K. Income Taxes

Otter Tail Power Company Income Tax For the Year Ending December 31, 2009

	(A)	(B)	(C)	(D)	(E)
		7	TOTAL SYSTEM		
Line No.	Description	Total System	Claimed Adjustments	Adjusted Total	South Dakota Amount
1	Income Tax Payable				
2	Federal	(\$31,703,720)	\$7,985,805	(\$23,717,915)	(\$2,126,193)
3	State	(5,194,989)	(230,436)	(5,425,425)	0
4	Deferred Income Tax				
5	Federal	41,314,649	(12,020,746)	29,293,903	2,775,578
6	State	7,881,364	(321,324)	7,560,040	0
7	Investment Tax Credit - Net	(9,310,969)	(766,923)	(10,077,892)	(991,042)
8	Total Income Tax	\$2,986,335	(\$5,353,624)	(\$2,367,288)	(\$341,656)

Otter Tail Power Company Interest Expense - Annualization Adjustment For the Test Year Ended December 31, 2009

	(A)	(B)	(C)	(D)
			TOTAL SYSTEM	
Line No.	Description	2009 Actual Year	Adjustments	2009 Test Year
1	Net Operating Income Before Tax (NOIBT)	\$53,609,325	(\$28,492,461)	\$25,116,863
2	Less: Interest Cost	19,559,234	48,649	19,607,883
3				
4	Net Income Before Tax	\$34,050,091	(\$28,541,110)	\$5,508,981
5				
6	Federal Schedule M Adjustments:	* 07 707 740		¢00.000.040
7	Additional Tax Depreciation	\$87,767,748	(\$50,834,935)	\$36,932,813
8	Cost to Remove	3,029,927	-	3,029,927
9	Directly Assigned Schedule M Items Accrued Vacation Pay	(186,954)	-	(186,954)
10 11	Charges - Operating Reserves (1)	73,953 4,161,474	-	73,953 4,161,474
12	Provisions - Operating Reserves (1)	(7,629,629)	-	(7,629,629)
12	Unbilled Revenues	(1,029,029)		(1,029,029)
13	Preferred Dividends Paid Credit	_		_
15	Employee Stock Purchase Program	_	_	_
16	Stock Options	_	_	_
17	Meals - 50% Disallowance	(38,335)	81,962	43,627
18	Restricted Stock Incentive	(173,095)	1,093,247	920,152
19	Income from Property	(1,874,107)	-	(1,874,107)
20	Interest Capitalized on Construction	(2,744,415)	1,673,967	(1,070,448)
21	Federal Empowerment Zone Tax Credit	(9,000)	-	(9,000)
22	Capitalized A & G	(2,255,875)	-	(2,255,875)
23	Highway Reimbursements	1,150,187	-	1,150,187
24	Property Taxes	(1,549,099)	-	(1,549,099)
25	Unicap Adjustment - Section 163A	(115,000)	-	(115,000)
26	Leverage ESOP Deduction	1,952,402	-	1,952,402
27	Pensions (FAS 87 & 88) Non-taxable Book Income	(3,055,930)	-	(3,055,930)
28	Payments for Deferred Settlement	-	-	-
29	Restricted Stock Units	-	-	-
30	Restricted Stock Incentive (Tax dedeuction for Employee Gain)	140,123	(468,085)	(327,962)
31	Restricted Stock Incentive (Tax dedeuction for Dividends)	3,068	(101,815)	(98,747)
32	AFUDC Charged on Construction	4,216,005	(2,571,602)	1,644,403
33	Sec 481(a) Cap to Repair Basis Adjustments -2001-2009	42,618,532	-	42,618,532
34	Big Stone II Abandonment Costs	3,278,495	-	3,278,495
35	Medicare Part D	1,066,663	-	1,066,663
36				
37	Subtotal Federal Schedule M Adjustments	\$129,827,138	(\$51,127,261)	\$78,699,877
38				
39 40	Federal Adjusted Income Before Taxes	(\$95,777,047)	\$22,586,151	(\$73,190,896)
41	Less:			
42	State Income Taxes	(5,194,989)	(230,436)	(5,425,425)
43	State income rakes	(0,104,000)	(230,430)	(0,420,420)
43	Federal Taxable Income	(\$90,582,058)	\$22,816,586	(\$67,765,472)
45		(\$00,002,000)	<i>\</i> ,010,000	(\$01,100,412)
46	Federal Tax Rate	35.00%	35.00%	35.00%
47		00.0070	00.0070	00.0070
48	Federal Income Tax Before Credits	(\$31,703,720)	\$7,985,805	(\$23,717,915)
49	Investment Tax Credit - Debits Utilized	-	÷.,000,000	(+=0,717,010)
50				
51	FEDERAL INCOME TAXES	(\$31,703,720)	\$7,985,805	(\$23,717,915)
		(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	, ,,	(* * ; * * ; * * * * * * * * * * * * * *

Tax Savings Due to Consolidation:

There will be no tax savings as a result of filing a consolidated tax return for the test year ended December 31, 2009.

Abnormalities for Test Period:

None

Otter Tail Power Company Reconciliation of Income per Books with Income per Tax return

Reconciliations of Book Net Income to tax Net Income for Otter tail Power Company (OTP) are attached for the tax years 2009, 2008, 2007 and 2006.

Schedule M- 3 (Form 1120) 2009	<u>.</u>		ł	Page 2
Name of corporation (common parent, if consolidated re	lurn)		Employer i 41-0462685	dentification number
Otter Tail Power Company				7
		ated eliminations (4)	Subsidiary corp (5)	Mixed 1120/L/PC group
	20 eliminations		Employer	dentification number
Name of subsidiary (if consolidated return)			Cinployer	dentification number
Part II Reconciliation of Net Income (Le	oss) per Income Si	atement of Inclu	udible Corporati	ons With
Taxable Income per Return (see i				••••
	(a)	(b)	(c)	(d)
Income (Loss) Items	Income (Loss) per	Temporary	Permanent	Income (Loss) per
(Attach schedules for lines 1 through 11)	Income Statement	Difference	Difference	Tax Return
1 Income (loss) from equity method foreign corporation		0	0	
2 Gross foreign dividends not previously taxed			0	0
3 Subpart F, QEF, and similar income inclusions	•	0	0	0
4 Section 78 gross-up	• 0	0	0	
5 Gross foreign distributions previously taxed		0	0	
6 Income (loss) from equity method U.S. corporations	•	0	0	0
7 U.S. dividends not eliminated in tax consolidation		0	0	
8 Minority interest for includible corporations	•	0	0	<u>0</u>
9 income (loss) from U.S. partnerships	•	0	0	0
Income (loss) from foreign partnerships Income (loss) from other pass-through entities		0	0	0
Items relating to reportable transactions	•	`	~	
	0	0	0	0
(attach details) 13 Interest income (attach Form 8916-A)		0	-9,303	93,160
4 Total accrual to cash adjustment		0	0	0
15 Hedging transactions	. 0	0	0	0
16 Mark- to- market income (loss)	0	0	0	0
7 Cost of goods sold (attach Form 8916- A)	· (0	115,836	0	(-115,836)
18 Sale versus lease (for sellers and/or lessors)		0	0	0
19 Section 481(a) adjustments		0	0	0
20 Unearned/deferred revenue	. 0	0	0	0
21 Income recognition from long-term contracts	. 0	0	0	0
22 Original issue discount and other imputed interest		0	0	0
23a Income statement gain/loss on sale, exchange,	•			
abandonment, worthlessness, or other disposition of				
assets other than inventory and pass-through entities	15,537	-15,537	0	
b Gross capital gains from Schedule D, excluding				
amounts from pass- through entities		15,537	0	15,537
c Gross capital losses from Schedule D, excluding				
amounts from pass- through entities, abandonment				
losses, and worthless stock losses		0	0	0
d Net gain/loss reported on Form 4797, line 17,				
excluding amounts from pass-through entities,				
abandonment losses, and worthless stock losses	 A state of the sta	0	0	0
e Abandonment losses	 Interview and the second s	0	0	0
f Worthless stock losses (attach details)		0	0	0
${f g}$ Other gain/loss on disposition of assets other than inventory .		0	0	0
24 Capital loss limitation and carryforward used	A / A A A A A A	0	0	0 212 000 874 0THT 4
25 Other income (loss) items with differences (attach schedule)		-1,685,390	9,000	313,906,874 STMT 1
Total income (loss) items. Combine lines 1 through		-1,569,554	-303	314,131,407
27 Total expense/deduction items (from Part III, line 36		-140,006,138	-2,953,731	-264,662,277
28 Other items with no differences		<u>)</u>	en, des electes de la estación de la F	-159,920,045
29a Mixed groups, see instructions. All others, combine	04 070 044	444 575 800	2 054 004	110 450 015
lines 26 through 28	. 34,078,811	-141,575,692	-2,954,034	-110,450,915
b PC insurance subgroup reconciliation totals		0	0	0
c Life insurance subgroup reconciliation totals	•	-141,575,692	-2,954,034	-110,450,915
30 Reconciliation totals. Combine lines 29a through 29	ت [-141,070,092	-2,004,004	-110,400,010

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

F9.00.01 US20M3P2 Schedul

Schedule M-3 (Form 1120) 2009

Schedule K-1 Page 2 of 52

Schedule M- 3 (Form 1120) 2009				Page 3
Name of corporation (common parent, if consolidated return) Otter Tail Power Company			Employer ide 41-0462685	ntification number
Check applicable box(es): (1) Consolidated group (2) Pare	ent corp (3) Consolidate	ed eliminations (4)	Subsidiary corp (5)	Mixed 1120/L/PC group
Check if a sub-consolidated: (6) 1120 group (7) 1120 el	liminations			
Name of subsidiary (if consolidated return)			Employer ide	ntification number
Part III Reconciliation of Net Income (Lo Taxable Income per Return-Expe				ons With
Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense	0	0	0	
2 U.S. deferred income tax expense	0	0	0	
3 State and local current income tax expense	0	0	0	0
4 State and local deferred income tax expense	0	0	0	
5 Foreign current income tax expense (other than				
foreign withholding taxes)	0	0	0	0
6 Foreign deferred income tax expense	0	0	0	
7 Foreign withholding taxes	0	0	0	0
8 Interest expense (attach Form 8916- A)	18,000,077	1,471,590	0	19,471,667
9 Stock option expense	0	0	0	0
10 Other equity- based compensation	0	0	0	0
11 Meals and entertainment	2,826,976	0	-38,335	2,788,641
12 Fines and penalties	0	0	0	0
13 Judgments, damages, awards, and similar costs	0	0	0	0
14 Parachute payments	0	0	0	0
15 Compensation with section 162(m) limitation	0	0	0	0
16 Pension and profit-sharing	6,502,971	550,658	1,952,402	9,006,031
17 Other post- retirement benefits	0	0	0	0
18 Deferred compensation	0	0	0	0
19 Charitable contribution of cash and tangible				
property	369,837	-369,837	0	0
20 Charitable contribution of intangible property	0	0	0	0
21 Charitable contribution limitation/carryforward		0	0	0
22 Domestic production activities deduction		0	0	0
23 Current year acquisition or reorganization investment banking fees	0	0	0	0
24 Current year acquisition or reorganization legal and				
accounting fees	0	0	0	0
25 Current year acquisition/reorganization other costs	0	0	0	0
26 Amortization/impairment of goodwill	0	0	0	0
27 Amortization of acquisition, reorganization, and				
start- up costs	0	0	0	. 0
28 Other amortization or impairment write- offs	0	0	0	0
29 Section 198 environmental remediation costs	0	0	0	0
30 Depletion	0	0	0	0
31 Depreciation	35,398,291	96,822,379	0	132,220,670
32 Bad debt expense	939,458	-248,435	0	691,023
33 Corporate owned life insurance premiums	0	0	0	0
34 Purchase versus lease (for purchasers and/or				
lessees)	246,637	0	0	246,637
35 Other expense/deduction items with differences				
(attach schedule) STATEMENT 20	57,418,161	41,779,783	1,039,664	100,237,608
36 Total expense/deduction items. Combine lines 1				
through 35. Enter here and on Part II, line 27,				
reporting positive amounts as negative				
and negative amounts as positive	121,702,408	140,006,138	2,953,731	264,662,277

