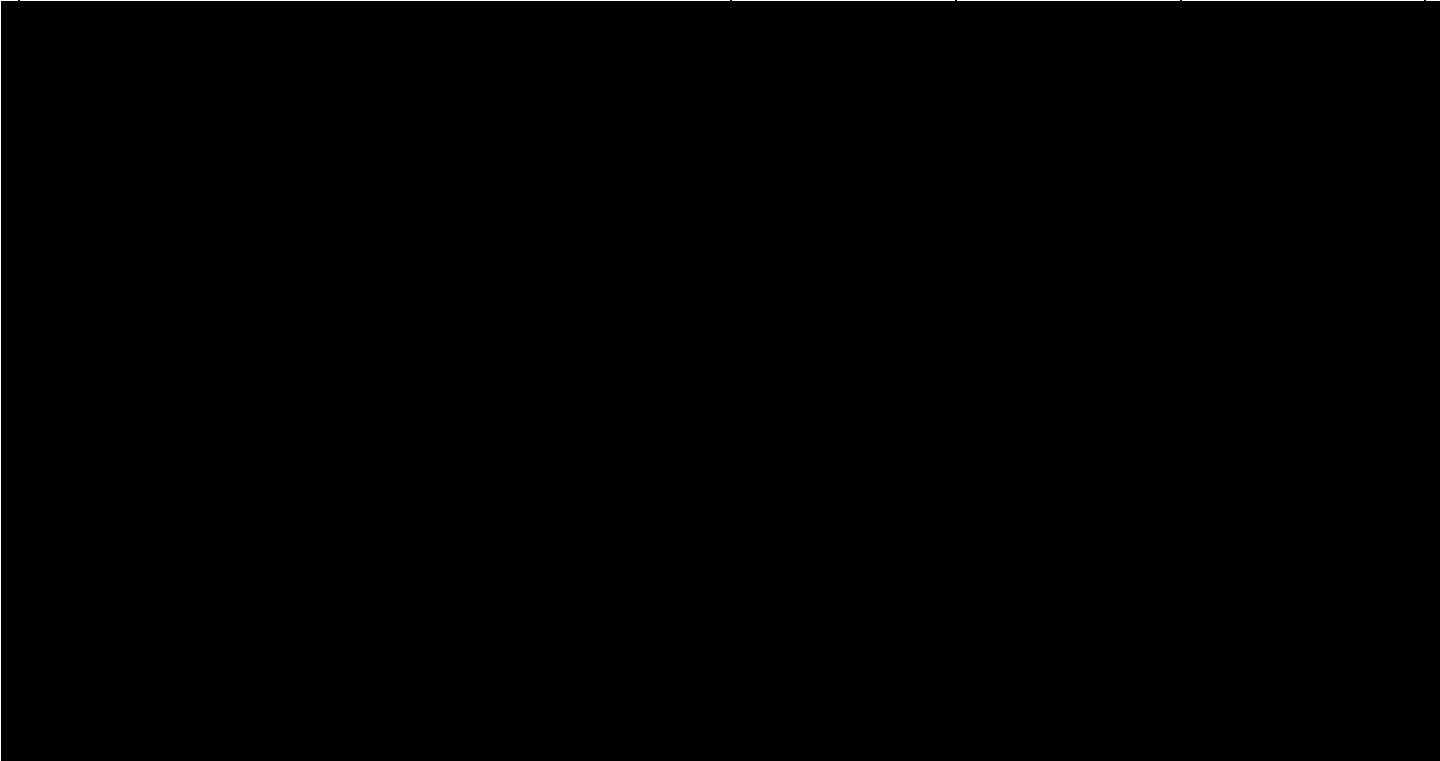
Total the number of members (including parent/key corporation) listed above, and enter the result on Form 100 or 100W, Side 1, Schedule Q, Question B4.



Part I Taxpayers Electing to File, or No Longer Included in the Single Group Return. See instructions below Section A and Section B before completing the tables. (continued)**

Section B – List of Taxpayers No Longer Included in the Single Group Tax Return After the Last Filing. Attach additional sheets using the same format, if necessary.

