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Short Form
Return of Organization Exempt From Income Tax

OMB No 1545-1150

2009Department of the Treasury
Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ Sponsoring organizations of donor advised funds and controlling organizations as defined in section 512(b)(13) must file Form 990. All other organizations with gross receipts less than \$500,000 and total assets less than \$1,250,000 at the end of the year may use this form.

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

Open to Public Inspection

A For the 2009 calendar year, or tax year beginning, 2009, and ending

B Check if applicable: ☐ Address change ☐ Name change ☐ Initial return ☐ Termination ☐ Amended return ☐ Application pending	C Please use IRS label or print or type. See Specific Instructions. MUSICAL OBSERVATIONS, INC. 187 E. Market St. Suite 202 Rhinebeck, NY 12572	D Employer identification number 51-0176954
		E Telephone number
		F Group Exemption Number

• Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

G Accounting method: ☐ Cash ☒ Accrual
Other (specify) ▶

I Website: ▶ N/A

H Check ☒ if the organization is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).

J Tax-exempt status (check only one) — ☒ 501(c) (3) (insert no) 4947(a)(1) or 527

K Check ☐ if the organization is not a section 509(a)(3) supporting organization and its gross receipts are normally not more than \$25,000. A Form 990-EZ or Form 990 return is not required, but if the organization chooses to file a return, be sure to file a complete return.

L Add lines 5b, 6b, and 7b, to line 9 to determine gross receipts; if \$500,000 or more, file Form 990 instead of Form 990-EZ

▶ \$ 161,881.

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See the instructions for Part I.)

1 Contributions, gifts, grants, and similar amounts received	1	
2 Program service revenue including government fees and contracts	2	2,371.
3 Membership dues and assessments	3	
4 Investment income	4	2,237.
5a Gross amount from sale of assets other than inventory	5a	157,273.
b Less: cost or other basis and sales expenses	5b	138,310.
c Gain or (loss) from sale of assets other than inventory (Subtract line 5b from line 5a)	5c	18,963.
6 Special events and activities (complete applicable parts of Schedule G). If any amount is from gaming, check here ☐		
a Gross revenue (not including \$ _____ of contributions reported on line 1)	6a	
b Less: direct expenses other than fundraising expenses	6b	
c Net income or (loss) from special events and activities (Subtract line 6b from line 6a)	6c	
7a Gross sales of inventory, less returns and allowances	7a	
b Less: cost of goods sold	7b	
c Gross profit or (loss) from sales of inventory (Subtract line 7b from line 7a)	7c	
8 Other revenue (describe ▶ _____)	8	
9 Total revenue Add lines 1, 2, 3, 4, 5c, 6c, 7c, and 8	9	23,571.
10 Grants and similar amounts paid (attach schedule)	10	
11 Benefits paid to or for members	11	
12 Salaries, other compensation, and employee benefits	12	69,000.
13 Professional fees and other payments to independent contractors	13	1,740.
14 Occupancy, rent, utilities, and maintenance	14	
15 Printing, publications, postage, and shipping	15	1,239.
16 Other expenses (describe ▶ See Statement 2)	16	5,099.
17 Total expenses Add lines 10 through 16	17	77,078.
18 Excess or (deficit) for the year (Subtract line 17 from line 9)	18	-53,507.
19 Net assets or fund balances at beginning of year (from line 27, column (A)) (must agree with end-of-year figure reported on prior year's return)	19	353,605.
20 Other changes in net assets or fund balances (attach explanation) See Statement 3	20	124,627.
21 Net assets or fund balances at end of year. Combine lines 18 through 20	21	424,725.

Part II Balance Sheets. If Total assets on line 25, column (B) are \$1,250,000 or more, file Form 990 instead of Form 990-EZ.

(See the instructions for Part II.)

	(A) Beginning of year	(B) End of year
22 Cash, savings, and investments	357,232.	427,263.
23 Land and buildings		
24 Other assets (describe ▶ See Statement 4)	243.	1,033.
25 Total assets	357,475.	428,296.
26 Total liabilities (describe ▶ See Statement 5)	3,870.	3,571.
27 Net assets or fund balances (line 27 of column (B) must agree with line 21)	353,605.	424,725.

BAA For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Form 990-EZ (2009)

Part V Other Information (Note the statement requirements in the instrs for Part V.)See Statement **7****33** Did the organization engage in any activity not previously reported to the IRS? If 'Yes,' attach a detailed description of each activity

	Yes	No
33		X

34 Were any changes made to the organizing or governing documents? If 'Yes,' attach a conformed copy of the changes

34		X
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35 If the organization had income from business activities, such as those reported on lines 2, 6a, and 7a (among others), but not reported on Form 990-T, attach a statement explaining why the organization did not report the income on Form 990-T

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a Did the organization have unrelated business gross income of \$1,000 or more or was it subject to section 6033(e) notice, reporting, and proxy tax requirements?