2009 FEDERAL FORM 1120 TAX RETURN

Otter	Tail	Power	Company
41-046	52685		
Year:	2009		

* * * * * * * * * * * * * * * * * * *	*****	*****	
*	SCHEDULE M-3	*	

4 WORLDWIDE CONSOL NET INC IDENTIFIED IN PT 1 LN 1 5A NET INCOME FROM NONINCLUDIBLE FOREIGN ENTITIES	0 0 0
5A NET INCOME FROM NONINCLUDIBLE FOREIGN ENTITIES	0
	·
B NET LOSS FROM NONINCLUDIBLE FOREIGN ENTITIES	0
6A NET INCOME FROM NONINCLUDIBLE U.S. ENTITIES	
B NET LOSS FROM NONINCLUDIBLE U.S. ENTITIES	0
7A NET INC(LOSS) OF OTHER INCL FRGN DISREGARDED ENT	0
B NET INC(LOSS) OF OTHER INCL U.S. DISREGARDED ENT	0
C NET INC(LOSS) OF OTHER INCLUDIBLE ENTITIES	0
8 ADJ TO ELIM TRANS BTWN INCLDBL & NONINCLDBL ENT	0
9 ADJ TO RECON INCOME STMT YR TO TAX YR OF TAX RTN	0
10A INTERCOMPANY DIV ADJ TO RECONCILE TO LINE 11	0
B OTHER STATUTORY ACCOUNTING ADJ TO RECON TO LN 11	0
C OTHER ADJ TO RECONCILE TO AMOUNT ON LINE 11	0
11 NET INCOME PER INCOME STMT OF INCLUDIBLE CORPS	0

12 TOTAL ASSETS & LIAB INCLUDED OR REMOVED ON FOLLOWING LINES:

A INCLUDED ON PART I LINE 4 - TOTAL ASSETS	0
A INCLUDED ON PART I LINE 4 - TOTAL LIABILITIES	0
B REMOVED ON PART I LINE 5 - TOTAL ASSETS	0
B REMOVED ON PART I LINE 5 - TOTAL LIABILITIES	0
C REMOVED ON PART I LINE Ĝ - TOTAL ASSETS	0
C REMOVED ON PART I LINE 6 - TOTAL LIABILITIES	0
D INCLUDED ON PART I LINE 7 - TOTAL ASSETS	0
D INCLUDED ON PART I LINE 7 - TOTAL LIABILITIES	0

PART II RECON OF NET INCOME (LOSS) PER INCOME STMT OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN

COP	A - INCOME (LOSS) PER INCOME STATEMENT	
1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
б	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0

2009 FEDERAL FORM 1120 TAX RETURN

	I'm norona
Otter Tail Power Company	
41-0462685	
Year: 2009	
13 INTEREST INCOME	102,463
14 TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15 HEDGING TRANSACTIONS	0
16 MARK-TO-MARKET INCOME (LOSS)	0
17 COST OF GOODS SOLD	0
18 SALES VERSUS LEASE	0
20 UNEARNED/DEFERRED REVENUE	0
21 INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22 ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A INCOME STMT GAIN/LOSS ON SALES OTHER THAN	
INVENTORY AND FLOW THRU ENTITIES	15,537
25 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	315,583,264
26 TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	315,701,264
27 TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(121,702,408)
28 OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	(159,920,045)
29A 1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	34,078,811
30 RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	34,078,811

	2009 FEDERAL FORM 1120 TA	X RETURN
	r Tail Power Company	
	1462685 :: 2009	
	B - TEMPORARY DIFFERENCE	
1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	- 0
0	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
1	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
2	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
3	INTEREST INCOME	0
4	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
	HEDGING TRANSACTIONS	0
	MARK-TO-MARKET INCOME (LOSS)	0
	COST OF GOODS SOLD	115,836
	SALES VERSUS LEASE	, 0
9	SECTION 481(A) ADJUSTMENTS	0
0	UNEARNED/DEFERRED REVENUE	0
	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
2	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
	INCOME STMT GAIN/LOSS ON SALES OTHER THAN	
	INVENTORY AND FLOW THRU ENTITIES	(15,537)
в	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	15,537
с	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D	GAIN/LOSS REPORTED ON FORM 4797 LINE 17,	
	EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
Е	ABANDONMENT LOSSES	0
	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER	
	THAN INVENTORY	0
4	CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0
5	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	(1,685,390)
6	TOTAL INCOME (LOSS) ITEMS, COMBINE LNS 1 TO 25	(1,569,554)
7	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(140,006,138)
	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	(141,575,692)
0	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	(141,575,692)
OT.	C - PERMANENT DIFFERENCE	
1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
-1		-
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
2 3 4	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS SECTION 78 GROSS-UP	0 0

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	2009 FEDERAL FORM	1120 TAX RETURN
	er Tail Power Company	
	0462685	
	:: 2009 U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
, 8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	ů 0
10	INCOME (LOSS) FROM GUS FRANKING FOR PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
11	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	(9,303)
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16^{+5}	MARK-TO-MARKET INCOME (LOSS)	0
17	COST OF GOODS SOLD	0
18	SALES VERSUS LEASE	0
19	SECTION 481 (A) ADJUSTMENTS	0
	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
	INCOME STMT GAIN/LOSS ON SALES OTHER THAN	-
	INVENTORY AND FLOW THRU ENTITIES	0
в	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	0
	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
-	GAIN/LOSS REPORTED ON FORM 4797, LINE 17	
-	EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
Е	ABANDONMENT LOSSES	0
	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER	
	THAN INVENTORY	0
24	CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0
25	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	9,000
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	(303)
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(2,953,731)
29A	1120 SUBGROUP RECON TOTAL. ADD LINES 26 THRU 28	(2,954,034)
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	(2,954,034)
COL	D - INCOME (LOSS) PER TAX RETURN	
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	93,160
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS)	0
17	COST OF GOODS SOLD	115,836

Otter Tail Power Company

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41-0462685				
Year: 2009				
18 SALES VERSUS LEASE	0			
19 SECTION 481(A) ADJUSTMENTS	0			
20 UNEARNED/DEFERRED REVENUE	0			
21 INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0			
22 ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0			
23B GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	15,537			
C GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0			
D GAIN/LOSS REPORTED ON FORM 4797, LINE 17				
EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0			
E ABANDONMENT LOSSES	0			
F WORTHLESS STOCK LOSSES	WORTHLESS STOCK LOSSES 0			
G OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER				
THAN INVENTORY	0			
24 CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0			
25 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	313,906,874			
26 TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	314,131,407			
27 TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(264,662,277)			
28 OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	(159,920,045)			
29A 1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	(110,450,915)			
30 RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	(110,450,915)			

12-May-2010 10:51:39

2009 FEDERAL FORM 1120 TAX RETURN

2009 FEDERAL FORM I Otter Tail Power Company	120 TAX RETURN
41-0462685	
Year: 2009	
PART III RECON OF NET INCOME (LOSS) PER INCOME STMT	
OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN	
- EXPENSE/DEDUCTION ITEMS	
COL A - EXPENSE PER INCOME STATEMENT	
1 U.S. CURRENT INCOME TAX EXPENSE	0
2 U.S. DEFERRED INCOME TAX EXPENSE	0
3 STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4 STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5 FOREIGN CURRENT INCOME TAX EXPENSE	0
6 FOREIGN DEFERRED INCOME TAX EXPENSE	0
7 FOREIGN WITHHOLDING TAXES	10 000 077
8 INTEREST EXPENSE	18,000,077
9 STOCK OPTION EXPENSE	0
10 OTHER EQUITY-BASED COMPENSATION	
11 MEALS AND ENTERTAINMENT 12 FINES AND PENALTIES	2,826,976 0
12 FINES AND PENALTIES 13 JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14 EXCESS PARACHUTE PAYMENTS	0
15 EXCESS FRACTOR 162 (M) COMPENSATION	0
16 PENSION AND PROFIT SHARING	6,502,971
17 OTHER POST-RETIREMENT BENEFITS	0,002,0,2
18 DEFERRED COMPENSATION	0
19 CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	369,837
20 CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
23 CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24 CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25 CURR YR ACQUISITION/REORG OTHER COSTS	0
26 AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27 AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28 OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29 SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30 DEPLETION	0
31 DEPRECIATION	35,398,291
32 BAD DEBT EXPENSE	939,458
33 CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34 PURCHASE VERSUS LEASE	246,637
35 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	57,418,161
36 TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	121,702,408
COL B - TEMPORARY DIFFERENCE	^
1 U.S. CURRENT INCOME TAX EXPENSE	0
2 U.S. DEFERRED INCOME TAX EXPENSE	0
3 STATE AND LOCAL CURRENT INCOME TAX EXPENSE 4 STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
4 STATE AND LOCAL DEFERRED INCOME TAX EXPENSE 5 FOREIGN CURRENT INCOME TAX EXPENSE	0
6 FOREIGN DEFERRED INCOME TAX EXPENSE	0
O FORETON DELEVIED INCOME INV EVERSE	0

	2009 FEDERAL FORM	1120 TAX RETURN
	er Tail Power Company	
	0462685	
rea 7	r: 2009 FOREIGN WITHHOLDING TAXES	0
, 8	INTEREST EXPENSE	1,471,590
9	STOCK OPTION EXPENSE	1,4,1,350
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	0
12	FINES AND PENALTIES	0
13	JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162 (M) COMPENSATION	ů 0
16	PENSION AND PROFIT SHARING	550,658
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	(369,837)
20	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	(305,037)
21	CHARITABLE CONTRIBUTION OF INTANOIBLE TROPERTY CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD	0
21	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	0
22	CURR YR ACOUISITION OR REORG INVEST BANKING FEES	0
23	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
24 25	CURR YR ACQUISITION OR REORG LEGAL & ACCING FEES	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
20	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	96,822,379
32	BAD DEBT EXPENSE	(248, 435)
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	(210,100)
34	PURCHASE VERSUS LEASE	ů o
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	41,779,783
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	140,006,138
30	TOTAL EXPENSE/DEDUCTION TIEWS (ADD ENS 1 10 55)	140,000,158
COL	C - PERMANENT DIFFERENCE	
1	U.S. CURRENT INCOME TAX EXPENSE	0
2	U.S. DEFERRED INCOME TAX EXPENSE	0
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	0
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	(38,335)
12	FINES AND PENALTIES	0
13	JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0

Otter Tail Power Company

	0462685 c: 2009	
	PENSION AND PROFIT SHARING	1,952,402
17		0
	DEFERRED COMPENSATION	0
	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD	0
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	0
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	0
32	BAD DEBT EXPENSE	0
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	1,039,664
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	2,953,731
COL	D - DEDUCTION PER TAX RETURN	
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	19,471,667
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	2,788,641
12	FINES AND PENALTIES	0
13	JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162 (M) COMPENSATION	0
	PENSION AND PROFIT SHARING	9,006,031
17	OTHER POST-RETIREMENT BENEFITS	0
18 19	DEFERRED COMPENSATION CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
20	CHARITABLE CONTRIBUTION OF CASH AND TANG FROF CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
20	CHARITABLE CONTRIBUTION OF INTRAGIBLE FROTERIT CHARITABLE CONTRIBUTION LIMITATION	0
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	0
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
		•

2005) FE	DERAL	FORM	1120	TAX	RETURN	

Otter Tail Power Company 41-0462685	
Year: 2009	
29 SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30 DEPLETION	0
31 DEPRECIATION	132,220,670
32 BAD DEBT EXPENSE	691,023
33 CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34 PURCHASE VERSUS LEASE	246,637
35 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	100,237,608
36 TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	264,662,277

