

Form **1120X**  
(Rev. January 2008)

**Amended U.S. Corporation  
Income Tax Return**

OMB No. 1545-0132

Department of the Treasury  
Internal Revenue Service

For tax year ending

12/07  
(Enter month and year.)

Employee identification number

90-0070390

Please  
Type  
or  
Print

Name

CMKM DIAMONDS, INC.

Number, street, and room or suite number (if a P.O. box, see instructions)

P.O. BOX 9575

City or town

TYLER, TX 75711

state ZIP code

Telephone number (optional)

903 520-1228

Enter name and address used on original return (if same as above, write "Same.")

SAME

Internal Revenue Service Center  
where original return was filed

OGDEN, UT 84201

**Fill in applicable items and use Part II on page 2 to explain any changes**

Part I Income and Deductions (see instructions)		(a) As originally reported or as previously adjusted	(b) Net change - increase or (decrease) - explain in Part II	(c) Correct amount
1	Total income (Form 1120 or 1120-A, line 11)	0.	89,000.	89,000.
2	Total deductions (total of lines 27 and 29c, Form 1120, or lines 23 and 25c, Form 1120-A)	15,434.	122,300.	137,734.
3	Taxable income. Subtract line 2 from line 1	-15,434.	-33,300.	-48,734.
4	Tax (Form 1120, line 31, or Form 1120-A, line 27)	0.		0.

**Payments and Credits (see instructions)**

5a	Overpayment in prior year allowed as a credit	5a		
b	Estimated tax payments	5b		
c	Refund applied for on Form 4466	5c		
d	Subtract line 5c from the sum of lines 5a and 5b	5d		
e	Tax deposited with Form 7004	5e		
f	Credit from Form 2439	5f		
g	Credit for federal tax on fuels and other refundable credits	5g		
6	Tax deposited or paid with (or after) the filing of the original return	6		0.
7	Add lines 5d through 6, column (c)	7		0.
8	Overpayment, if any, as shown on original return or as later adjusted	8		
9	Subtract line 8 from line 7	9		0.

**Tax Due or Overpayment (see instructions)**

10	Tax due. Subtract line 9 from line 4, column (c). If paying by check, make it payable to the "United States Treasury"	10	
11	Overpayment. Subtract line 4, column (c), from line 9	11	
12	Enter the amount of line 11 you want: Credited to estimated tax Refunded	12	

Sign  
Here

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

Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_

Paid  
Preparer's  
Use Only

Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_ Check if self-employed  Preparer's SSN or PTIN \_\_\_\_\_

Firm's name (or yours if self-employed), address, and ZIP code \_\_\_\_\_ EIN \_\_\_\_\_

Phone no. \_\_\_\_\_

**Part II** Explanation of Changes to Items in Part I (Enter the line number from page 1 for the items you are changing, and give the reason for each change. Show any computation in detail. Also, see What To Attach in the instructions.)

If the change is due to a net operating loss carryback, a capital loss carryback, or a general business credit carryback, see Carryback Claims in the instructions, and check here.

THE 2007 FORM 1120 IS BEING AMENDED BECAUSE INCOME AND DEDUCTIONS AND COMMON STOCK WERE INCORRECT.

Lined area for providing details of changes to items in Part I.

**AMENDED**  
**U.S. Corporation Income Tax Return**  
For calendar year 2007 or tax year beginning \_\_\_\_\_, 2007, ending \_\_\_\_\_  
▶ See separate instructions.

OMB No. 1545-0047  
**2007**

- A Check if:**
- 1 a Consolidated return (attach Form 951)
  - b Life/annuity consolidated return
  - 2 Personal holding co (attach Sch PHC)
  - 3 Personal service corp (see inst)
  - 4 Schedule M-3 attached

Use IRS label. Otherwise, print or type.