Taxpayer's name (Enter the legal name that is filed with the California SOS).	California corporation number (if one is assigned)	FEIN	Effective date (mm/dd/yyyy)
-----------------------------------------------------------------------------------------	-------------------------------------------------------	------	--------------------------------



Schedule R-7 – Terms and Conditions

This election is an integral part of the return of all taxpayers participating in the election, and must be filed annually with Schedule R. Signing the California tax return is an acknowledgement that the key corporation and its electing affiliates agree to comply with the following terms and conditions:

Each of the taxpayers listed in Schedule R-7, Part I, Section A, hereby elect to file a single unitary taxpayers' group return. The unitary taxpayers' group return constitutes the return for each member of the electing group and satisfies the requirement of each electing member to file its own return. Each corporation that elects to participate in a group return agrees to be bound by the terms and conditions specified in this schedule and instructions under General Information P, Group Return Election. The filing of its group return indicates acceptance of all terms and conditions. To be eligible, each corporation must meet all of the following:

- 1) Be a taxpayer required to file a return in California.
- 2) Be a member of a combined report for its entire taxable year.
- 3) Have the same taxable year as the key corporation or have a taxable year that is wholly included within the taxable year of the key corporation.
- 4) Have the same statutory filing date as the key corporation for the taxable year.

The **key corporation** must file the unitary taxpayers' group return. With the initial return and thereafter, any payment of taxes for the taxable year shall be made using the key corporation's

California corporate number as designated in Part I, Section A. The key corporation must be taxable in California and, where applicable, be the parent corporation. If the parent corporation is not a California taxpayer, the key corporation should be the taxpayer with the largest property factor numerator in California. For the election to be valid, the key corporation's powers, rights, and privileges must not be suspended or forfeited. The key corporation agrees to act as surety and agent (including filing a single power of attorney for the group, when applicable) for each member of the group. In addition, all electing members agree that subsequent adjustments to the liability of the members of the group may be assessed, billed, or paid to the key corporation on behalf of its members, either in the name of the key corporation or the name of the members. Adjustments to the liability of the members of the group will ordinarily be reflected in a single notice. However, supplemental schedules reflecting the adjusted liability of each member will be provided upon request. A California waiver of a statute of limitation (SOL) by the key corporation will waive the SOL for all electing member corporations. If the key corporation does not fulfill its obligation to pay tax or act on behalf of its members, each member may

be independently assessed or billed for its own tax liability. If that becomes necessary, each member will generally be credited with taxes previously paid in accordance with the member's self-assessed tax liability (see FTB Legal Ruling 95-2). It is the responsibility of the members of the group to assure that amounts paid by one member on behalf of another are properly accounted for between the members. For electing members subject to the franchise tax, the liability for each electing corporation cannot be less than the minimum tax. See General Information P. The election is binding on all members for all matters for the taxable year of the election. If some or all of the corporations included in the election to file a unitary taxpayers' group return are later determined not to be members of the unitary group of the key corporation, the key corporation and electing members agree that any subsequent adjustment for any and all members included in the original group return may still be assessed, billed, or paid by the key corporation. The election remains in effect for the payment of estimated tax and tax paid with an extension of time to file for the following year by the key corporation on behalf of the group, unless a written notice of termination of the election is provided to the FTB on or before the time of payment.

TAXABLE YEAR

2014

Corporation Depreciation and Amortization

Attach to Form 100 or Form 100W.

Corporation name

TAOTAO USA, INC.

Part I Election To Expense Certain Property Under IRC Section 179

- 1 Maximum deduction under IRC Section 179 for California
- 2 Total cost of IRC Section 179 property placed in service
- 3 Threshold cost of IRC Section 179 property before reduction in limitation
- 4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-
- 5 Dollar limitation for taxable year. Subtract line 4 from line 1. If zero or less, enter -0-

	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
6			

- 7 Listed property (elected IRC Section 179 cost) **7**
- 8 Total elected cost of IRC Section 179 property. Add amounts in column (c), line 6 and line 7
- 9 Tentative deduction. Enter the **smaller** of line 5 or line 8
- 10 Carryover of disallowed deduction from prior taxable years
- 11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5
- 12 IRC Section 179 expense deduction. Add line 9 and line 10, but do not enter more than line 11
- 13 Carryover of disallowed deduction to 2015. Add line 9 and line 10, less line 12 **13**

Part II Depreciation and Election of Additional First Year Expense Deduction Under R&TC Section 24356