12-May-2010 10:51:39 2009 FEDERAL FORM 1120 TAX RETURN Otter Tail Power Company 41-0462685 Year: 2009 SCHEDULE M-3 SUPPORTING SCHEDULES STMT 19 - SCH M-3, PART II, LINE 25 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES COLUMN A: LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES GROSS SALES 315,583,264 COLUMN B: LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES (2, 409, 310)GROSS SALES GAIN ON ADR, ACRS, MACRS PROPERTY 723,920 (1,685,390) TOTAL COLUMN C: LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES Fed Empowerment Zone Tax Credit 9,000 COLUMN D: TOTAL OF COLUMNS A, B AND C 313,173,954 GROSS SALES GAIN ON ADR, ACRS, MACRS PROPERTY 723,920 9,000 Fed Empowerment Zone Tax Credit 313,906,874 TOTAL STATEMENT 20 - SCH M-3, PART III, LINE 35 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES COLUMN A: LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES 37,854,120 SALARIES & WAGES FEDERAL INCOME TAXES (1, 207, 706)STATE TAXES BASED ON INCOME 1,853,327 8,852,884 MISCELLANEOUS OTHER TAXES

5,022,258

4,999,722 4,960

38,596

Set [1/1]

EMPLOYEE BENEFIT PROGRAMS

MISCELLANEOUS DEDUCTIONS

PENALTIES

Page 25

LOBBYING EXPENSE - NONDEDUCTIBLE

2009 FEDERAL FORM 1120 TAX RETURN

-

Otter Tail Power Company 41-0462685 Year: 2009 TOTAL

57,418,161

COLUMN B:

LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES	
OTHER EXPENSE/DED ITEMS WITH DIFFERENCES	
FEDERAL INCOME TAXES	1,207,706
STATE TAXES BASED ON INCOME	(1,853,327)
MISCELLANEOUS OTHER TAXES	(4,023,212)
EMPLOYEE BENEFIT PROGRAMS	(3,089,913)
CUSTOMER RELATED EXPENSES	(20,403)
PROPERTY REMOVAL COSTS	3,029,927
MISCELLANEOUS DEDUCTIONS	47,175,805
CIP Expenses (recoverable)	1,609,075
A&G (Book Expense; Tax Capitalize)	(2,255,875)
TOTAL	41,779,783

COLUMN C:

LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES	
EMPLOYEE BENEFIT PROGRAMS	1,066,663
LOBBYING EXPENSE - NONDEDUCTIBLE	(38,596)
MISCELLANEOUS DEDUCTIONS	16,557
PENALTIES	(4,960)
TOTAL	1,039,664

COLUMN D:

TOTAL OF COLUMNS A, B AND C	
SALARIES & WAGES	37,854,120
MISCELLANEOUS OTHER TAXES	4,829,672
EMPLOYEE BENEFIT PROGRAMS	2,999,008
CUSTOMER RELATED EXPENSES	(20,403)
PROPERTY REMOVAL COSTS	3,029,927
MISCELLANEOUS DEDUCTIONS	52,192,084
CIP Expenses (recoverable)	1,609,075
A&G (Book Expense; Tax Capitalize)	(2,255,875)
TOTAL	100,237,608

					Schedule K-1	
	Page 15 of 52 Schedule M=3 (Form 1120) 2008 Page 2					
	hedule M-3 (Form 1120) 2008 me of corporation (common parent, if consolidated return	2)		Employer lo		
	Name of corporation (common parent, if consolidated return) Employer Identification number Otter Tail Corporation 41-0462685					
Ch	eck applicable box(es): (1) Consolidated group (2) Pare	nt corp (3) Consolida	ted eliminations (4)	Subsidiary corp (5)	Mixed 1120/L/PC group	
Ch	eck if a sub-consolidated: (6) 1120 group (7) 1120 e	eliminations				
Na	me of subsidiary (if consolidated return)			Employer lo	entification number	
800		-)				
Х н	art II Reconciliation of Net Income (Loss Taxable Income per Return (see inst		tement of inclu	dible Corporatio	ons with	
		1		4 - 2	4.1)	
	Income (Loss) Items	(a) Income (Loss) per	(b) Temporary	(c) Permanent	(d) Income (Loss) per	
	(Attach schedules for lines 1 through 11)	Income Statement	Difference	Difference	Tax Return	
1	Income (loss) from equity method foreign corporations	0	0	0		
2	Gross foreign dividends not previously taxed	0	0	0	0	
3	Subpart F, QEF, and similar income inclusions		0	0	0	
4	Section 78 gross-up	0	0	0	<u> </u>	
5	Gross foreign distributions previously taxed	0	0	0		
0 7	Income (loss) from equity method U.S. corporations . U.S. dividends not eliminated in tax consolidation	0	0	0	0	
8	Minority interest for includible corporations	0	0	0		
9	Income (loss) from U.S. partnerships	0	0	0	0	
10	Income (loss) from foreign partnerships	0	0	0	0	
11	Income (loss) from other pass-through entities	0	0	0	0	
12	Items relating to reportable transactions				_	
	(attach details)	0	0	0	0	
13	Interest income (attach Form 8916-A)	2,615,073	0	-9,036	2,606,037	
14	Total accrual to cash adjustment	0	0	0	0	
15	Hedging transactions	0	0	0	0	
16 17	Mark-to-market income (loss)	0	0	0	(0)	
17 18	Sale versus lease (for sellers and/or lessors)	0	0	0	0	
19	Section 481(a) adjustments		0	0	0	
20	Unearned/deferred revenue	0	0	0	0	
21	Income recognition from long-term contracts	0	0	0	0	
22	Original issue discount and other imputed interest	0	0	0	0	
23a	Income statement gain/loss on sale, exchange,					
	abandonment, worthlessness, or other disposition of	107.0/7	-123,047	0		
	assets other than inventory and pass-through entities	123,047	-123,047	U		
b	Gross capital gains from Schedule D, excluding		123,047	0	123,047	
	amounts from pass-through entities		,			
Ū	amounts from pass-through entities, abandonment					
	losses, and worthless stock losses		0	0	0	
d	Net gain/loss reported on Form 4797, line 17,					
	excluding amounts from pass-through entities,					
	abandonment losses, and worthless stock losses		0	0	0	
	Abandonment losses		0	0	0	
	Worthless stock losses (attach details)		0	0	0	
	Other gain/loss on disposition of assets other than inventory		0	0	0	
24	Capital loss limitation and carryforward used	388,722,906	-3,802,675	9,000	384,929,231 STMT 17	
25 26	Other income (loss) items with differences (attach schedule) Total Income (loss) items. Combine lines 1 through 25		-3,802,675	-36	387,658,315	
20	Total expense/deduction items (from Part III, line 36)	-154,545,018	-95,006,612	-3,793,534	-253,345,164	
28	Other items with no differences	-214,784,963			-214,784,963	
	Mixed groups, see instructions. All others, combine					
	lines 26 through 28	22,131,045	-98,809,287	-3,793,570	-80,471,812	
b	PC insurance subgroup reconciliation totals	0	0	0	0	
	Life insurance subgroup reconciliation totals	0	0	7 707 570	0	
30	Reconcillation totals. Combine lines 29a through 29c	22,131,045	-98,809,287	-3,793,570	-80,471,812	

 Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

 F8.00.01
 US20M3P2
 Schedule M-3

Schedule M-3 (Form 1120) 2008

Schedule M-3 (Form 1120) 2008				Page 3
Name of corporation (common parent, if consolidated retu Otter Tail Corporation	Employer Ide 41-0462685	ntification number		
Check applicable box(es): (1) Consolidated group (2) Par	ent corp (3) Consolidate	ed eliminations (4)	Subsidiary corp (5)	Mixed 1120/L/PC group
Check if a sub-consolidated: (6) 1120 group (7) 1120 e	eliminations			-
Name of subsidiary (if consolidated return)			Employer ide	ntification number
Part III Reconciliation of Net Income (Lo Taxable Income per Return-Expe				ons With
Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense	0	0	0	
2 U.S. deferred income tax expense	0	0	0	
3 State and local current income tax expense	0	0	0	0
4 State and local deferred income tax expense	0	0	0	
5 Foreign current income tax expense (other than		_	_	_
foreign withholding taxes)	0	0	0	0
6 Foreign deferred income tax expense	0	0	0	
7 Foreign withholding taxes	0	0	0	0
8 Interest expense (attach Form 8916-A)	20,675,130	1,974,778	0	22,649,908
9 Stock option expense	0	0	0	0
10 Other equity-based compensation	4,063,332		-130,870	3,932,462
11 Meals and entertainment	4,065,552	0	0	3,732,402
12 Fines and penalties	0	0	0	0
13 Judgments, damages, awards, and similar costs	0	0	0	0
14 Parachute payments 15 Compensation with section 162(m) limitation	0	0	0	0
16 Pension and profit-sharing	7,720,536	745,841	1,621,278	10,087,655
17 Other post-retirement benefits	0	0	0	0
18 Deferred compensation	0	0	0	0
19 Charitable contribution of cash and tangible				
property	721,945	-721,945	0	0
20 Charitable contribution of intangible property	0	0	0	0
21 Charitable contribution limitation/carryforward		0	0	0
22 Domestic production activities deduction		0	0	0
23 Current year acquisition or reorganization				
investment banking fees	0	0	0	0
24 Current year acquisition or reorganization legal and			_	
accounting fees	0	0	0	0
25 Current year acquisition/reorganization other costs	0	0	0	0
26 Amortization/Impairment of goodwill	0	0	0	0
27 Amortization of acquisition, reorganization, and				0
start-up costs	0	0	0	0
28 Other amortization or impairment write-offs	0	0	0	0
29 Section 198 environmental remediation costs	0	0	0	0
30 Depletion	30,306,036	100,759,829	0	131,065,865
31 Depreciation	1,023,529	-111,026	0	912,503
32 Bad debt expense33 Corporate owned life insurance premiums	0	0	0	0
 33 Corporate owned life insurance premiums 34 Purchase versus lease (for purchasers and/or 				
	235,481	o	0	235,481
35 Other expense/deduction items with differences				
(attach schedule)	89,799,029	-7,640,865	2,303,126	84,461,290
36 Total expense/deduction items. Combine lines 1	· · · · · · · · · · · · · · · · · · ·			
through 35. Enter here and on Part II, line 27,				
reporting positive amounts as negative				
and negative amounts as positive	154,545,018	95,006,612	3,793,534	253,345,164

200% FEDERAL FORM 1120 TAX RETURN

Otter	Tail	Corporation
41-046	52685	
Year:	2008	

* * * * * * * * * * * * * * * * * * * *	****	*****
*	SCHEDULE M-3	*
*****	*****	******

PART I FINANCIAL INFO AND NET INCOME (LOSS) RECON	
4 WORLDWIDE CONSOL NET INC IDENTIFIED IN PT 1 LN 1	0
5A NET INCOME FROM NONINCLUDIBLE FOREIGN ENTITIES	0
B NET LOSS FROM NONINCLUDIBLE FOREIGN ENTITIES	0
6A NET INCOME FROM NONINCLUDIBLE U.S. ENTITIES	0
B NET LOSS FROM NONINCLUDIBLE U.S. ENTITIES	0
7A NET INC(LOSS) OF OTHER INCL FRGN DISREGARDED ENT	0
B NET INC(LOSS) OF OTHER INCL U.S. DISREGARDED ENT	0
C NET INC(LOSS) OF OTHER INCLUDIBLE ENTITIES	0
8 ADJ TO ELIM TRANS BTWN INCLDBL & NONINCLDBL ENT	0
9 ADJ TO RECON INCOME STMT YR TO TAX YR OF TAX RTN	0
10A INTERCOMPANY DIV ADJ TO RECONCILE TO LINE 11	0
B OTHER STATUTORY ACCOUNTING ADJ TO RECON TO LN 11	0
C OTHER ADJ TO RECONCILE TO AMOUNT ON LINE 11	0
11 NET INCOME PER INCOME STMT OF INCLUDIBLE CORPS	0

