

AQUILON CONSULTING, INC.
19 Abbott St
Portland, ME 04103

Department of the Treasury
Internal Revenue Service Center
Cincinnati, OH 45999-0013
[REDACTED]

Form 1120S

Department of the Treasury
Internal Revenue Service

U.S. Income Tax Return for an S Corporation

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

OMB No. 1545-0123

2015

For calendar year 2015 or tax year beginning _____, ending _____

A S election effective date 11/28/12	Name AQUILON CONSULTING, INC.	D Employer identification number 46-1425300
B Business activity code number (see instructions) 541519	Number, street, and room or suite no. If a P.O. box, see instructions. 19 Abbott St	E Date incorporated 11/28/2012
C Check if Sch. M-3 attached <input type="checkbox"/>	City or town, state or province, country, and ZIP or foreign postal code Portland ME 04103	F Total assets (see instructions) \$ 7,654

G Is the corporation electing to be an S corporation beginning with this tax year? Yes No If "Yes," attach Form 2553 if not already filedH Check if: (1) Final return (2) Name change (3) Address change (4) Amended return (5) S election termination or revocationI Enter the number of shareholders who were shareholders during any part of the tax year **Stmt 1** ► 1

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

Income	1a Gross receipts or sales	111	1c	
	1b Returns and allowances			
	c Balance. Subtract line 1b from line 1a		111	
	2 Cost of goods sold (attach Form 1125-A)	2		
	3 Gross profit. Subtract line 2 from line 1c	3	111	
	4 Net gain (loss) from Form 4797, line 17 (attach Form 4797)	4		
	5 Other income (loss) (see instructions—attach statement)	5		
	6 Total income (loss). Add lines 3 through 5 ►	6	111	
Deductions (see instructions for limitations)	7 Compensation of officers (see instructions—attach Form 1125-E)	7		
	8 Salaries and wages (less employment credits)	8		
	9 Repairs and maintenance	9		
	10 Bad debts	10		
	11 Rents	11	230	
	12 Taxes and licenses	12		
	13 Interest	13		
	14 Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	14		
	15 Depletion (Do not deduct oil and gas depletion.)	15		
	16 Advertising	16	5,290	
	17 Pension, profit-sharing, etc., plans	17		
	18 Employee benefit programs	18		
	19 Other deductions (attach statement)	19	26,763	
	20 Total deductions. Add lines 7 through 19 ►	20	32,283	
	21 Ordinary business income (loss). Subtract line 20 from line 6 ►	21	-32,172	
Tax and Payments	22a Excess net passive income or LIFO recapture tax (see instructions)	22a	22c	
	b Tax from Schedule D (Form 1120S)	22b		
	c Add lines 22a and 22b (see instructions for additional taxes)			
	23a 2015 estimated tax payments and 2014 overpayment credited to 2015	23a		
	b Tax deposited with Form 7004	23b		
	c Credit for federal tax paid on fuels (attach Form 4136)	23c		
	d Add lines 23a through 23c			
	24 Estimated tax penalty (see instructions). Check if Form 2220 is attached			24
	25 Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed			25
	26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid			26
27 Enter amount from line 26 Credited to 2016 estimated tax ►		27		
		Refunded ►		

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.

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

Sign Here



Signature of officer

DOMINIC TRACEY



PRESIDENT

Title

Paid
Preparer
Use Only

Print/Type preparer's name

Thomas S. Gangewer

Preparer's signature

Date

05/09/17

Check if

self-employed

PTIN

P01225156

Firm's name ► Local Economy, LLC

Firm's EIN ► 27-1725261

Firm's address ► 52 Center St Ste 1

Phone no. 207-450-3447

Portland, ME

04101-3902

For Paperwork Reduction Act Notice, see separate instructions.

Form 1120S (2015)

Schedule B Other Information (see instructions)