**CMKM DIAMONDS, INC.**  
P.O. BOX 9575  
TYLER, TX 75711

**B** Employer identification number  
90-0070390

**C** Date incorporated  
6/09/1998

**D** Total assets (see instructions)  
\$ 202,358.

**E** Check if: (1) Initial return (2) Final return (3) Name change (4) Address change

**INCOME**

1 a	Gross receipts or sales		b	Less returns & allowances		c	Balance	1c
2	Cost of goods sold (Schedule A, line 8)							2
3	Gross profit. Subtract line 2 from line 1c							3
4	Dividends (Schedule C, line 19)							4
5	Interest							5
6	Gross rents							6
7	Gross royalties							7
8	Capital gain net income (attach Schedule D (Form 1120))							8
9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)							9
10	Other income (see instructions - attach schedule)				SEE STATEMENT 1			10
								11
11	<b>Total income.</b> Add lines 3 through 10							89,000.
								12

**DEDUCTIONS FOR LIMITATIONS ON DEDUCTIONS**

12	Compensation of officers (Schedule E, line 4)							13
13	Salaries and wages (less employment credits)							14
14	Repairs and maintenance							15
15	Bad debts							16
16	Rents							17
17	Taxes and licenses							18
18	Interest							19
19	Charitable contributions							20
20	Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)							210.
21	Depletion							22
22	Advertising							570.
23	Pension, profit-sharing, etc. plans							23
24	Employee benefit programs							24
25	Domestic production activities deduction (attach Form 8903)							25
26	Other deductions (attach schedule)				SEE STATEMENT 2			26
27	<b>Total deductions.</b> Add lines 12 through 26							134,329.
28	Less: a Net operating loss deduction (see instructions)							27
	b Special deductions (Schedule C, line 20)							28
29	<b>Less:</b> a Net operating loss deduction (see instructions)				SEE ST. 3.	29 a	0.	29 c
	b Special deductions (Schedule C, line 20)					29 b		29 c
30	<b>Taxable income.</b> Subtract line 29c from line 28 (see instructions)							-48,734.
31	<b>Total tax</b> (Schedule J, line 10)							0.

**TAX CREDITS**

32 a	2006 overpayment credited to 2007	32 a						
b	2007 estimated tax payments	32 b						
c	2007 refund applied for on Form 4466	32 c						
d	Tax deposited with Form 7004	32 d						0.
e	Tax deposited with Form 7004	32 e						
f	Credits: (1) Form 2439 (2) Form 4136	32 f						0.
33	Estimated tax penalty (see instructions). Check if Form 2220 is attached							33
34	<b>Amount owed.</b> If line 32g is smaller than the total of lines 31 and 33, enter amount owed							0.
35	<b>Overpayment.</b> If line 32g is larger than the total of lines 31 and 33, enter amount overpaid							35
36	Enter amount from line 35 you want credited to 2008 estimated tax							Refunded ▶ 36

**Sign Here**

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

Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_

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

**Paid Preparer's Use Only**

Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_ Check if self-employed

Firm's name (or yours if self-employed), address, and ZIP code \_\_\_\_\_ EIN \_\_\_\_\_

Phone no. \_\_\_\_\_

Schedule A Cost of Goods Sold (see instructions)

Table with 8 rows for inventory and cost of goods sold calculations.

9a Check all methods used for valuing closing inventory:

- (i) Cost
(ii) Lower of cost or market
(iii) Other (Specify method used and attach explanation.)

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

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

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation?

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

Schedule C Dividends and Special Deductions (see instructions)

Table with columns (a) Dividends received, (b) Percentage, and (c) Special deductions (a) x (b). Rows 1-20 list various dividend categories.

Schedule E Compensation of Officers (see instructions for page 1, line 12)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

Table for Compensation of Officers with columns for Name of officer, Social security number, Percent of time devoted to business, Percent of corporation stock owned (Common/Preferred), and Amount of compensation.

**Schedule J Tax Computation** (see instructions)

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"/>	0.
3	Alternative minimum tax (attach Form 4626)		0.
4	Add lines 2 and 3		
5a	Foreign tax credit (attach Form 1118)		
5b	Credits from Forms 5735 and 8834		
5c	General business credit. Check applicable box(es): <input type="checkbox"/> Form 6478 <input type="checkbox"/> Form 8835, Section B <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form 5684		
5d	<input type="checkbox"/> Form 8844 <input type="checkbox"/> Form 8846		
5e	Credit for prior year minimum tax (attach Form 8827)		
6	Bond credits from: <input type="checkbox"/> Form 8960 <input type="checkbox"/> Form 8912		
7	Total credits. Add lines 5a through 5e		
8	Subtract line 6 from line 4		
9	Personal holding company tax (attach Schedule PH (Form 1120))		
9	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Form 8902 <input type="checkbox"/> Other (att schedule)		
10	Total tax. Add lines 7 through 9. Enter here and on page 1, line 31		0.