35a		X
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b If 'Yes,' has it filed a tax return on Form 990-T for this year?

35b		
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36 Did the organization undergo a liquidation, dissolution, termination, or significant disposition of net assets during the year? If 'Yes,' complete applicable parts of Schedule N

36		X
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37a Enter amount of political expenditures, direct or indirect, as described in the instructions **37a** 0.

37a		
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b Did the organization file Form 1120-POL for this year?

37b		X
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38a Did the organization borrow from, or make any loans to, any officer, director, trustee, or key employee or were any such loans made in a prior year and still outstanding at the end of the period covered by this return?

38a		X
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b If 'Yes,' complete Schedule L, Part II and enter the total amount involved**38b** N/A**39** Section 501(c)(7) organizations. Enter:**a** Initiation fees and capital contributions included on line 9**39a** N/A**b** Gross receipts, included on line 9, for public use of club facilities**39b** N/A**40a** Section 501(c)(3) organizations. Enter amount of tax imposed on the organization during the year under:

section 4911 ▶ 0.; section 4912 ▶ 0.; section 4955 ▶ 0.

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b Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or is it aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If 'Yes,' complete Schedule L, Part I

40b		X
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c Section 501(c)(3) and 501(c)(4) organizations. Enter amount of tax imposed on organization managers or disqualified persons during the year under sections 4912, 4955, and 4958

▶ 0.

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d Section 501(c)(3) and 501(c)(4) organizations. Enter amount of tax on line 40c reimbursed by the organization

▶ 0.

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e All organizations. At any time during the tax year, was the organization a party to a prohibited tax shelter transaction? If 'Yes,' complete Form 8886-T

40e		X
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41 List the states with which a copy of this return is filed ▶ None**42a** The organization'sbooks are in care of ▶ PAUL ZUKOFSKYTelephone no. ▶ 845-876-5200Located at ▶ SAME

ZIP + 4 ▶

b At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)?

	Yes	No
42b		X

If 'Yes,' enter the name of the foreign country: ▶

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See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of a Foreign Bank and Financial Accounts.

c At any time during the calendar year, did the organization maintain an office outside of the U.S.?

42c		X
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If 'Yes,' enter the name of the foreign country: ▶

43 Section 4947(a)(1) nonexempt charitable trusts filing Form 990-EZ in lieu of Form 1041 — Check here and enter the amount of tax-exempt interest received or accrued during the tax year▶ ☐ N/A
▶ **43** N/A**44** Did the organization maintain any donor advised funds? If 'Yes,' Form 990 must be completed instead of Form 990-EZ

	Yes	No
44		X

45 Is any related organization a controlled entity of the organization within the meaning of section 512(b)(13)? If 'Yes,' Form 990 must be completed instead of Form 990-EZ

45		X
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Part VI Section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts only. All section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts must answer questions 46-49b and complete the tables for lines 50 and 51.

	Yes	No
46 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If 'Yes,' complete Schedule C, Part I		X
47 Did the organization engage in lobbying activities? If 'Yes,' complete Schedule C, Part II		X
48 Is the organization a school as described in section 170(b)(1)(A)(ii)? If 'Yes,' complete Schedule E		X
49a Did the organization make any transfers to an exempt non-charitable related organization?		X
b If 'Yes,' was the related organization a section 527 organization?		

50 Complete this table for the organization's five highest compensated employees (other than officers, directors, trustees and key employees) who each received more than \$100,000 of compensation from the organization. If there is none, enter 'None.'

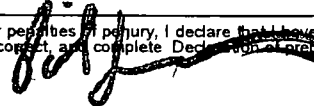
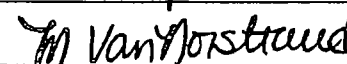
(a) Name and address of each employee paid more than \$100,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account and other allowances
None				

f Total number of other employees paid over \$100,000 ▶

51 Complete this table for the organization's five highest compensated independent contractors who each received more than \$100,000 of compensation from the organization. If there is none, enter 'None.'

(a) Name and address of each independent contractor paid more than \$100,000	(b) Type of service	(c) Compensation
None		

d Total number of other independent contractors each receiving over \$100,000 ▶

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 officer) is based on all information of which preparer has any knowledge.			
	 Signature of officer PAUL ZUKOWSKY Type or print name and title President		Date 5/10/10	
Paid Preparer's Use Only	Preparer's signature	 M. VanNorstrand	Date	5/11/10
	Firm's name (or yours if self-employed), address, and ZIP + 4	VAN NORSTRAND & HOOLIHAN PC 187 E MARKET ST STE 202 RHINEBECK, NY 12572-1730		Check if self-employed ☒ ☐ Preparer's Identifying Number (See instructions) N/A EIN ▶ N/A Phone no ▶ (845) 876-5200

May the IRS discuss this return with the preparer shown above? See instructions

☒ Yes ☐ No

BAA

Form 990-EZ (2009)

Part I Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total
1 Gifts, grants, contributions and membership fees received. (Do not include 'unusual grants'.)	4,000.	3,000.	3,000.			10,000.
2 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf						0.
3 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge						0.
4 Total. Add lines 1-through 3	4,000.	3,000.	3,000.	0.	0.	10,000.
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						0.
6 Public support. Subtract line 5 from line 4						10,000.