12	TOTAL	ASSETS	£	LIAB	INCLUDED	OR	REMOVED	ON
	FOLI	LOWING J	LII	NES:				

A INCLUDED ON PART I LINE 4 - TOTAL ASSETS	0
A INCLUDED ON PART I LINE 4 - TOTAL LIABILITIES	0
B REMOVED ON PART I LINE 5 - TOTAL ASSETS	0
B REMOVED ON PART I LINE 5 - TOTAL LIABILITIES	0
C REMOVED ON PART I LINE 6 - TOTAL ASSETS	0
C REMOVED ON PART I LINE 6 - TOTAL LIABILITIES	0
D INCLUDED ON PART I LINE 7 - TOTAL ASSETS	0
D INCLUDED ON PART I LINE 7 - TOTAL LIABILITIES	0

PART II RECON OF NET INCOME (LOSS) PER INCOME STMT OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN

COL	A - INCOME (LOSS) PER INCOME STATEMENT	
1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0

200% FEDERAL FORM 1120 TAX RETURN

Loop Librid Court 1440	ANNA THEFT FLOT
Otter Tail Corporation	
41-0462685	
Year: 2008	
13 INTEREST INCOME	2,615,073
14 TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15 HEDGING TRANSACTIONS	0
16 MARK-TO-MARKET INCOME (LOSS)	0
17 COST OF GOODS SOLD	0
18 SALES VERSUS LEASE	0
20 UNEARNED/DEFERRED REVENUE	0
21 INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22 ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A INCOME STMT GAIN/LOSS ON SALES OTHER THAN	
INVENTORY AND FLOW THRU ENTITIES	123,047
25 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	388,722,906
26 TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	391,461,026
27 TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(154,545,018)
28 OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	(214,784,963)
29A 1120 SUBGROUP RECON TOTALS, ADD LINES 26 THRU 28	22,131,045
30 RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	22,131,045

	2009 FEDERAL FORM 11	L20 TAX RETURN
	Tail Corporation	
	62685	
	2008 3 - TEMPORARY DIFFERENCE	
	NCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
	ROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
	SECTION 78 GROSS-UP	0
	ROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
	J.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
	INORITY INTEREST FOR INCLUDIBLE CORPS	0
-	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
	TEMS RELATING TO REPORTABLE TRANSACTIONS	0
	INTEREST INCOME	0
	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15 F	HEDGING TRANSACTIONS	0
16 N	MARK-TO-MARKET INCOME (LOSS)	0
17 C	COST OF GOODS SOLD	0
18 5	SALES VERSUS LEASE	0
19 5	SECTION 481(A) ADJUSTMENTS	0
20 t	JNEARNED/DEFERRED REVENUE	0
21 1	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22 0	DRIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A 1	INCOME STMT GAIN/LOSS ON SALES OTHER THAN	
	INVENTORY AND FLOW THRU ENTITIES	(123,047)
во	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	123,047
СС	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
DO	GAIN/LOSS REPORTED ON FORM 4797 LINE 17,	
	EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
ΕÆ	ABANDONMENT LOSSES	0
E, Ø	ORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER	
	THAN INVENTORY	0
24 (CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0
25 0	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	(3,802,675)
26 7	FOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	(3,802,675)
27 :	FOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(95,006,612)
29A 1	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	(98,809,287)
30 I	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	(98,809,287)
COL (C - PERMANENT DIFFERENCE	
1 .	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2 (GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3 9	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4 :	SECTION 78 GROSS-UP	0
5 (GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0

	2008 FEDERAL FORM 1.	IZU TAX RETURN
	r Tail Corporation	
	462685	
	: 2008 U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
	INCOME (LOSS) FROM FOR FARMAENDITS INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
	INTEREST INCOME	(9,036)
	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
	HEDGING TRANSACTIONS	0
-+	MARK-TO-MARKET INCOME (LOSS)	0
	COST OF GOODS SOLD	0
	SALES VERSUS LEASE	0
	SECTION 481(A) ADJUSTMENTS	0
	UNEARNED/DEFERRED REVENUE	0
	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
	INCOME STMT GAIN/LOSS ON SALES OTHER THAN	
2011	INVENTORY AND FLOW THRU ENTITIES	0
в	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	0
с	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D	GAIN/LOSS REPORTED ON FORM 4797, LINE 17	
	EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
Е	ABANDONMENT LOSSES	0
	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER	
	THAN INVENTORY	0
24	CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0
25	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	9,000
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	(36)
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(3,793,534)
29A	1120 SUBGROUP RECON TOTAL. ADD LINES 26 THRU 28	(3,793,570)
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	(3,793,570)
	D - INCOME (LOSS) PER TAX RETURN	<u>,</u>
	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
		-
		2,608,037
		. 0
		0
16 17	COST OF GOODS SOLD	0
	T UST OF 140005 SULD	V
11 12 13 14 15 16	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES ITEMS RELATING TO REPORTABLE TRANSACTIONS INTEREST INCOME TOTAL ACCRUAL TO CASH ADJUSTMENT HEDGING TRANSACTIONS MARK-TO-MARKET INCOME (LOSS)	2,606,0

Otter Tail Corporation

41-0462685	
Year: 2008	
18 SALES VERSUS LEASE	0
19 SECTION 481(A) ADJUSTMENTS	0
20 UNEARNED/DEFERRED REVENUE	0
21 INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22 ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23B GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	123,047
C GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D GAIN/LOSS REPORTED ON FORM 4797, LINE 17	
EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E ABANDONMENT LOSSES	0
F WORTHLESS STOCK LOSSES	0
G OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER	
THAN INVENTORY	0
24 CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0
25 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	384,929,231
26 TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	387,658,315
27 TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(253,345,164)
28 OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	(214,784,963)
29A 1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	(80,471,812)
30 RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	(80,471,812)

.

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	2008 FEDERAL FORM 1120 1	AA KEIUKN
	r Tail Corporation 462685	
	: 2008	
	III RECON OF NET INCOME (LOSS) PER INCOME STMT	
	OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN	
	- EXPENSE/DEDUCTION ITEMS	
	A - EXPENSE PER INCOME STATEMENT	
	U.S. CURRENT INCOME TAX EXPENSE	0
	U.S. DEFERRED INCOME TAX EXPENSE	0
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	20,675,130
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0 4,063,332
	MEALS AND ENTERTAINMENT	4,063,332
12	FINES AND PENALTIES	0
13	JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162 (M) COMPENSATION	•
16	PENSION AND PROFIT SHARING	7,720,536
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	721,945
19 20	CHARITABLE CONTRIBUTION OF CASH AND TANG FROF CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
20	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
23 24	CURR IR ACQUISITION OR REORG INVEST BANKING THEO CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
24	CURR YR ACQUISITION/OK NEORG HEGAD & ACCING THEO	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
	DEPRECIATION	30,306,036
32	BAD DEBT EXPENSE	1,023,529
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	_,,
	PURCHASE VERSUS LEASE	235,481
	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	89,799,029
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	154,545,018
	B - TEMPORARY DIFFERENCE	-
1	U.S. CURRENT INCOME TAX EXPENSE	0
	U.S. DEFERRED INCOME TAX EXPENSE	0
-	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0

200% FEDERAL FORM 1120 TAX RETURN

	2002 FEDERAL FORM 1120 TAX	RETURN
	Tail Corporation	
41-04		
Year: 7 F		0
	OREIGN WITHHOLDING TAXES	1,974,778
	NTEREST EXPENSE TOCK OPTION EXPENSE	1,9/4,//0
		0
	THER EQUITY-BASED COMPENSATION	0
	EALS AND ENTERTAINMENT	0
	INES AND PENALTIES	0
	UDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
	XCESS PARACHUTE PAYMENTS	0
	XCESS SECTION 162 (M) COMPENSATION	745,841
	ENSION AND PROFIT SHARING	,45,041 0
	THER POST-RETIREMENT BENEFITS	0
	EFERRED COMPENSATION HARITABLE CONTRIBUTION OF CASH AND TANG PROP	(721,945)
	HARITABLE CONTRIBUTION OF CASH AND TANG PROP HARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	(721,943)
	HARITABLE CONTRIBUTION OF INTANGIBLE FROFERIT	ů O
	OMESTIC PRODUCTION ACTIVITIES DEDUCTION	0
	URE YE ACQUISITION OF REORG INVEST BANKING FEES	õ
	URR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
		0
	URR YR ACQUISITION/REORG OTHER COSTS	0
	MORTIZATION/IMPAIRMENT OF GOODWILL	0
	MORT OF ACQUISITION, REORG AND START-UP COSTS THER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
	ECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
	EPLETION	0
	EPRECIATION	100,759,829
	AD DEBT EXPENSE	(111,026)
	ORPORATE OWNED LIFE INSURANCE PREMIUMS	(111,020)
	URCHASE VERSUS LEASE	0
	THER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	(7,640,865)
	OTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	95,006,612
30 I	OTAL EXPENSE/DEDUCTION TIENS (ADD DNS I TO 55)	55,000,012
COL C	- PERMANENT DIFFERENCE	
1 U	.S. CURRENT INCOME TAX EXPENSE	0
	.S. DEFERRED INCOME TAX EXPENSE	0
3 S	TATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4 S	TATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5 F	OREIGN CURRENT INCOME TAX EXPENSE	0
6 F	OREIGN DEFERRED INCOME TAX EXPENSE	0
7 F	OREIGN WITHHOLDING TAXES	0
8 I	NTEREST EXPENSE	0
9 S	TOCK OPTION EXPENSE	0
	THER EQUITY-BASED COMPENSATION	0
	EALS AND ENTERTAINMENT	(130,870)
12 F	INES AND PENALTIES	0
	UDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
	XCESS PARACHUTE PAYMENTS	0
	XCESS SECTION 162 (M) COMPENSATION	0

2009 FEDERAL FORM 1120 TAX RETURN

	2009 FEDERAL FORM 1120 TAX RE	TURN
Otte	er Tail Corporation	
	0462685	
	r: 2008	1,621,278
	PENSION AND PROFIT SHARING OTHER POST-RETIREMENT BENEFITS	1,021,270
	DEFERRED COMPENSATION	0
	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
20	CHARITABLE CONTRIBUTION OF INTANGIBLE FROPERTY CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD	0
21 22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	0
22	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
23 24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
24 25	CURR YR ACQUISITION OR REORD DEGAL & ACCING FEED	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	0
32	BAD DEBT EXPENSE	0
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	2,303,126
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	3,793,534
COL	D - DEDUCTION PER TAX RETURN	
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	22,649,908
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	3,932,462
12	FINES AND PENALTIES	0
13	JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	10,087,655
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION	0
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	0
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0

2009	FEDERAL	FORM	1120	TAX	RETURN
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Otter Tail Corporation	
41-0462685	
Year: 2008	
29 SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30 DEPLETION	0
31 DEPRECIATION	131,065,865
32 BAD DEBT EXPENSE	912,503
33 CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34 PURCHASE VERSUS LEASE	235,481
35 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	84,461,290
36 TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	253,345,164

2009 FEDERAL FORM 1120 TAX RETURN

9,000

Otter Tail Corporation 41-0462685 Year: 2008

SCHEDULE M-3 SUPPORTING SCHEDULES

STMT 18 - SCH M-3, PART II, LINE 25 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

COLUMN A:

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENC	ŝs
GROSS SALES	374,129,431
MISCELLANEOUS OTHER INCOME	14,593,475
TOTAL	388,722,906

COLUMN B:

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	
GROSS SALES	(4,298,334)
MISCELLANEOUS OTHER INCOME	(89)
GAIN ON ADR, ACRS, MACRS PROPERTY	665,162
OTHER SCHEDULE K INCOME	(169,414)
TOTAL	(3,802,675)