**Schedule K Other Information** (see instructions)

	Yes	No		Yes	No
1	Check accounting method: a <input checked="" type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) _____				
2	See the instructions and enter the: a Business activity code no. <b>212200</b> b Business activity <b>MINING</b> c Product or service <b>METAL ORE</b>				
3		<input checked="" type="checkbox"/>	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deduction of such corporation for the tax year ending with or within your tax year.		<input checked="" type="checkbox"/>
4		<input checked="" type="checkbox"/>	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If 'Yes,' enter name and EIN of the parent corporation _____		
5		<input checked="" type="checkbox"/>	At the end of the tax year, did any individual, partnership, corporation, estate or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) If 'Yes,' attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter % owned _____		
6		<input checked="" type="checkbox"/>	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, Affiliations Schedule, 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 stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation? If 'Yes,' enter: (a) Percentage owned _____ and (b) Owner's country _____		<input checked="" type="checkbox"/>
8		<input type="checkbox"/>	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 number of Forms 5472 attached _____		
8		<input type="checkbox"/>	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. \$ <b>NONE</b>		
10			Enter the number of shareholders at the end of the tax year (if 100 or fewer) _____		
11		<input checked="" type="checkbox"/>	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.) \$ <b>7,474,808</b>		
13		<input checked="" type="checkbox"/>	Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) 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 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. \$ <b>NONE</b>		

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
<b>Assets</b>					
1	Cash		155.		-68.
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)		135,000.		135,000.
6	Other current assets (attach schedule) SEE ST. 4				66,900.
7	Loans to shareholders SEE ST. 5				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)	3,363.		3,363.	
10a	Buildings and other depreciable assets	2,627.	736.	2,837.	526.
	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 schedule)				202,358.
15	<b>Total assets</b>		135,891.		202,358.
<b>Liabilities and Shareholders' Equity</b>					
16	Accounts payable		1,662.		1,662.
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach sch)				
19	Loans from shareholders				115,299.
20	Mortgages, notes, bonds payable in 1 year or more				112,500.
21	Other liabilities (attach schedule) SEE ST. 6				
22	Capital stock: a Preferred stock	4,213,080.	4,213,080.	4,213,080.	4,213,080.
	b Common stock		3,452,798.		3,452,798.
23	Additional paid-in capital				
24	Retained earnings - Approp (all sch)		-7,531,649.		-7,692,981.
25	Retained earnings - Unappropriated				
26	Adm't to shareholders' equity (Wt sch)				
27	Less cost of treasury stock				
28	<b>Total liabilities and shareholders' equity</b>		135,891.		202,358.

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return**  
 Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more - see instructions

1	Net income (loss) per books	-161,332.	7	Income recorded on books this year not included on this return (itemize): Tax-exempt interest \$	
2	Federal income tax per books				
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): a Depreciation \$ b Charitable contributions \$ c Travel & entertainment \$ 98.		8	Deductions on this return not charged against book income this year (itemize): a Depreciation \$ b Charitable contribs \$	
	<b>STATEMENT 7</b> 112,500.				
		112,598.	9	Add lines 7 and 8	0.
6	Add lines 1 through 5	-48,734.	10	Income (page 1, line 28) - line 8 less line 9	-48,734.

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)					
1	Balance at beginning of year	-7,531,649.	5	Distributions: a Cash	
2	Net income (loss) per books	-161,332.		b Stock c Property	
3	Other increases (itemize):		6	Other decreases (itemize):	
			7	Add lines 5 and 6	
4	Add lines 1, 2, and 3	-7,692,981.	8	Balance at end of year (line 4 less line 7)	-7,692,981.

Form **4562**

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

OMB No. 1545-0172

**2007**

Attachment  
Sequence No. **67**

Department of the Treasury  
Internal Revenue Service

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

Identifying number  
**90-0070390**

Name(s) shown on return  
**CMKM DIAMONDS, INC.**

Business or activity to which this form relates

**FORM 1120**

**Part I Election To Expense Certain Property Under Section 179**  
Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses.	1	\$125,000.
2	Total cost of section 179 property placed in service (see instructions).	2	
3	Threshold cost of section 179 property before reduction in limitation.	3	\$500,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions.	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29.	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7.	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8.	9	
10	Carryover of disallowed deduction from line 13 of your 2006 Form 4562.	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs).	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11.	12	
13	Carryover of disallowed deduction to 2008. Add lines 9 and 10, less line 12.	13	