(a) Description of property	(b) Date acquired (mm/dd/yyyy)	(c) Cost or other basis	(d) Depreciation allowed or allowable in	(e) Depreciation method	(f) Life or rate	(g) Depreciation for this year

See instructions for line 14, column (h) **15**

Part III Summary

- 16 Total: If the corporation is electing:
 IRC Section 179 expense, add the amount on line 12 and line 15, column (g) **or**
 Additional first year depreciation under R&TC Section 24356, add the amounts on line 15, columns (g) and (h) **or**
 Depreciation (if no election is made), enter the amount from line 15, column (g)
- 17 Total depreciation claimed for federal purposes from federal Form 4562, line 22
- 18 Depreciation adjustment. If line 17 is greater than line 16, enter the difference here and on Form 100 or Form 100W, Side 1, line 6.
 If line 17 is less than line 16, enter the difference here and on Form 100 or Form 100W, Side 1, line 12. (If California depreciation amounts are used to determine net income before state adjustments on Form 100 or Form 100W, no adjustment is necessary.)

Part IV Amortization

(a) Description of property	(b) Date acquired (mm/dd/yyyy)	(c) Cost or other basis	(d) Amortization allowed or allowable in earlier years	(e) R&TC section	(f) Period or percentage

- 21 Total amortization claimed for federal purposes from federal Form 4562, line 44 **21**
- 22 Amortization adjustment. If line 21 is greater than line 20, enter the difference here and on Form 100 or Form 100W, Side 1, line 6. If line 21 is less than line 20, enter the difference here and on Form 100 or Form 100W, Side 1, line 12 **22**

Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations

2014

3805Q

Attach to Form 100, Form 100W, Form 100S, or Form 109.

Corporation name
TAOTAO USA, INC.

California corporation number

FEIN

During the taxable year the corporation incurred the NOL, the corporation was a(n): C corporation S corporation Exempt organization Limited Liability Company (electing to be taxed as a corporation)

If the corporation previously filed California tax returns under another corporate name, enter the corporation name and California corporation number:

If the corporation is included in a combined report of a unitary group, see instructions, General Information C, Combined Reporting.

Part I Current year NOL. If the corporation does not have a current year NOL, go to Part II.

1 Net loss from Form 100, line 18; Form 100W, line 18; Form 100S, line 15; or Form 109, line 2.

Enter as a positive number

Table with multiple rows of redacted data for Part I.

Election to waive carryback

Check the box if the corporation elects to relinquish the entire carryback period with respect to 2014 NOL under IRC Section 172(b)(3). By making the election, the corporation is electing to carry an NOL forward instead of carrying it back in the previous two years. Once the election is made, it's irrevocable. See instructions.

Continue with Part II, NOL carryover and disaster loss carryover limitations. Do not complete Part III, NOL carryback.

Part II NOL carryover and disaster loss carryover limitations. See Instructions.

1 Net income (loss) – Enter the amount from Form 100, line 18; Form 100W, line 18; Form 100S, line 15 less line 16 (but not less than -0-); or Form 109, line 2.

Table with 2 columns: (g) Available balance, and a shaded cell.

Prior Year NOLs

Table with 8 columns: (a) Year of loss, (b) Code, (c) Type of NOL, (d) Initial loss, (e) Carryover from 2013, (f) Amount used in 2014, (g) Available balance, (h) Carryover to 2015. Includes a large redacted area.

Current Year NOL

Table with 2 columns: 3 2014, 4 2014, 2014, 2014, 2014.