COLUMN C:

LINE 25: OTHER INCOME (LOSS)	ITEMS WITH DIFFERENCES
Fed Empowerment Zone Tax	Credit

COLUMN D:	
TOTAL OF COLUMNS A, B AND C	
GROSS SALES	369,831,097
MISCELLANEOUS OTHER INCOME	14,593,386
GAIN ON ADR, ACRS, MACRS PROPERTY	665,162
Fed Empowerment Zone Tax Credit	9,000
OTHER SCHEDULE K INCOME	(169,414)
TOTAL	384,929,231

STATEMENT 19 - SCH M-3, PART III, LINE 35 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES

COLUMN A:	
LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES	
SALARIES & WAGES	37,361,575
MISCELLANEOUS REPAIRS	27,944,300
FEDERAL INCOME TAXES	9,730,427

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12-May-2010 11:00:39

2009	FEDERAL	FORM	1120	TAX	RETURN
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r	
Otter Tail Corporation	
41-0462685	
Year: 2008	
STATE TAXES BASED ON INCOME	(3,206,254)
EMPLOYEE BENEFIT PROGRAMS	5,033,299
LOBBYING EXPENSE - NONDEDUCTIBLE	57,501
SCHEDULE K-1 LOSS	393,126
INSURANCE	2,834,273
MISCELLANEOUS DEDUCTIONS	9,650,674
PENALTIES	108
TOTAL	89,799,029

COLUMN B:

LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES	
OTHER EXPENSE/DED ITEMS WITH DIFFERENCES	
SALARIES & WAGES	(88,000)
MISCELLANEOUS REPAIRS	876,598
FEDERAL INCOME TAXES	(9,730,427)
STATE TAXES BASED ON INCOME	3,288,565
EMPLOYEE BENEFIT PROGRAMS	(3,122,510)
CUSTOMER RELATED EXPENSES	(120,861)
PROPERTY REMOVAL COSTS	1,750,194
SCHEDULE K-1 LOSS	(5,995)
R&D	1,439,975
INSURANCE	29,407
MISCELLANEOUS DEDUCTIONS	513,646
CIP Expenses (recoverable)	(215,582)
A&G (Book Expense; Tax Capitalize)	(2,255,875)
TOTAL	(7,640,865)

COLUMN C:

LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES	
EMPLOYEE BENEFIT PROGRAMS	997,256
LOBBYING EXPENSE - NONDEDUCTIBLE	(57,501)
MISCELLANEOUS DEDUCTIONS	1,363,479
PENALTIES	(108)
TOTAL	2,303,126

COLUMN D:	
TOTAL OF COLUMNS A, B AND C	
SALARIES & WAGES	37,273,575
MISCELLANEOUS REPAIRS	28,820,898
STATE TAXES BASED ON INCOME	82,311
EMPLOYEE BENEFIT PROGRAMS	2,908,045
CUSTOMER RELATED EXPENSES	(120,861)

2	009	FEDERAL	FORM	1120	TAX	RETURN
Otter Tail Corporation						
41-0462685						
Year: 2008						
PROPERTY REMOVAL COSTS						1,750,194
SCHEDULE K-1 LOSS						387,131
R & D						1,439,975
INSURANCE						2,863,680
MISCELLANEOUS DEDUCTIONS						11,527,799
CIP Expenses (recoverable)						(215,582)
A&G (Book Expense; Tax Capitaliz	e)					(2,255,875)
TOTAL						84,461,290

Schedule M-3 (Form 1120) 2007			F	Page 29 of 52 Page 2	
Name of corporation (common parent, if consolidated return)				Employer Identification number 41-0462685	
Otter Tail Corporation				-	
	•••	ted eliminations (4)	Subsidiary corp (5)	Mixed 1120/L/PC group	
	0 eliminations			1 4121 - 41 L	
Name of subsidiary (if consolidated return) Employer identification			entification number		
Part II Reconciliation of Net Income (Lo	ss) per Income Sta	atement of Inclu	dible Corporatio	ons With	
Taxable Income per Return (see in					
	(a)	(b)	(c)	(d)	
Income (Loss) Items	Income (Loss) per	Temporary	Permanent	Income (Loss) per	
(Attach schedules for lines 1 through 8)	Income Statement	Difference	Difference	Tax Return	
1 Income (loss) from equity method foreign corporations		0	0	0	
 2 Gross foreign dividends not previously taxed 3 Subpart F, QEF, and similar income inclusions 		0	0	0	
 3 Subpart F, QEF, and similar income inclusions 4 Section 78 gross-up		0	0	0	
5 Gross foreign distributions previously taxed	^	0	0	-	
6 Income (loss) from equity method U.S. corporations		0	0		
7 U.S. dividends not eliminated in tax consolidation		0	0	0	
8 Minority interest for includible corporations	0	0	0		
9 Income (loss) from U.S. partnerships (attach schedule)		0	0	0	
10 Income (loss) from foreign partnerships (attach schedule		0	0	0	
11 Income (loss) from other pass-through entities					
(attach schedule)		0	0	0	
12 Items relating to reportable transactions (attach details)	40 501 051	0	0	0	
13 Interest income (attach Form 8916–A)		0	-22,878	10,481,176	
14 Total accrual to cash adjustment		0	0	0	
15 Hedging transactions		0	0	0	
16 Mark-to-market income (loss)		0	0		
 17 Cost of goods sold (attach Form 8916-A) 18 Sale versus lease (for sellers and/or lessors) 	- /	0	0	0	
19 Section 481(a) adjustments		0	0	0	
20 Unearned/deferred revenue		0	0	0	
21 Income recognition from long-term contracts		0	0	0	
22 Original issue discount and other imputed interest	0	0	0	0	
23a Income statement gain/loss on sale, exchange,					
abandonment, worthlessness, or other disposition of			,		
assets other than inventory and pass-through entities	125,866	-125,866	0		
b Gross capital gains from Schedule D, excluding					
amounts from pass-through entities		125,866	0	125,866	
c Gross capital losses from Schedule D, excluding					
amounts from pass-through entities, abandonment			_		
losses, and worthless stock losses		0	0	0	
d Net gain/loss reported on Form 4797, line 17,					
excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		0	0	0	
e Abandonment losses		0	0	0	
f Worthless stock losses (attach details)		0	0	0	
g Other gain/loss on disposition of assets other than inventory		0	0	0	
24 Capital loss limitation and carryforward used		0	0	0	
25 Other income (loss) items with differences (attach schedule)	323,742,543	-1,908,595	9,000	321,842,948 STMT 1	
26 Total Income (loss) Items. Combine lines 1 through 2	334,372,463	-1,908,595	-13,878	332,449,990	
27 Total expense/deduction items (from Part III, line 36)	-139,507,542	11,244,426	-7,005,940	-135,269,056	
28 Other items with no differences	-174,115,597			-174,115,597	
29a Mixed groups, see instructions. All others, add					
lines 26 through 28		9,335,831	-7,019,818	23,065,337	
b PC insurance subgroup reconciliation totals	0	0	0	0	
c Life insurance subgroup reconciliation totals		0 775 971	0	27 045 777	
30 Reconcillation totals. Combine lines 29a through 29c	20,749,324	9,335,831	-7,019,818	23,065,337	

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Schedule K-1

Schedule K-1 Page 30 of 52

Schedule M-3 (Form 1120) 2007				Page 3
Name of corporation (common parent, if consolidated return) Otter Tail Corporation				entification number
Check applicable box(es): (1) Consolidated group (2)	Parent corp (3) Consolida	ted eliminations (4)	Subsidiary corp (5)	Mixed 1120/L/PC group
	20 eliminations	••		
Name of subsidiary (if consolidated return)			Employer ide	entification number
Part III Reconciliation of Net Income (L Taxable Income per Return-Ex			20 8 -2	ons With
Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense	. 0	0	0	
2 U.S. deferred income tax expense	. 0	0	0	
3 State and local current income tax expense	n	0	0	0
4 State and local deferred income tax expense	. 0	0	0	
5 Foreign current income tax expense (other than	~			
foreign withholding taxes)	. 0	0	0	0
6 Foreign deferred income tax expense	. 0	0	0	
7 Foreign withholding taxes		0	0	0
8 Interest expense (attach Form 8916-A)		542,839	0	20,752,169
9 Stock option expense		0	0	0
10 Other equity-based compensation		0	0	0
11 Meals and entertainment		0	-173,400	3,840,455
12 Fines and penalties		0	0	0
13 Judgments, damages, awards, and similar costs		0	0	0
14 Parachute payments		0	0	0
15 Compensation with section 162(m) limitation		0	0	0
16 Pension and profit-sharing		-7,162,989	1,621,825	3,722,300
17 Other post-retirement benefits		0	0	0
18 Deferred compensation	. 0	0	0	0
19 Charitable contribution of cash and tangible	(07.0/0			107.010
property		0	0	687,262
20 Charitable contribution of intangible property		0	0	0
21 Charitable contribution limitation/carryforward		0	0	500 777
22 Domestic production activities deduction	•	0	508,733	508,733
23 Current year acquisition or reorganization			0	0
investment banking fees	• • •	0	0	0
24 Current year acquisition or reorganization legal and	0	0	0	
accounting fees	sts	0	0	0
25 Current year acquisition/reorganization other costs		0	0	0
26 Amortization/impairment of goodwill	*			
27 Amortization of acquisition, reorganization, and	0	0	0	0
start-up costs 28 Other amortization or impairment write-offs	0	0	0	0
	0	0	0	0
29 Section 198 environmental remediation costs	•	0	0	0
30 Depletion	2/ 4/4 072 1	2,682,696	0	27,328,728
	0	-23,198	0	-23,198
32 Bad dept expense 33 Corporate owned life insurance premiums	0	0	0	0
34 Purchase versus lease (for purchasers and/or				
lessees)	0	0	0	0
35 Other expense/deduction items with differences	•			
(attach schedule)	80,687,599	-7,283,774	5,048,782	78,452,607
36 Total expense/deduction Items. Combine lines 1	×	· · ·	· · ·	
through 35. Enter here and on Part II. line 27	139,507,542	-11,244,426	7,005,940	135,269,056

Schedule M-3 (Form 1120) 2007

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Otter Tail Corporation Year: 2007

*******	*****	******
*	SCHEDULE M-3	*
*******	*****	*****

PART I FINANCIAL INFO AND NET INCOME (LOSS) RECON	
4 WORLDWIDE CONSOL NET INC IDENTIFIED IN PT 1 LN 1	0
5A NET INCOME FROM NONINCLUDIBLE FOREIGN ENTITIES	0
B NET LOSS FROM NONINCLUDIBLE FOREIGN ENTITIES	0
6A NET INCOME FROM NONINCLUDIBLE U.S. ENTITIES	0
B NET LOSS FROM NONINCLUDIBLE U.S. ENTITIES	0
7A NET INC(LOSS) OF OTHER INCL DISREGARDED ENTITIES	0
B NET INC(LOSS) OF OTHER INCLUDIBLE CORPORATIONS	0
8 ADJ TO ELIM TRANS BTWN INCLDBL & NONINCLDBL ENT	0
9 ADJ TO RECON INCOME STMT YR TO TAX YR OF TAX RTN	0
10A INTERCOMPANY DIV ADJ TO RECONCILE TO LINE 11	0
B OTHER STATUTORY ACCOUNTING ADJ TO RECON TO LN 11	0
C OTHER ADJ TO RECONCILE TO AMOUNT ON LINE 11	0