1 Check accounting method:	a <input checked="" type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ►	Yes	No	
2 See the instructions and enter the:	a Business activity ► CONSULTING b Product or service ► SOFTWARE ENGINEER			
3 At any time during the tax year, was any shareholder of the corporation a disregarded entity, a trust, an estate, or a nominee or similar person? If "Yes," attach Schedule B-1, Information on Certain Shareholders of an S Corporation		X		
4 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 stock issued and outstanding of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below		X	
(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage of Stock Owned	(v) If Percentage in (iv) is 100%, Enter the Date (if any) a Qualified Subchapter S Subsidiary Election Was Made
b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital 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 (v) below				X
(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Maximum Percentage Owned in Profit, Loss, or Capital
5a At the end of the tax year, did the corporation have any outstanding shares of restricted stock? If "Yes," complete lines (i) and (ii) below.	►			X
(i) Total shares of restricted stock	►			
(ii) Total shares of non-restricted stock	►			
b At the end of the tax year, did the corporation have any outstanding stock options, warrants, or similar instruments? If "Yes," complete lines (i) and (ii) below.	►			X
(i) Total shares of stock outstanding at the end of the tax year	►			
(ii) Total shares of stock outstanding if all instruments were exercised	►			
6 Has this corporation filed, or is it required to file, Form 8918 , Material Advisor Disclosure Statement, to provide information on any reportable transaction?				X
7 Check this box if the corporation issued publicly offered debt instruments with original issue discount	► <input type="checkbox"/>			
If checked, the corporation may have to file Form 8281 , Information Return for Publicly Offered Original Issue Discount Instruments.				
8 If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years (see instructions)	► \$			
9 Enter the accumulated earnings and profits of the corporation at the end of the tax year.	\$			
10 Does the corporation satisfy both of the following conditions?				
a The corporation's total receipts (see instructions) for the tax year were less than \$250,000				X
b The corporation's total assets at the end of the tax year were less than \$250,000				
If "Yes," the corporation is not required to complete Schedules L and M-1.				
11 During the tax year, did the corporation have any non-shareholder debt that was canceled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt? If "Yes," enter the amount of principal reduction	\$			X
12 During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If "Yes," see instructions				X
13a Did the corporation make any payments in 2015 that would require it to file Form(s) 1099?				X
b If "Yes," did the corporation file or will it file required Forms 1099?				X

Form 1120S (2015) AQUILON CONSULTING, INC.

46-1425300

Page 3

Schedule K Shareholders' Pro Rata Share Items

		Total amount
Income (Loss)	1 Ordinary business income (loss) (page 1, line 21)	1 -32,172
	2 Net rental real estate income (loss) (attach Form 8825)	2
	3a Other gross rental income (loss)	3a
	b Expenses from other rental activities (attach statement)	3b
	c Other net rental income (loss). Subtract line 3b from line 3a	3c
	4 Interest income	4
	5 Dividends: a Ordinary dividends	5a
	b Qualified dividends	5b
	6 Royalties	6
	7 Net short-term capital gain (loss) (attach Schedule D (Form 1120S))	7
Deductions	8a Net long-term capital gain (loss) (attach Schedule D (Form 1120S))	8a
	b Collectibles (28%) gain (loss)	8b
	c Unrecaptured section 1250 gain (attach statement)	8c
	9 Net section 1231 gain (loss) (attach Form 4797)	9
	10 Other income (loss) (see instructions) Type ►	10
Credits	11 Section 179 deduction (attach Form 4562)	11
	12a Charitable contributions	12a
	b Investment interest expense	12b
	c Section 59(e)(2) expenditures (1) Type ► (2) Amount ►	12c(2)
	d Other deductions (see instructions) Type ►	12d
Foreign Transactions	13a Low-income housing credit (section 42(j)(5))	13a
	b Low-income housing credit (other)	13b
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468, if applicable)	13c
	d Other rental real estate credits (see instructions) Type ►	13d
	e Other rental credits (see instructions) Type ►	13e
	f Biofuel producer credit (attach Form 6478)	13f
	g Other credits (see instructions) Type ►	13g
	14a Name of country or U.S. possession ►	
	b Gross income from all sources	14b
	c Gross income sourced at shareholder level Foreign gross income sourced at corporate level	14c
Alternative Minimum Tax (AMT) Items	d Passive category	14d
	e General category	14e
	f Other (attach statement) Deductions allocated and apportioned at shareholder level	14f
	g Interest expense	14g
	h Other Deductions allocated and apportioned at corporate level to foreign source income	14h
	i Passive category	14i
	j General category	14j
	k Other (attach statement) Other information	14k
	l Total foreign taxes (check one): ► <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	14l
	m Reduction in taxes available for credit (attach statement)	14m
Items Affecting Shareholder Basis	n Other foreign tax information (attach statement)	
	15a Post-1986 depreciation adjustment	15a
	b Adjusted gain or loss	15b
	c Depletion (other than oil and gas)	15c
	d Oil, gas, and geothermal properties – gross income	15d
	e Oil, gas, and geothermal properties – deductions	15e
	f Other AMT items (attach statement)	15f
Items Affecting Shareholder Basis	16a Tax-exempt interest income	16a
	b Other tax-exempt income	16b
	c Nondeductible expenses	16c
	d Distributions (attach statement if required) (see instructions)	82
	e Repayment of loans from shareholders	16d 10,651
		16e

Form 1120S (2015) AQUILON CONSULTING, INC.