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total
7 Amounts from line 4	4,000.	3,000.	3,000.	0.	0.	10,000.
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources	9,429.	8,179.	28,757.	24,471.	2,237.	73,073.
9 Net income from unrelated business activities, whether or not the business is regularly carried on						0.
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.) See Part IV	162.				492.	654.
11 Total support. Add lines 7 through 10						83,727.
12 Gross receipts from related activities, etc. (see instructions)					12	0.

13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here ☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2009 (line 6, column (f) divided by line 11, column (f))	14	11.9 %
15 Public support percentage from 2008 Schedule A, Part II, line 14	15	20.0 %

16a 33-1/3 support test— 2009. If the organization did not check the box on line 13, and the line 14 is 33-1/3 % or more, check this box and stop here. The organization qualifies as a publicly supported organization. ☐

b 33-1/3 support test— 2008. If the organization did not check a box on line 13, or 16a, and line 15 is 33-1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization. ☐

17a 10%-facts-and-circumstances test— 2009 If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the 'facts-and-circumstances' test, check this box and stop here. Explain in Part IV how the organization meets the 'facts-and-circumstances' test. The organization qualifies as a publicly supported organization. ☒

b 10%-facts-and-circumstances test— 2008. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the 'facts-and-circumstances' test, check this box and stop here. Explain in Part IV how the organization meets the 'facts-and-circumstances' test. The organization qualifies as a publicly supported organization. ☐

18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ☐

BAA

Schedule A (Form 990 or 990-EZ) 2009

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I.)

Section A. Public Support

Calendar year (or fiscal yr beginning in)	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total
1 Gifts, grants, contributions and membership fees received. (Do not include 'unusual grants'.)						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in a activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513.						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge.						
6 Total. Add lines 1 through 5.						
7a Amounts included on lines 1, 2, 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support. (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal yr beginning in)	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included on line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here ☐						

Section C. Computation of Public Support Percentage

15 Public support percentage for 2009 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2008 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2009 (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from 2008 Schedule A, Part III, line 17	18	%
19a 33-1/3 support tests— 2009. If the organization did not check the box on line 14, and line 15 is more than 33-1/3%, and line 17 is not more than 33-1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ☐		
b 33-1/3 support tests— 2008. If the organization did not check a box on line 14 or 19a, and line 16 is more than 33-1/3%, and line 18 is not more than 33-1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ☐		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ☐		

Part IV **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Provide any other additional information. See instructions.

Area with horizontal dashed lines for supplemental information.

2009

Schedule A, Part IV - Supplemental Information

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MUSICAL OBSERVATIONS, INC.

51-0176954

5/10/10

11:28AM

Part II, Line 10 - Other Income

<u>Nature and Source</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
ROYALTIES	492.				162.
Total	<u>\$ 492.</u>	<u>\$ 0.</u>	<u>\$ 0.</u>	<u>\$ 0.</u>	<u>\$ 162.</u>

2009

Federal Statements

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Client 2628

MUSICAL OBSERVATIONS, INC.

51-0176954

5/10/10

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Statement 1
Form 990-EZ, Part I, Line 5c
Net Gain (Loss) from Noninventory Sales

Publicly Traded Securities

Gross Sales Price:	157,273.
Cost or Other Basis:	138,280.
Expenses of Sale:	30.

Total Gain (Loss) Publicly Traded Securities \$ 18,963.

Total Net Gain (Loss) From Noninventory Sales \$ 18,963.

Statement 2
Form 990-EZ, Part I, Line 16
Other Expenses

BANK SERVICE CHARGE	\$	122.
Insurance		921.
INTERNET EXPENSE		426.
MEALS		86.
Office Expenses		50.
STORAGE		3,484.
TELEPHONE		10.
Total	\$	<u>5,099.</u>

Statement 3
Form 990-EZ, Part I, Line 20
Other Changes in Net Assets Or Fund Balances

UNREALIZED GAIN ON INVESTMENTS	Total	\$	124,627.
	Total	\$	<u>124,627.</u>

Statement 4
Form 990-EZ, Part II, Line 24
Other Assets

	<u>Beginning</u>	<u>Ending</u>
Accounts Receivable	\$ 0.	\$ 941.
Prepaid Expenses and Deferred Charges	243.	92.
Total	<u>\$ 243.</u>	<u>\$ 1,033.</u>

2009

Federal Statements

Page 2

Client 2628

MUSICAL OBSERVATIONS, INC.