11 NET INCOME PER INCOME STMT OF INCLUDIBLE CORPS

PART II RECON OF NET INCOME (LOSS) PER INCOME STMT OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN

COL A	- INCOME (LOSS) PER INCOME STATEMENT	
	NCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
	ROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
5 G	ROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6 I	NCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7 U	S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
	INORITY INTEREST FOR INCLUDIBLE CORPS	0
9 I	NCOME (LOSS) FROM U.S. PARTNERSHIPS	0
	NCOME (LOSS) FROM FGN PARTNERSHIPS	0
	NCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
	TEMS RELATING TO REPORTABLE TRANSACTIONS	0
	NTEREST INCOME	10,504,054
	OTAL ACCRUAL TO CASH ADJUSTMENT	0
	EDGING TRANSACTIONS	0
	ARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
	OST OF GOODS SOLD	0
	ALES VERSUS LEASE	0
	NEARNED/DEFERRED REVENUE	0
	NCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
	RIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A 1	NCOME STMT GAIN/LOSS ON SALES OTHER THAN	125 866
25 0	INVENTORY AND FLOW THRU ENTITIES	125,866
25 O	THER INCOME (LOSS) ITEMS WITH DIFFERENCES	323,742,543
26 T	OTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 26	334,372,463
27 T	OTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(139,507,542)
28 O	THER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	(174,115,597)
י גסכ	120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	20 740 224
<i>49</i> 8 1	120 SUBGROUP RECON TOTALS. ADD LITNES 26 IMRU 26	20,749,324

2007 FEDERAL FORM 1120 TAX RETURN 41-0462685

Otter Tail Corporation Year: 2007

30 RECONCILIATION TOTALS. ADD LINES 29A THRU 29C

20,749,324

41-0462685

Otter Tail Corporation Year: 2007

	B - TEMPORARY DIFFERENCE	
1 2	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
2 3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0 0
4	SECTION 78 GROSS-UP	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7 8	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL MINORITY INTEREST FOR INCLUDIBLE CORPS	0
° 9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0 0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	0
14 15	TOTAL ACCRUAL TO CASH ADJUSTMENT HEDGING TRANSACTIONS	0 0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	COST OF GOODS SOLD	0
	SALES VERSUS LEASE	0
	SECTION 481(A) ADJUSTMENTS	0
	UNEARNED/DEFERRED REVENUE INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0 0
$\frac{21}{22}$	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
	INCOME STMT GAIN/LOSS ON SALES OTHER THAN	Ŭ
	INVENTORY AND FLOW THRU ENTITIES	(125,866)
	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	125,866
	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
U	GAIN/LOSS REPORTED ON FORM 4797 LINE 17, EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E	ABANDONMENT LOSSES	0
	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER	
24	THAN INVENTORY	0
24 25	CAPITAL LOSS LIMITATION AND CARRYFORWARD USED OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	0 (1,908,595)
20	offick income (1000) if the with Diffektioners	(1, 500, 555)
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	(1,908,595)
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	11,244,426
207	1120 CHECEDIE DECON TOTAL C ADD I INEC 26 TUDIE 20	0 225 021
274	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	<u>9,335,651</u>
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	9,335,831
	C - PERMANENT DIFFERENCE	0
	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0 0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7 8	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL MINORITY INTEREST FOR INCLUDIBLE CORPS	0 0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0

Schedule K-1 Page 34 of 52

Otter Tail Corporation Year: 2007 41-0462685

<pre>13 INTEREST INCOME 14 TOTAL ACCRUAL TO CASH ADJUSTMENT 15 HEDGING TRANSACTIONS 16 MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY</pre>	(22,878) 0 0 0
 COST OF GOODS SOLD SALES VERSUS LEASE SECTION 481(A) ADJUSTMENTS UNEARNED/DEFERRED REVENUE INCOME RECOGNITION FROM LONG-TERM CONTRACTS ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT INCOME CENTRE CONTRACTS ON CONTRACTS 	0 0 0 0 0 0
23A INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES B GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU C GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU D GAIN/LOSS REPORTED ON FORM 4797, LINE 17	0 0 0
EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK E ABANDONMENT LOSSES F WORTHLESS STOCK LOSSES G OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER	0 0 0
THAN INVENTORY 24 CAPITAL LOSS LIMITATION AND CARRYFORWARD USED 25 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	0 0 9,000
26 TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25 27 TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36 _	(13,878) (7,005,940)
29A 1120 SUBGROUP RECON TOTAL. ADD LINES 26 THRU 28 $_$	(7,019,818)
30 RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	(7,019,818)
 COL D - INCOME (LOSS) PER TAX RETURN 2 GROSS FGN DIVIDENDS NOT PREVIOUS TAXED 3 SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS 4 SECTION 78 GROSS-UP 7 U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL 9 INCOME (LOSS) FROM U.S. PARTNERSHIPS 10 INCOME (LOSS) FROM FGN PARTNERSHIPS 11 INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES 12 ITEMS RELATING TO REPORTABLE TRANSACTIONS 13 INTEREST INCOME 14 TOTAL ACCRUAL TO CASH ADJUSTMENT 15 HEDGING TRANSACTIONS 16 MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY 17 COST OF GOODS SOLD 18 SALES VERSUS LEASE 19 SECTION 481(A) ADJUSTMENTS 20 UNEDNED (DEPENDED DEPUNDED 	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
 20 UNEARNED/DEFERRED REVENUE 21 INCOME RECOGNITION FROM LONG-TERM CONTRACTS 22 ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT 23B GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU C GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU D GAIN/LOSS REPORTED ON FORM 4797, LINE 17 EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK E ABANDONMENT LOSSES F WORTHLESS STOCK LOSSES G OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER 	0 0 125,866 0 0 0 0

Otter	Tail	Corporation	
Year:	2007		

THAN INVENTORY	0
24 CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0
25 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	321,842,948
26 TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	332,449,990
27 TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(135,269,056)
28 OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	(174,115,597)
29A 1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	23,065,337
30 RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	23,065,337

Schedule K-1 Page 36 of 52

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80,687,599

20,209,330

Otter Tail Corporation Year: 2007

41-0462685

PAR	I III RECON OF NET INCOME (LOSS) PER INCOME STMT
	OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN
	- EXPENSE/DEDUCTION ITEMS
COL	A - EXPENSE PER INCOME STATEMENT
1	U.S. CURRENT INCOME TAX EXPENSE
2	U.S. DEFERRED INCOME TAX EXPENSE
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE
5	FOREIGN CURRENT INCOME TAX EXPENSE
6	FOREIGN DEFERRED INCOME TAX EXPENSE
7	FOREIGN WITHHOLDING TAXES
8	INTEREST EXPENSE

9 STOCK OPTION EXPENSE 0 10 OTHER EQUITY-BASED COMPENSATION 0 11 MEALS AND ENTERTAINMENT 4,013,855 12 FINES AND PENALTIES 0 JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS 13 0 14 EXCESS PARACHUTE PAYMENTS 0 15 EXCESS SECTION 162 (M) COMPENSATION 0 PENSION AND PROFIT SHARING 16 9,263,464

17 OTHER POST-RETIREMENT BENEFITS 18 DEFERRED COMPENSATION 19 CHARITABLE CONTRIBUTION OF CASH AND TANG PROP 687,262 20 CHARITABLE CONTRIBUTION OF INTANGIBLE INC. 23 CURR YR ACQUISITION OR REORG INVEST BANKING FEES 25 CURR YR ACQUISITION/REORG OTHER COSTS 26 AMORTIZATION/IMPAIRMENT OF GOODWILL 27 AMORT OF ACQUISITION, REORG AND START-UP COSTS OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS 28 SECTION 198 ENVIRONMENTAL REMEDIATION COSTS 29 30 DEPLETION 31 DEPRECIATION 24,646,032

32 BAD DEBT EXPENSE 33 CORPORATE OWNED LIFE INSURANCE PREMIUMS 34 PURCHASE VERSUS LEASE 35 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES

36 TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35) 139,507,542 COL B - TEMPORARY DIFFERENCE 1 U.S. CURRENT INCOME TAX EXPENSE 2 U.S. DEFERRED INCOME TAX EXPENSE 3 STATE AND LOCAL CURRENT INCOME TAX EXPENSE 4 STATE AND LOCAL DEFERRED INCOME TAX EXPENSE STATE AND LOCAL CURRENT INCOME TAX EXPENSE 5 FOREIGN CURRENT INCOME TAX EXPENSE 6 FOREIGN DEFERRED INCOME TAX EXPENSE 7 FOREIGN WITHHOLDING TAXES 8 INTEREST EXPENSE 542,839

STOCK OPTION EXPENSE 9 10 OTHER EQUITY-BASED COMPENSATION 11 MEALS AND ENTERTAINMENT FINES AND PENALTIES 12 13 JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS 14 EXCESS PARACHUTE PAYMENTS

Schedule K-1 Page 37 of 52

15	EXCESS SECTION 162(M) COMPENSATION	0
		-
	PENSION AND PROFIT SHARING	(7,162,989)
17		0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD	0
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	0
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30		0
	DEPRECIATION	2,682,696
	BAD DEBT EXPENSE	(23,198)
	CORPORATE OWNED LIFE INSURANCE PREMIUMS	(23,198)
	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	(7,283,774)
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	(11,244,426)
50		(22)221)220)
COL	C - PERMANENT DIFFERENCE	
1	U.S. CURRENT INCOME TAX EXPENSE	0
	U.S. DEFERRED INCOME TAX EXPENSE	0
	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
	FOREIGN CURRENT INCOME TAX EXPENSE	0
	FOREIGN DEFERRED INCOME TAX EXPENSE	ő
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	0
9	STOCK OPTION EXPENSE	0
		•
10		
11	MEALS AND ENTERTAINMENT	(173,400)
12	FINES AND PENALTIES	0
13	JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14		0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	1,621,825
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD	0
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	508,733
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
	DEPLETION	0
31	DEPRECIATION	0
10	DEFECTATION	0

32	BAD DEBT EXPENSE	0
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	5,048,782
		· · · ·
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	7,005,940
	D - DEDUCTION PER TAX RETURN	
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	20,752,169
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	3,840,455
12	FINES AND PENALTIES	0
13	JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162 (M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	3,722,300
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	687,262
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION	Ō
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	508,733
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
$24^{$	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	Ő
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	õ
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	Ő
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	ő
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	e O
31	DEPRECIATION	27,328,728
32	BAD DEBT EXPENSE	(23,198)
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	(23,198)
34	PURCHASE VERSUS LEASE	8
34	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	•
20	OTHER EAFENSE/DEDUCTION TIEMS WITH DIFFERENCES	78,452,607
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	135,269,056
50	TOTUT TUT TO TITO (TO TITO (TO TITO (TO TITO))	133,209,030

2007 FEDERAL FORM 1120 TAX RETURN 41-0462685

Otter Tail Corporation Year: 2007

SCHEDULE M-3 SUPPORTING SCHEDULES

STMT 19 - SCH M-3, PART II, LINE 25 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

COLUMN A:

COLUMN A: LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	
GROSS SALES	315,640,112
MISCELLANEOUS OTHER INCOME	8,102,431
TOTAL	323,742,543
COLUMN B: LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES GROSS SALES MISCELLANEOUS OTHER INCOME GAIN ON ADR, ACRS, MACRS PROPERTY TOTAL	(428,693) (118) (1,479,784) (1,908,595)
COLUMN C: LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES Fed Empowerment Zone Tax Credit	9,000
COLUMN D: TOTAL OF COLUMNS A, B AND C	321,842,948
STATEMENT 18 - SCH M-3, PART 1 OTHER EXPENSE/DEDUCTION ITEMS WIT	
COLUMN A: LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES SALARIES & WAGES MISCELLANEOUS REPAIRS FEDERAL INCOME TAXES STATE TAXES BASED ON INCOME EMPLOYEE BENEFIT PROGRAMS LOBBYING EXPENSE - NONDEDUCTIBLE SCHEDULE K-1 LOSS MISCELLANEOUS DEDUCTIONS	33,595,894 25,602,021 10,662,039 (740,561) 2,823,937 216,448 353,301 8,174,520