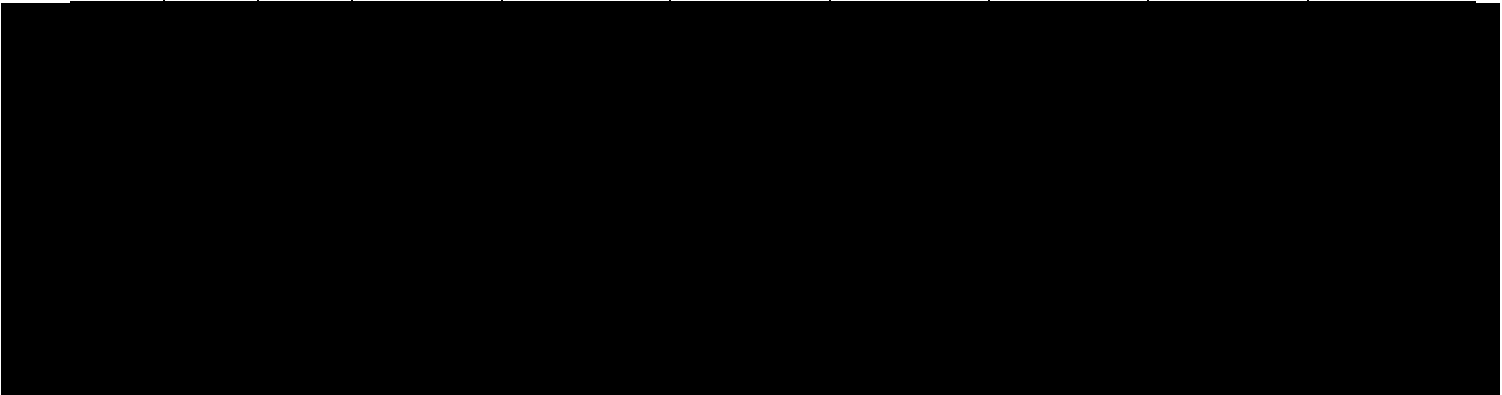
* Type of NOL: General (GEN), New Business (NB), Eligible Small Business (ESB), or Disaster (DIS).



Part III NOL carryback

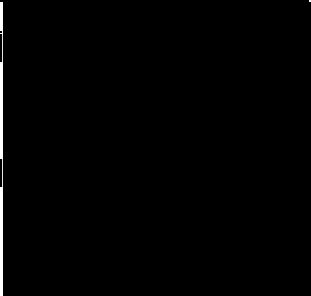
- 1 2012 Net income – Enter the amount from 2012 Form 100, line 23; Form 100W, line 23; Form 100S, line 21 (but not less than -0-); or taxable income from Form 109, line 9
- 2 2013 Net income – Enter the amount from 2013 Form 100, line 23; Form 100W, line 23; Form 100S, line 21 (but not less than -0-); or taxable income from Form 109, line 9.

(a) Year of loss	(b) Code – See instructions	(c) Type of NOL – See below*	(d) Initial loss	(e) Carryback limitations 75% of col. (d)	2012		2013		(j) Carryover to 2015 col. (d) minus [col. (f) plus col. (h)]
					(f) Carryback used – See instructions	(g) After carryback col. (e) minus col. (f)	(h) Carryback used – See instructions	(i) After carryback col. (g) minus col. (h)	