46-1425300

Page 4

Schedule K Shareholders' Pro Rata Share Items (continued)

Other Information			Total amount
			17a
			17b
			17c
	17d		
	18		-32,172

Schedule L Balance Sheets per Books

		Beginning of tax year		End of tax year
		(a)	(b)	(c)
				(d)
1	Cash		15,371	7,504
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) Stmt 3			150
15	Total assets		15,371	7,654
	Liabilities and Shareholders' Equity			
16	Accounts payable		1,712	
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) Stmt 4			6,000
22	Capital stock			
23	Additional paid-in capital			30,900
24	Retained earnings		13,659	-29,246
25	Adjustments to shareholders' equity (attach statement)			
26	Less cost of treasury stock	()	
27	Total liabilities and shareholders' equity		15,371	7,654

Form 1120S (2015)

Form 1120S (2015) AQUILON CONSULTING, INC.

46-1425300

Page 5

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

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

1 Net income (loss) per books	- 32 , 254	5 Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
2 Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize)		a Tax-exempt interest \$	
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 14l (itemize):		6 Deductions included on Schedule K, lines 1 through 12 and 14l, not charged against book income this year (itemize):	
a Depreciation \$		a Depreciation \$	
b Travel and entertainment \$	82	7 Add lines 5 and 6	
4 Add lines 1 through 3	- 32 , 172	8 Income (loss) (Schedule K, line 18). Line 4 less line 7	- 32 , 172

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

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1 Balance at beginning of tax year	13 , 659		
2 Ordinary income from page 1, line 21			
3 Other additions			
4 Loss from page 1, line 21	(32 , 172)		
5 Other reductions	(Stmt 5)	(82)	
6 Combine lines 1 through 5	- 18 , 595		
7 Distributions other than dividend distributions	10 , 651		
8 Balance at end of tax year. Subtract line 7 from line 6	- 29 , 246		

Form 1120S (2015)

671113

Final K-1

Amended K-1

OMB No. 1545-0123

**Schedule K-1
(Form 1120S)**

Department of the Treasury
Internal Revenue Service

For calendar year 2015, or tax
year beginning _____
ending _____

2015

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

1	Ordinary business income (loss) -32,172	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
11	Section 179 deduction	16 C*	Items affecting shareholder basis 82
12	Other deductions	D	10,651
		17	Other information

* See attached statement for additional information.

For Paperwork Reduction Act Notice, see Instructions for Form 1120S. IRS.gov/form1120s

Schedule K-1 (Form 1120S) 2015

Disclosure Statement

Do not use this form to disclose items or positions that are contrary to Treasury regulations. Instead, use Form 8275-R, Regulation Disclosure Statement.

► Information about Form 8275 and its separate instructions is at www.irs.gov/form8275.

► Attach to your tax return.

OMB No. 1545-0889

Attachment Sequence No. **92**

Name(s) shown on return

AQUILON CONSULTING, INC.

Identifying number shown on return

46-1425300

If Form 8275 relates to an information return for a foreign entity (for example, Form 5471), enter:

Name of foreign entity ► _____

Employer identification number, if any ► _____

Reference ID number (see instructions) ► _____

Part I General Information (see instructions)

(a) Rev. Rul., Rev. Proc., etc.	(b) Item or Group of Items	(c) Detailed Description of Items	(d) Form or Schedule	(e) Line No.	(f) Amount
1					
IRC Section 118		Capital Contributions	1120S	1a	16,900
2					
3					
4					
5					
6					

Part II Detailed Explanation (see instructions)

1 See Statement 6

2

3

4

5

6

Part III Information About Pass-Through Entity. To be completed by partners, shareholders, beneficiaries, or residual interest holders.

Complete this part only if you are making adequate disclosure for a pass-through item.

Note: A pass-through entity is a partnership, S corporation, estate, trust, regulated investment company (RIC), real estate investment trust (REIT), or real estate mortgage investment conduit (REMIC).

1 Name, address, and ZIP code of pass-through entity

2 Identifying number of pass-through entity

46-1425300

3 Tax year of pass-through entity

01/01/15 to 12/31/15

4 Internal Revenue Service Center where the pass-through entity filed its return

e-file

ACQUILON CONSULTING, INC.

19 ABBOTT STREET

Portland ME 04103

Federal Statements**Statement 1 - Form 1120S, Item H(4) - Reason for Amended Return**

1. The 2015 tax return of Aquilon, Inc. is being amended to reclassify grant funds received from Maine Technology Institute from "Income" to "Non-shareholder Capital Contributions". The amended item is based on IRC Section 118 and the related legal precedence of Brown Shoe Company v. Commissioner, 339 U.S. 583 (1950), 1950-1 C.B. 38, and the five-part qualification test outlined in Chicago, Burlington, & Quincy R.R. Co., 412 U.S. 401 (1973).