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

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

14	Special allowance for qualified New York Liberty or Gulf Opportunity Zone property (other than listed property) and cellulosic biomass ethanol plant property placed in service during the tax year (see instructions).	14	
15	Property subject to section 165(f)(1) election.	15	
16	Other depreciation (including ACRS).	16	

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

<b>Section A</b>		17	210.
17	MACRS deductions for assets placed in service in tax years beginning before 2007.		
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

**Section B - Assets Placed in Service During 2007 Tax Year Using the General Depreciation System**

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

**Section C - Assets Placed in Service During 2007 Tax Year Using the Alternative Depreciation System**

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

**Part IV Summary** (see instructions)

21	Listed property. Enter amount from line 28.	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instructions.	22	210.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs.	23	

2007

## FEDERAL STATEMENTS

PAGE 1

CMKM DIAMONDS, INC.

90-0070390

STATEMENT 1  
FORM 1120, LINE 10  
OTHER INCOME

MISCELLANEOUS INCOME.....	TOTAL	\$	89,000.
		\$	<u>89,000.</u>

STATEMENT 2  
FORM 1120, LINE 26  
OTHER DEDUCTIONS

AUTO AND TRUCK.....	\$	63.
BANK CHARGES.....		159.
COMPUTER & INTERNET EXPENSE.....		612.
LEGAL AND PROFESSIONAL.....		96,901.
MEALS AND ENTERTAINMENT.....		99.
MISCELLANEOUS.....		305.
OFFICE EXPENSE.....		1,813.
POSTAGE.....		68.
TELEPHONE.....		5,976.
THEFT.....		25,500.
TRAVEL.....		2,833.
	TOTAL	\$ <u>134,329.</u>

STATEMENT 3  
FORM 1120, LINE 29A  
NET OPERATING LOSS DEDUCTION

CARRYOVER GENERATED FROM YEAR END 12/31/01	\$ 3,481,623.	
AVAILABLE FOR CARRYOVER TO 2007.....		3,481,623.
CARRYOVER GENERATED FROM YEAR END 12/31/02	\$ 837,797.	
AVAILABLE FOR CARRYOVER TO 2007.....		837,797.
CARRYOVER GENERATED FROM YEAR END 12/31/03	\$ 332,191.	
AVAILABLE FOR CARRYOVER TO 2007.....		332,191.
CARRYOVER GENERATED FROM YEAR END 12/31/04	\$ 1,569,712.	
AVAILABLE FOR CARRYOVER TO 2007.....		1,569,712.
CARRYOVER GENERATED FROM YEAR END 12/31/05	\$ 1,253,374.	
AVAILABLE FOR CARRYOVER TO 2007.....		1,253,374.
CARRYOVER GENERATED FROM YEAR END 12/31/06	\$ 111.	



2007

## FEDERAL STATEMENTS

PAGE 2

CMKM DIAMONDS, INC.

90-0070390

STATEMENT 3 (CONTINUED)  
FORM 1120, LINE 29A  
NET OPERATING LOSS DEDUCTION

AVAILABLE FOR CARRYOVER TO 2007.....	111.
NET OPERATING LOSSES AVAILABLE IN 2007.....	\$ 7,474,808.
TAXABLE INCOME.....	-48,734.
TOTAL NET OPERATING LOSS DEDUCTION (LIMITED TO TAXABLE INCOME).....	<u>0.</u>

STATEMENT 4  
FORM 1120, SCHEDULE L, LINE 6  
OTHER CURRENT ASSETS

	BEGINNING	ENDING
N/R- JAMES MCFADDEN.....	135,000.	\$ 135,000.
TOTAL	<u>135,000.</u>	<u>\$ 135,000.</u>

STATEMENT 5  
FORM 1120, SCHEDULE L, LINE 7  
LOANS TO SHAREHOLDERS

	BEGINNING	ENDING
N/R- KEVIN WEST.....	0.	\$ 66,900.
TOTAL	<u>0.</u>	<u>\$ 66,900.</u>

STATEMENT 6  
FORM 1120, SCHEDULE L, LINE 21  
OTHER LIABILITIES

	BEGINNING	ENDING
ACCRUED SALARIES.....	0.	\$ 112,500.
TOTAL	<u>0.</u>	<u>\$ 112,500.</u>

STATEMENT 7  
FORM 1120, SCHEDULE M-1, LINE 5  
BOOK EXPENSES NOT DEDUCTED

ACCRUED OFFICER SALARIES.....	TOTAL	\$ 112,500.
		<u>112,500.</u>