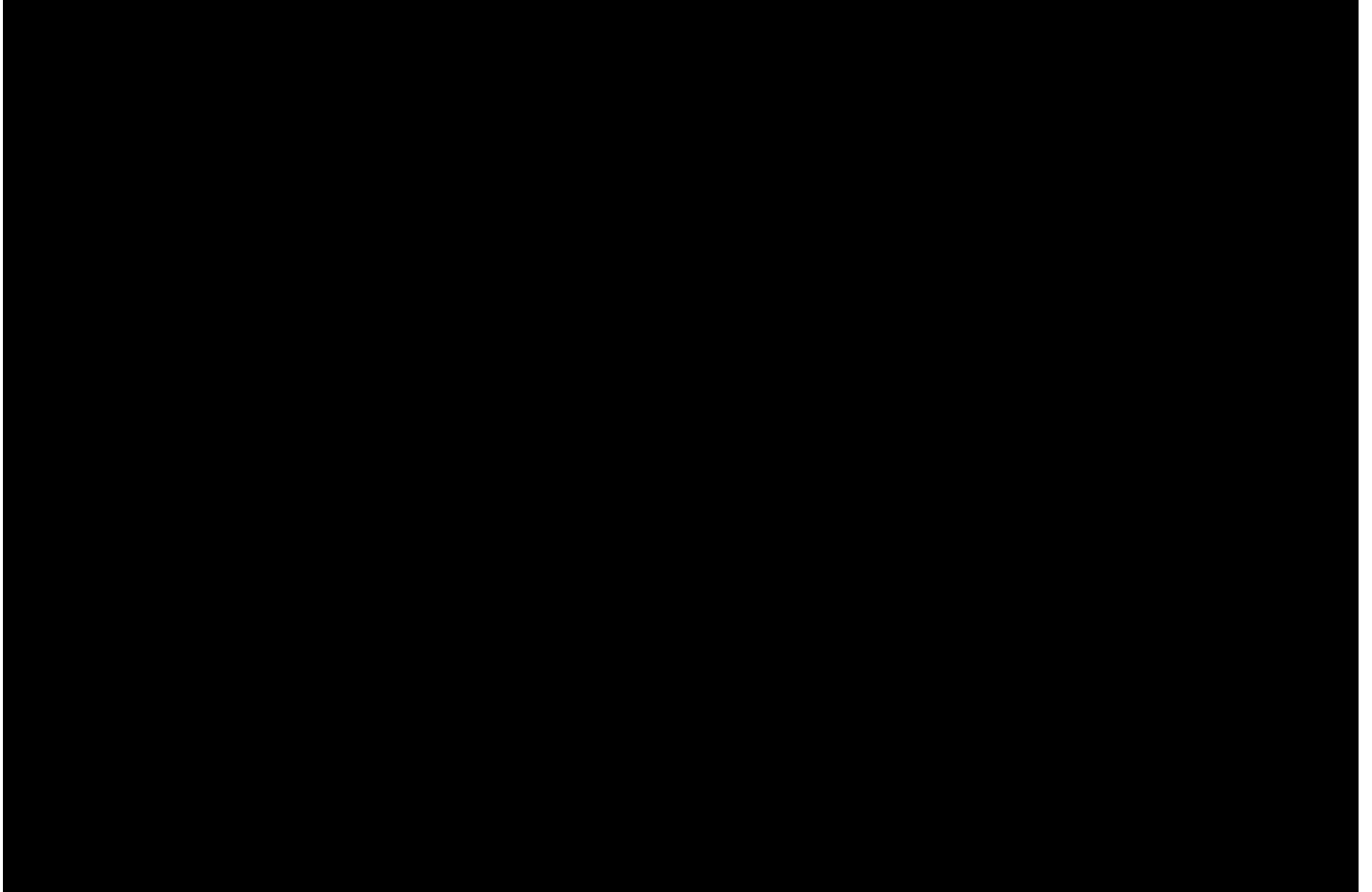
Part IV 2014 NOL deduction

- 1 Total the amounts in Part II, line 2, column (f)
- 2 Enter the total amount from line 1 that represents disaster loss carryover deduction here and on Form 100, line 21; Form 100W, line 21; or Form 100S, line 19. Form 109 filers enter -0-
- 3 Subtract line 2 from line 1. Enter the result here and on Form 100, line 19; Form 100W, line 19; Form 100S, line 17; or Form 109, line 7

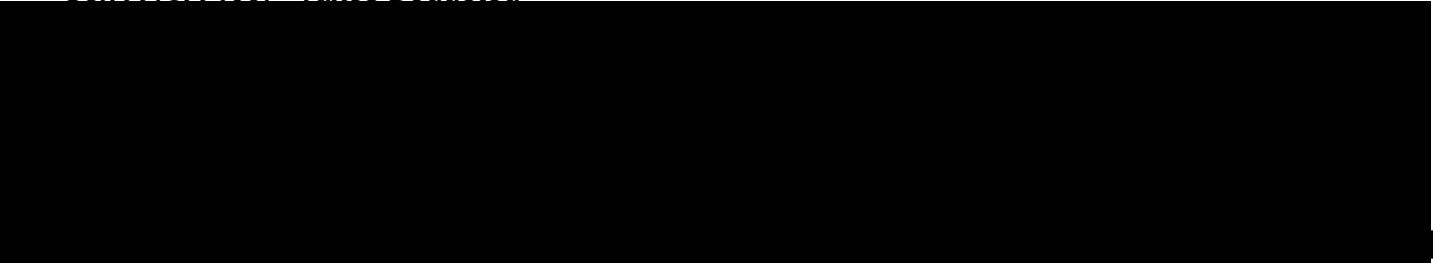




Line K, Sch Q (CA 100) - Statement of Ownership

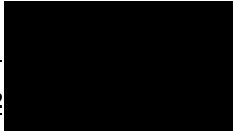


Sch A (CA 100) - Taxes Deducted



5 Total amount deducted for tax under the provisions of the Corporation Tax Law (Page 1, [redacted])

Line 10, Sch F (CA 100) - Other Income



1	Other income	1
2	Total other income	2





Line 12, Sch F (CA 100) - Compensation of Officers

Name of officer	SSN	Percent of Time Worked	Percent of Ownership		Title	Compensation	Compensation Explanation
			Common	Preferred			
			100.00%	0.00%		0	