Section 118 states that "in the case of a corporation, gross income does not include any contribution to the capital of the taxpayer", and in Brown Shoe Company v. Commissioner the Supreme Court held that payments to a corporation by community groups to induce the location of a factory in their community represented a contribution to capital. In the case of Chicago Burlington, and Quincy R.R Co., the Supreme Court established the following five-part test to determine whether a non-shareholder payment to a corporation can be considered a contribution to capital:

1. The contribution must become a permanent part of the corporation's working capital;
2. The contribution cannot be compensation for specific goods or services;
3. The contribution must be bargained for;
4. The contribution must result in a benefit to the taxpayer commensurate with its value; and
5. The contribution must be employed in or contribute to the production of income.

Maine Technology Institute was established "to stimulate and support research and development activity leading to commercialization of new products and services in order to enhance the competitive position of Maine's technology-intensive industrial sectors and thereby promote economic development and job creation". It meets the standards set forth in Brown Shoe Company v. Commissioner and the grant given to Aquilon, Inc. meets the five-part test of CB&Q R.R. Co., vs Commissioner.

2. Shareholder contributions in 2015 are being reduced from \$20,000 to \$14,000 to accurately reflect the nature of the transactions. The shareholder contributed \$14,000 and received a loan from a family member of \$6,000.

Federal Statements

Statement 2 - Form 1120S, Page 1, Line 19 - Other Deductions

Description	Amount
LEGAL	\$ 671
Supplies	217
PROFESSIONAL FEES-OTHER	20,113
Telephone	1,556
TRAVEL	65
Internet	183
MISCELLANEOUS	184
ACCOUNTING FEES	468
COMMISSIONS	100
OFFICE EXPENSE	2,546
PROFESSIONAL DEVELOPMENT	500
UTILITIES	78
50% of Meals & Entertainment	82
Total	\$ <u>26,763</u>

Statement 3 - Form 1120S, Page 4, Schedule L, Line 14 - Other Assets

Description	Beginning of Year	End of Year
Other Assets	\$ _____	\$ 150
Total	\$ <u>0</u>	\$ <u>150</u>

Statement 4 - Form 1120S, Page 4, Schedule L, Line 21 - Other Liabilities

Description	Beginning of Year	End of Year
Other Liabilities	\$ _____	\$ 6,000
Total	\$ <u>0</u>	\$ <u>6,000</u>

Statement 5 - Form 1120S, Page 5, Schedule M-2, Line 5(a) - Other Reductions

Description	Amount
Meals & Entertainment	\$ 82
Total	\$ <u>82</u>

Federal Statements

Statement 6 - Form 8275, Part II, Line 1 - Detailed Explanation

The 2015 tax return of Acquilon, Inc. is being amended to reclassify grant funds received from Maine Technology Institute from "Income" to "Non-shareholder Capital Contributions". The amended item is based on IRC Section 118 and the related legal precedence of *Brown Shoe Company v. Commissioner*, 339 U.S. 583 (1950), 1950-1 C.B. 38, and the five-part qualification test outlined in *Chicago, Burlington, & Quincy R.R. Co.*, 412 U.S. 401 (1973).

Section 118 states that "in the case of a corporation, gross income does not include any contribution to the capital of the taxpayer", and in *Brown Shoe Company v. Commissioner* the Supreme Court held that payments to a corporation by community groups to induce the location of a factory in their community represented a contribution to capital. In the case of *Chicago Burlington, and Quincy R.R Co.*, the Supreme Court established the following five-part test to determine whether a non-shareholder payment to a corporation can be considered a contribution to capital:

1. The contribution must become a permanent part of the corporation's working capital;
2. The contribution cannot be compensation for specific goods or services;
3. The contribution must be bargained for;
4. The contribution must result in a benefit to the taxpayer commensurate with its value; and
5. The contribution must be employed in or contribute to the production of income.

Maine Technology Institute was established "to stimulate and support research and development activity leading to commercialization of new products and services in order to enhance the competitive position of Maine's technology-intensive industrial sectors and thereby promote economic development and job creation". It meets the standards set forth in *Brown Shoe Company v. Commissioner* and the grant given to Aquilon, Inc. meets the five-part test of *CB&Q R.R. Co., vs Commissioner*.

AQUILONAD15 AQUILON CONSULTING, INC.

46-1425300

FYE: 12/31/2015

5/9/2017 11:57 AM

Federal Statements

**Dominic Tracey
156-74-2102**

Schedule K-1, Box 16, Code C - Nondeductible Expenses

Description	Shareholder Amount
Page 1 Meals/Entertainment	\$ 82
Total	\$ 82