TOTAL 80,687,5	599
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41-0462685

Otter Tail Corporation Year: 2007

LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES OTHER EXPENSE/DED ITEMS WITH DIFFERENCES SALARIES & WAGES MISCELLANEOUS REPAIRS FEDERAL INCOME TAXES STATE TAXES BASED ON INCOME EMPLOYEE BENEFIT PROGRAMS CUSTOMER RELATED EXPENSES PROPERTY REMOVAL COSTS SCHEDULE K-1 LOSS R & D MISCELLANEOUS DEDUCTIONS CIP Expenses (recoverable) A&G (Book Expense; Tax Capitalize)	8,000 504,232 (10,512,101) 1,217,682 (2,368,783) (53,357) 3,949,203 34,131 1,618,709 1,038,664 (544,894) (2,175,260) (7,283,774)
COLUMN C: LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES EMPLOYEE BENEFIT PROGRAMS LOBBYING EXPENSE - NONDEDUCTIBLE MISCELLANEOUS DEDUCTIONS TOTAL	1,054,510 (216,448) 4,210,720 5,048,782

COLUMN D: TOTAL OF COLUMNS A, B AND C

78,452,607

Schedule M-3 (Form 1120) 2006			S P	chedule K-1 age 41 of 52 Page 2		
Name of corporation (common parent, if consolidated return) Otter Tail Corporation				ientification number		
Check applicable box(es): (1) Consolidated group (2) Parent	corp (3) Consolidate	d eliminations (4)	Subsidiary corp (5)	Mixed 1120/L/PC group		
	minations					
Name of subsidiary (if consolidated return)			Employer ic	Employer identification number		
Part II Reconciliation of Net Income (Loss)	nor Incomo Stat	amont of Includ	ible Corporatio	no With		
Taxable Income per Return (see instru			ible corporatio			
Income (Loss) Items Attach schedules for lines 1 through 8	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return		
Autor schedules for intes 1 through o		2	2			
1 Income (loss) from equity method foreign corporations	0	0	0			
2 Gross foreign dividends not previously taxed	0	0	0	0		
3 Subpart F, QEF, and similar income inclusions	L	0	0	0		
4 Section 78 gross-up		0	0	0		
5 Gross foreign distributions previously taxed	0	0	0			
6 Income (loss) from equity method U.S. corporations	0	0	0			
7 U.S. dividends not eliminated in tax consolidation	0	0	0	0		
8 Minority interest for includible corporations	0	0	0			
9 Income (loss) from U.S. partnerships (attach schedule)	0	0	0	0		
10 Income (loss) from foreign partnerships (attach schedule)	0	0	0	0		
1 Income (loss) from other pass-through entities						
(attach schedule)	0	0	0	0		
2 Items relating to reportable transactions (attach details)	0	0	0	0		
3 Interest income	10,072,784	0	-13,417	10,059,367		
4 Total accrual to cash adjustment	0	0	0	0		
15 Hedging transactions		0	0	0		
I6 Mark-to-market income (loss)	0	0	0	0		
7 Cost of goods sold (attach Form 8916-A)	0	0	0	0		
8 Sale versus lease (for sellers and/or lessors)	U	0	0	0		
9 Section 481(a) adjustments	0	0	0	0		
20 Unearned/deferred revenue	0	0	0	0		
21 Income recognition from long-term contracts	0	0	0	0		
2 Original issue discount and other imputed interest	0			V		
3a Income statement gain/loss on sale, exchange,						
abandonment, worthlessness, or other disposition of	2/9 552	-2/9 552	0			
assets other than inventory and pass-through entities	248,552	-248,552	Ū			
b Gross capital gains from Schedule D, excluding		248,552	0	248,552		
amounts from pass-through entities		248,552	0	240,332		
amounts from pass-through entities, abandonment						
losses, and worthless stock losses		0	0	0		
d Net gain/loss reported on Form 4797, line 17, excluding						
amounts from pass-through entities, abandonment						
losses, and worthless stock losses		0	0	0		
e Abandonment losses		0	0	0		
f Worthless stock losses (attach details)		0	0	0		
${f g}$ Other gain/loss on disposition of assets other than inventory $~$.		0	0	0		
24 Capital loss limitation and carryforward used		0	0	0		
5 Other income (loss) items with differences (attach schedule)	304,015,331	3,799,067	3,300,526	311,114,924 STMT		
26 Total Income (loss) Items. Combine lines 1 through 25	314,336,667	3,799,067	3,287,109	321,422,843		
7 Total expense/deduction items (from Part III, line 36)	-140,411,546	15,742,431	-5,261,941	-129,931,056		
8 Other items with no differences	- 150,754,084			-150,754,084		
29a 1120 subgroup reconciliation totals. Add lines 26 through 28	23,171,037	19,541,498	-1,974,832	40,737,703		
b PC insurance subgroup reconciliation totals	0	0	0	0		
c Life insurance subgroup reconciliation totals	0	0	0	0		
80 Reconciliation totals. Combine lines 29a through 29c	23,171,037	19,541,498	-1,974,832	40,737,703		

Schedule M-3 (Form 1120) 2006

Schedule K-1 Page 42 of 52

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Schedule M-3 (Form 1120) 2006		-		Page 3
Name of corporation (common parent, if consolidated r Otter Tail Corporation	eturn)		Employer Ide 41-0462685	entification number
Check applicable box(es): (1) Consolidated group (2)	Parent corp (3) Consolida	ated eliminations (4)	Subsidiary corp (5)	Mixed 1120/L/PC group
	20 eliminations		· · · · · · · · · · · ·	-
Name of subsidiary (if consolidated return)			Employer Ide	entification number
Part III Reconciliation of Net Income (Loss) per Income S	tatement of Incl	udible Corporat	ions With
Taxable Income per Return-Ex				
Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense	0	0	0	
2 U.S. deferred income tax expense		0	0	
3 State and local current income tax expense		0	0	0
4 State and local deferred income tax expense		0	0	
5 Foreign current income tax expense (other than				
foreign withholding taxes)	0	0	0	0
6 Foreign deferred income tax expense		0	0	
7 Foreign withholding taxes		0	0	0
8 Interest expense	19,761,884	534,247	0	20,296,131
9 Stock option expense	0	0	0	0
10 Other equity-based compensation	0	0	0	0
11 Meals and entertainment		0	-171,778	4,018,212
12 Fines and penalties	0	0	. 0	0
13 Judgments, damages, awards, and similar costs		0	0	0
14 Parachute payments		0	0	0
15 Compensation with section 162(m) limitation		0	0	0
16 Pension and profit-sharing		-5,583,017	1,656,552	6,193,850
17 Other post-retirement benefits	d •2	0	0	0
18 Deferred compensation		0	0	0
19 Charitable contribution of cash and tangible				
property	424,953	0	0	424,953
20 Charitable contribution of intangible property		0	0	0
21 Charitable contribution limitation/carryforward		0	0	0
22 Domestic production activities deduction		0	346,913	346,913
23 Current year acquisition or reorganization				3
investment banking fees	0	0	0	0
24 Current year acquisition or reorganization legal and				
accounting fees		0	0	0
25 Current year acquisition/reorganization other costs	0	0	0	0
26 Amortization/impairment of goodwill		0	0	0
27 Amortization of acquisition, reorganization, and	6 No			
start-up costs	0	0	0	0
28 Other amortization or impairment write-offs		0	0	0
29 Section 198 environmental remediation costs	0	0	0	0
30 Depletion	0	0	0	0
31 Depreciation	24,183,006	-1,751,773	0	22,431,233
32 Bad debt expense	771 717	64,705	0	796,422
33 Corporate owned life insurance premiums		0	0	0
34 Purchase versus lease (for purchasers and/or				
lessees)	0	0	0	0
35 Other expense/deduction items with differences				
(attach schedule) STATEMENT 19	80,999,681	-9,006,593	3,430,254	75,423,342
36 Total expense/deduction items. Combine lines 1				
through 35. Enter here and on Part II, line 27	140,411,546	-15,742,431	5,261,941	129,931,056

Schedule M-3 (Form 1120) 2006

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	* SCHEDULE M-3	*
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PART I	FINANCIAL INFO AND NET INCOME (LOSS) RECON	
4 WORI	LDWIDE CONSOL NET INC IDENTIFIED IN PT 1 LN 1	0
5A NET	INCOME FROM NONINCLUDIBLE FOREIGN ENTITIES	0
B NET	LOSS FROM NONINCLUDIBLE FOREIGN ENTITIES	0
6A NET	INCOME FROM NONINCLUDIBLE U.S. ENTITIES	0
B NET	LOSS FROM NONINCLUDIBLE U.S. ENTITIES	0
7A NET	INCOME FROM OTHER INCLUDIBLE ENTITIES	0
B NET	LOSS OF OTHER INCLUDIBLE ENTITIES	0
8 ADJ	TO ELIM TRANS BTWN INCLDBL & NONINCLDBL ENT	0
9 ADJ	TO RECON INCOME STMT YR TO TAX YR OF TAX RTN	0
10A INTE	ERCOMPANY DIV ADJ TO RECONCILE TO LINE 11	0
B OTH	ER STATUTORY ACCOUNTING ADJ TO RECON TO LN 11	0
C OTH	ER ADJ TO RECONCILE TO AMOUNT ON LINE 11	0
11 NET	INCOME PER INCOME STMT OF INCLUDIBLE CORPS	0

PART II RECON OF NET INCOME (LOSS) PER INCOME STMT OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN

COL A - INCOME (LOSS) PER INCOME STATEMENT	
1 INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2 GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
5 GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6 INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7 U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8 MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9 INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10 INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11 INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12 ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13 INTEREST INCOME	10,072,784
14 TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15 HEDGING TRANSACTIONS	0
16 MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17 COST OF GOODS SOLD	0
18 SALES VERSUS LEASE	0
20 UNEARNED/DEFERRED REVENUE	0
21 INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22 ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A INCOME STMT GAIN/LOSS ON SALES OTHER THAN	
INVENTORY AND FLOW THRU ENTITIES	248,552
25 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	304,015,331
26 TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 26	314,336,667
27 TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(140,411,546)
28 OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF _	(150,754,084)
29A 1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28 _	23,171,037

30 RECONCILIATION TOTALS. ADD LINES 29A THRU 29C 23,171,037

41-0462685

1 2 3 4 5	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS SECTION 78 GROSS-UP GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0 0 0 0 0
6 7 8 9 10 11 12	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL MINORITY INTEREST FOR INCLUDIBLE CORPS INCOME (LOSS) FROM U.S. PARTNERSHIPS INCOME (LOSS) FROM FGN PARTNERSHIPS INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES ITEMS RELATING TO REPORTABLE TRANSACTIONS	0 0 0 0 0 0 0
13 14 15 16 17 18	INTEREST INCOME TOTAL ACCRUAL TO CASH ADJUSTMENT HEDGING TRANSACTIONS MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY COST OF GOODS SOLD SALES VERSUS LEASE	0 0 0 0 0 0
20 21 22	SECTION 481(A) ADJUSTMENTS UNEARNED/DEFERRED REVENUE INCOME RECOGNITION FROM LONG-TERM CONTRACTS ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES	0 0 0 (248,552)
C D F	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU GAIN/LOSS REPORTED ON FORM 4797 LINE 17, EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK ABANDONMENT LOSSES WORTHLESS STOCK LOSSES OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER THAN INVENTORY	248,552 0 0 0 0 0
24 25	CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0 0 3,799,067
26 27	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25 TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	3,799,067 15,742,431
29A	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	19,541,498
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	19,541,498
1 2 3 4 5 6 7 8 9	SECTION 78 GROSS-UP	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0

Schedule K-1 Page 46 of 52

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3,300,526

3,287,109

(5, 261, 941)

(1,974,832)