Line 27, Sch F (CA 100) - Other Deductions

1	From Form 4562 - Amortization	1	
2	Automobile and truck expenses		



Line 4b, Sch V (CA 100) - Other Costs for Cost of Goods Sold

1	Freight-in	1	
2	Total other deductions	2	
3	Total other costs less expenses for offsetting credits	3	



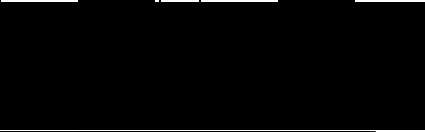
Line 6, Sch L (CA 100) - Loans to Stockholders or Officers

Description	Name	SSN	1	Beginning	End
1	Loans to Stockholders or Officers		1		
2	Total loans to stockholders or officers		2		



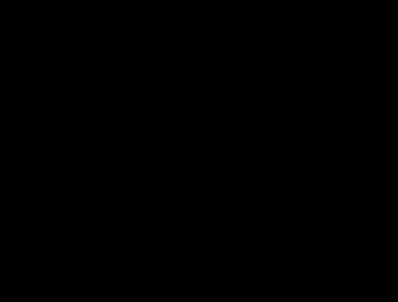
Line 13, Sch L (CA 100) - Other Assets

	1	Beginning	End
1	Deposit	1	
3	Trademark	3	
4	Website	4	



Line 17, Sch L (CA 100) - Other Current Liabilities

1	FICA Payable	





Part II - Depreciation (CA FTB-3885)

		Total:	142,727	68,439			20,996	0
(a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Depreciation allowed or allowable in prior years	(e) Depreciation method	(f) Life or rate	(g) Depreciation for this year	(h) Additional first year depreciation	
1								



Texas Franchise Tax Public Information Report

To be filed by Corporations, Limited Liability Companies (LLC) and Financial Institutions
This report MUST be signed and filed to satisfy franchise tax requirements



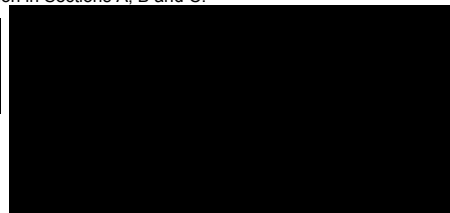
Tcode [Redacted]

<input type="checkbox"/> Taxpayer number [Redacted]	<input type="checkbox"/> Report year 2015	You have certain rights under Chapter 552 and 559, Government Code, to review, request, and correct information we have on file about you. Contact us at 1-800-252-1381.
--------------------------------------------------------	----------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Taxpayer name Taotao USA, Inc.		<input checked="" type="checkbox"/> Check box if the mailing address has changed.
Mailing address 2425 Camp Ave Ste 100		Secretary of State (SOS) file number or Comptroller file number
City [Redacted]	State [Redacted]	ZIP [Redacted]

Check box if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.

Principal office [Redacted]
Principal place of business [Redacted]



Officer, director and manager information is reported as of the date a Public Information Report is completed. The information is updated annually as part of the franchise tax report. There is no requirement or procedure for supplementing the information as officers, directors, or managers change throughout the year.

Please sign below!

SECTION A Name, title and mailing address of each officer, director or manager.

Table with columns for Name, Title, and Mailing Address. All entries are redacted with black boxes.

SECTION B Enter the information required for each corporation or LLC, if any, in which this entity owns an interest of 10 percent or more.

Name of owned (subsidiary) corporation or limited liability company	State of formation	Texas SOS file number, if any	Percentage of ownership
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]

SECTION C Enter the information required for each corporation or LLC, if any, that owns an interest of 10 percent or more in this entity or limited liability company.