51-0176954

5/10/10

11:28AM

Statement 5
Form 990-EZ, Part II, Line 26
Total Liabilities

	<u>Beginning</u>	<u>Ending</u>
Accounts Payable and Accrued Expenses	\$ 3,870.	\$ 3,571.
Total	<u>\$ 3,870.</u>	<u>\$ 3,571.</u>

Statement 6
Form 990-EZ, Part III, Line 31
Statement of Program Service Accomplishments

<u>Description</u>	<u>Grants</u>	<u>Program Service Expenses</u>
SUMMER CAMP (CONCENTRATION)	Includes Foreign Grants: No	
CAGE CARDS	Includes Foreign Grants: No	
SCHNABEL	Includes Foreign Grants: No	
OPERA HAGOROMO	Includes Foreign Grants: No	
Total	<u>\$ 0.</u>	<u>\$ 0.</u>

Statement 7
Form 990-EZ, Part V
Regarding Transfers Associated with Personal Benefit Contracts

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	No
(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	No

Form 990 EZ, INVESTMENTS, PART OF LINE 22

MUSICAL OBSERVATIONS, INC
EIN#51-0176954

SHARES	DESCRIPTION	FMV 12/31/09
800.000	Affymetrix Inc	4,672.00
800.000	ALCOA INC	12,896.00
900.000	AMERICAN SUPERCONDUCTOR CORP	36,810.00
500.000	Auspex Systems	-
300.000	BARCLAYS BK PLC	19,218.00
3.000	BERKSHIRE HATHAWAY INC	9,858.00
1600.000	BEACON POWER CORP.	791.36
800.000	CLEAN ENERGY FUELS CORP	12,328.00
200.000	CHESAPEAKE ENERGY CORP	5,176.00
800.000	CISCO SYSTEMS	19,152.00
500.000	Vale S A	14,515.00
800.000	CORNING, INC	15,448.00
600.000	COSAN LTD	5,220.00
1100.000	DR REDDYS LABS LTD	26,631.00
500.000	Energy Recovery Inc.	3,440.00
1000.000	General Electric Co.	15,130.00
100.000	GOLDMAN SACHS GROUP INC	16,884.00
1200.000	HECLA MINING CO	7,416.00
200.000	ORMAT TECH INC	7,568.00
500.000	Starpharma Holding Ltd	3,125.00
1526.359	SELIGMAN	59,192.00
0.795	TRI-CONTINENTAL CORP	9.16
		295,479.52

4/19/2010
16:00

MUSICAL OBSERVATIONS, INC.
Federal ID #: 51-0176954
Asset Summary - Federal Tax Basis
Period Ended 12/31/09

Company: 282
Page: 1

<u>Num</u>	<u>Loc</u>	<u>Property Description</u>	<u>Acquired</u>	<u>T</u>	<u>Method</u>	<u>Life</u>	<u>Cost/Basis</u>	<u>179 Exp/AFD</u>	<u>Add SDA</u>	<u>Prior Depr.</u>	<u>Current Depr.</u>	<u>Ending Depr.</u>
Group # 1												
1	1	Pro Data recorder	07/01/97	N	SL	5	995 00	0 00	0 00	995 00	0 00	995 00
2	1	Computer	04/11/00	N	SL	5	6,564 96	0 00	0 00	6,564 96	0 00	6,564 96
3	1	Printer	04/11/00	N	SL	5	950 00	0 00	0 00	950 00	0 00	950 00
4	1	Headphones	06/20/00	N	SL	5	162 20	0 00	0 00	162 20	0 00	162 20
5	1	Faxphone	05/08/00	N	SL	5	172 90	0 00	0 00	172 90	0 00	172 90
6	1	NEWWORK SOLUTION	04/28/03	N	SL	5	540 00	0 00	0 00	540 00	0 00	540 00
7	1	APPLE COMPUTER	04/28/03	N	SL	5	2,866 30	0 00	0 00	2,866 30	0 00	2,866 30
8	1	SOFTWARE	01/27/03	N	SL	5	77 90	0 00	0 00	77 90	0 00	77 90
9	1	SOFTWARE	08/13/03	N	SL	5	85 81	0 00	0 00	85 81	0 00	85 81
Group # 1 Total							<u>12,415 07</u>	<u>0 00</u>	<u>0 00</u>	<u>12,415 07</u>	<u>0 00</u>	<u>12,415 07</u>
Grand Total							<u>12,415 07</u>	<u>0 00</u>	<u>0 00</u>	<u>12,415 07</u>	<u>0 00</u>	<u>12,415 07</u>