Name of owned (parent) corporation or limited liability company	State of formation	Texas SOS file number, if any	Percentage of ownership
[Redacted]	[Redacted]	[Redacted]	[Redacted]

Registered agent and registered office currently on file (see instructions if you need to make changes) Agent: [Redacted]	<input type="checkbox"/> Check box if you need forms to change
------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------

The above information is required by Section 171.203 of the Tax Code for each corporation or limited liability company that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B, and C, if necessary. The information will be available for public inspection.

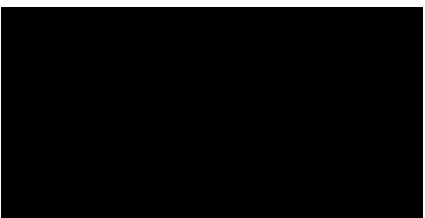
I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director or manager and who is not currently employed by this, or a related, corporation or limited liability company.

sign here [Signature line with redacted names]

Texas Comptroller Official Use Only



VE/DE <input type="checkbox"/>	PIR IND <input type="checkbox"/>
--------------------------------	----------------------------------



Tcode 13251 Annual

■ Taxpayer number	■ Report year	Due date	Taxpayer name
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

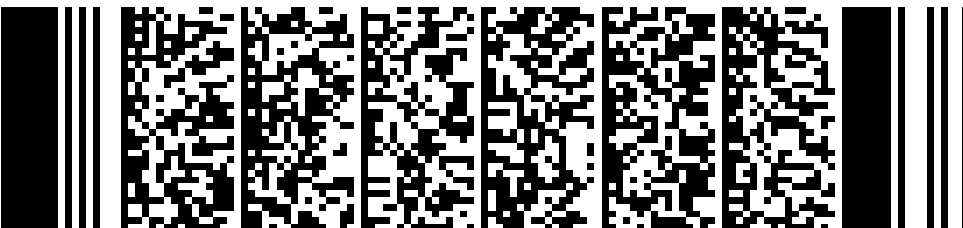
19. 70% revenue (item 10 x .70)	19. ■	[REDACTED]
20. Revenue less COGS (item 10 - item 14)	20. ■	[REDACTED]
21. Revenue less compensation (item 10 - item 18)	21. ■	[REDACTED]
22. Revenue less \$1 million (item 10 - \$1,000,000)	22. ■	[REDACTED]
23. MARGIN (see instructions)	23. ■	[REDACTED]
APPORTIONMENT FACTOR		
24. Gross receipts in Texas (Whole dollars only)	24. ■	[REDACTED]
25. Gross receipts everywhere (Whole dollars only)	25. ■	[REDACTED]
26. APPORTIONMENT FACTOR (Divide item 24 by item 25, round to 4 decimal places)		
TAXABLE MARGIN (Whole dollars only)		
27. Apportioned margin (Multiply item 23 by item 26)	27. ■	[REDACTED]
28. Allowable deductions (see instructions)	28. ■	[REDACTED]
29. TAXABLE MARGIN (item 27 minus item 28)	29. ■	[REDACTED]
TAX DUE		
30. Tax rate (see instructions for determining the appropriate tax rate)	N N N	30. ■ [REDACTED]
31. Tax due (Multiply item 29 by the tax rate in item 30) (Dollars and cents)	31. ■	[REDACTED]
TAX ADJUSTMENTS (Dollars and cents) (Do not include prior payments)		
32. Tax credits (item 23 from Form 05-160)	32. ■	[REDACTED]
33. Tax due before discount (item 31 minus item 32)	33. ■	[REDACTED]
34. Discount (see instructions, applicable to report years 2008 and 2009)	34. ■	[REDACTED]
TOTAL TAX DUE (Dollars and cents)		
35. TOTAL TAX DUE (item 33 minus item 34)	35. ■	[REDACTED]

Do not include payment if item 35 is less than \$1,000 or if annualized total revenue is less than the no tax due threshold (see instructions). If the entity makes a tiered partnership election, ANY amount in item 35 is due. Complete Form 05-170 if making a payment.

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Instructions for each report year are online at www.window.state.tx.us/taxinfo/taxforms/05-forms.html.

Texas Comptroller Official Use Only



VE/DE	<input type="checkbox"/>
PM Date	[REDACTED]





Line 15 (TX 05-158) - Wages and Cash Compensation

356,220

				W-2 Medicare Wages	Net Distributive	Stock Awards /	Limited Amount of