Otter Tail Corporation Year: 2006

INTEREST INCOME

17 COST OF GOODS SOLD

18 SALES VERSUS LEASE

15 HEDGING TRANSACTIONS

13

19

22

(13, 417)14 TOTAL ACCRUAL TO CASH ADJUSTMENT 16 MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY SECTION 481(A) ADJUSTMENTS 20 UNEARNED/DEFERRED REVENUE 21 INCOME RECOGNITION FROM LONG-TERM CONTRACTS ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT 23A INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES B GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU

C GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D GAIN/LOSS REPORTED ON FORM 4797, LINE 17	
EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E ABANDONMENT LOSSES	0
F WORTHLESS STOCK LOSSES	0
G OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER	

- THAN INVENTORY
- 24 CAPITAL LOSS LIMITATION AND CARRYFORWARD USED 25 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25 26 TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36 27
- 29A 1120 SUBGROUP RECON TOTAL. ADD LINES 26 THRU 28 (1,974,832) RECONCILIATION TOTALS. ADD LINES 29A THRU 29C 30
- COL D INCOME (LOSS) PER TAX RETURN 2 GROSS FGN DIVIDENDS NOT PREVIOUS TAXED 0 3 SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS 0 SECTION 78 GROSS-UP 0 4 7 U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL 0 INCOME (LOSS) FROM U.S. PARTNERSHIPS 0 9 INCOME (LOSS) FROM FGN PARTNERSHIPS 0 10 INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES 11 0 ITEMS RELATING TO REPORTABLE TRANSACTIONS 12 0 10,059,367 INTEREST INCOME 13 14 TOTAL ACCRUAL TO CASH ADJUSTMENT 0 15 0 HEDGING TRANSACTIONS 16 MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY 0 COST OF GOODS SOLD 17 0 18 SALES VERSUS LEASE 0 19 SECTION 481(A) ADJUSTMENTS 0 20 UNEARNED/DEFERRED REVENUE 0 21 INCOME RECOGNITION FROM LONG-TERM CONTRACTS 0 22 ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT 0 23B GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU 248,552 C GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU 0 D GAIN/LOSS REPORTED ON FORM 4797, LINE 17 EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK 0 E ABANDONMENT LOSSES 0 0
 - F WORTHLESS STOCK LOSSES
 - G OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER

41-0462685

Otter Tail Corporation Year: 2006

THAN INVENTORY 24 CAPITAL LOSS LIMITATION AND CARRYFORWARD USED 25 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	0 0 311,114,924
26 TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25 27 TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36 28 OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	321,422,843 (129,931,056) (150,754,084)
29A 1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	
30 RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	40,737,703

2006 FEDERAL FORM 1120 TAX RETURN

Schedule K-1 Page 48 of 52

41-0462685

Otter Tail Corporation Year: 2006

PART III RECON OF NET INCOME (LOSS) PER INCOME STMT OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN - EXPENSE/DEDUCTION ITEMS

COL A - EXPENSE PER INCOME STATEMENT 1 U.S. CURRENT INCOME TAX EXPENSE 0 2 U.S. DEFERRED INCOME TAX EXPENSE 0 3 STATE AND LOCAL CURRENT INCOME TAX EXPENSE 0 4 STATE AND LOCAL DEFERRED INCOME TAX EXPENSE 0 5 FOREIGN CURRENT INCOME TAX EXPENSE 0 FOREIGN DEFERRED INCOME TAX EXPENSE 6 0 7 FOREIGN WITHHOLDING TAXES 0 8 INTEREST EXPENSE 19,761,884 9 STOCK OPTION EXPENSE 0 10 OTHER EQUITY-BASED COMPENSATION 0 11 MEALS AND ENTERTAINMENT 4,189,990 12 FINES AND PENALTIES 0 13 PUNITIVE DAMAGES 0 14 EXCESS PARACHUTE PAYMENTS 0 15 EXCESS SECTION 162 (M) COMPENSATION 0 PENSION AND PROFIT SHARING 16 10,120,315 17 OTHER POST-RETIREMENT BENEFITS 0 18 DEFERRED COMPENSATION 0 19 CHARITABLE CONTRIBUTION OF CASH AND TANG PROP 424,953 20 CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY 0 23 CURR YR ACQUISITION OR REORG INVEST BANKING FEES 0 24 CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES 0 25 CURR YR ACQUISITION/REORG OTHER COSTS 0 AMORTIZATION/IMPAIRMENT OF GOODWILL 26 0 27 AMORT OF ACQUISITION, REORG AND START-UP COSTS 0 OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS 28 0 29 SECTION 198 ENVIRONMENTAL REMEDIATION COSTS 0 30 DEPLETION 0 31 DEPRECIATION 24,183,006 32 BAD DEBT EXPENSE 731,717 33 CORPORATE OWNED LIFE INSURANCE PREMIUMS 0 34 PURCHASE VERSUS LEASE 0 35 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES 80,999,681 TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35) 36 140,411,546 COL B - TEMPORARY DIFFERENCE 1 U.S. CURRENT INCOME TAX EXPENSE 0 U.S. DEFERRED INCOME TAX EXPENSE 2 0 STATE AND LOCAL CURRENT INCOME TAX EXPENSE 3 0 STATE AND LOCAL DEFERRED INCOME TAX EXPENSE 4 0 FOREIGN CURRENT INCOME TAX EXPENSE 5 0 FOREIGN DEFERRED INCOME TAX EXPENSE 0 6 7 FOREIGN WITHHOLDING TAXES 0 8 INTEREST EXPENSE 534,247 9 STOCK OPTION EXPENSE 0 10 OTHER EQUITY-BASED COMPENSATION 0 11 MEALS AND ENTERTAINMENT 0 12 FINES AND PENALTIES 0 13 PUNITIVE DAMAGES 0 14 EXCESS PARACHUTE PAYMENTS 0

Schedule K-1 Page 49 of 52

41-0462685

15 EXCESS SECTION 162 (M) COMPENSATION 0 16 ENSION AND PROFIT SHARING (5,583,017) 17 OTHER POST-RETIREMENT BENEFITS 0 19 CHARITABLE CONTRIBUTION OF CASH AND TAME PROP 0 19 CHARITABLE CONTRIBUTION OF CASH AND TAME PROP 0 20 CHARITABLE CONTRIBUTION OF CASH AND TAME PROP 0 21 CHARITABLE CONTRIBUTION OR CRORG INVEST BANKING FRES 0 22 DOMESTIC FROUCTION ACTIVITIES DEDUCTION 0 23 CURR VR ACQUISITION RECORG INVEST BANKING FRES 0 24 CURR VR ACQUISITION, RECORG INVEST BANKING FRES 0 25 CURR VR ACQUISITION, RECORG INVEST BANKING FRES 0 26 CARONIZATION OR INPAINMENT WRITE-OFFS 0 27 SCRITON (1,751,773) 28 DEPLETION 0 37 ORDERATE ONNED LIFE INSURANCE PREMIUMS (4,705 38 CORPORATE ONNED LIFE INSURANCE PREMIUMS (1,5,742,431) 39 OTHER EXPENSE LEASE 0 30 DEFLETION TEMS KIND MARENESE 0			
17 OTHER POST-RETIREMENT BENEFTS 0 19 DEFERENC COMPENSATION 0 19 CHARITABLE CONTRIBUTION OF CASH AND TANG PROPERTY 0 20 CHARITABLE CONTRIBUTION N LIMITATION/CARRYPORMARD 0 21 CHARITABLE CONTRIBUTION ACTIVITIES DEDUCTION 0 22 DOMESTIC PRODUCTION ACTIVITIES DEDUCTION 0 23 CURR YR ACQUISITION OR REORG INER COSTS 0 24 CURR YR ACQUISITION, REORG AND START-UP COSTS 0 26 CURR YR ACQUISITION, REORG AND START-UP COSTS 0 26 OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS 0 31 DEFRECIATION (1,751,773) 32 CORORATE ONNED LIFE INSURANCE PREMIUMS 0 33 CORORATE ONNED LIFE INSURANCE PREMIUMS 0 34 DEFRECIATION (1,751,773) 35 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES (9,006,593) 36 TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35) (15,742,431) CCL C - PERMANENT DIFFERENCE 0 0 1 U.S. DEFERENCE DINCOME TAX EXPENSE 0 2 U.S. DEFERENCE DINCOME TAX EXPENSE	15	EXCESS SECTION 162(M) COMPENSATION	0
18 DEFERRED COMPENSATION 0 10 CHARITABLE CONTRIBUTION OF CASH AND TANG PROP 0 21 CHARITABLE CONTRIBUTION OF CASH AND TANG PROPERTY 0 21 CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY 0 21 CHARITABLE CONTRIBUTION A CRIVITIES DEDUCTION 0 22 DOMESTIC PRODUCTION ACTIVITIES DEDUCTION 0 23 CURR YR ACQUISITION OR REORG LEGAL & ACCTM FEES 0 24 CURR YR ACQUISITION, REORG AND START-UP COSTS 0 26 OTHER MORTIZATION OR INDRINMENTAL REMEDIATION COSTS 0 20 DEPLETION 0 0 30 DEPLETION 0 0 31 DEPRECIATION (1,751,773) 2 32 CORORATE ONNED LIFE INSURANCE PREMIUMS 0 0 34 PURCHASE VERSUS LEASE 0 0 35 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES (9,006,593) 36 TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35) (15,742,431) 35 STATE AND LOCAL CURRENT INCOME TAX EXPENSE 0 0 3 STATE AND LOCAL CURRENT INCOME TAX EXPENSE 0 <td>16</td> <td>PENSION AND PROFIT SHARING</td> <td>(5,583,017)</td>	16	PENSION AND PROFIT SHARING	(5,583,017)
19 CHARITABLE CONTRIBUTION OF CASH AND TANG PROP 0 20 CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD 0 21 CHARITABLE CONTRIBUTION ACTIVITIES DEDUCTION 0 22 DOMESTIC PRODUCTION ACTIVITIES DEDUCTION 0 24 CURR YR ACQUISITION REROR DEBUG A ACCTNG FEES 0 24 CURR YR ACQUISITION REROR OTHER COSTS 0 26 AMORTIZATION/IMPAIRMENT OF GOODWILL 0 27 AMORTIZATION OR REORG ATDE START-UP COSTS 0 28 OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS 0 30 DEPLETION (1,751,773) 31 DEPRECIATION (1,751,773) 32 BAD DEPT EXPENSE 0 33 CORPORATE OWNED LIFE INSURANCE PREMIUMS 0 34 PURCHASE VERSUS LEASE 0 35 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES (9,006,553) 36 TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35) (15,742,431) 35 STATE AND LOCAL CURRENT INCOME TAX EXPENSE 0 4 STATE AND LOCAL CURRENT INCOME TAX EXPENSE 0 5 FOREIGN DEPERENED INCOME TAX EXPENSE	17	OTHER POST-RETIREMENT BENEFITS	0
20 CHARTTABLE CONTRIBUTION OF INTANGIBLE PROPERTY 0 21 CHARTTABLE CONTRIBUTION A ACTIVITIES DEDUCTION 0 22 DOMESTIC PRODUCTION ACTIVITIES DEDUCTION 0 23 CURR YR ACQUISITION OR REORG INVEST BANKING FEES 0 24 CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES 0 25 CURR YR ACQUISITION, REORG AND START-UP COSTS 0 26 OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS 0 27 AMORT OF ACQUISITION, REORG AND START-UP COSTS 0 28 SECTION 198 ENVIRONMENTAL REMEDIATION COSTS 0 31 DEFRECIATION 0 0 32 CORPORATE OWNED LIFE INSURANCE PREMIUMS 0 0 34 PURCHASE VERSUS LEASE 0 0 35 OTTAL EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES (9,006,593) 36 TOTAL EXPENSE/DEDUCTION ITEMS WITH DIFFERENCE 0 3 STATE AND LOCAL CURRENT INCOME TAX EXPENSE 0 4 STATE AND LOCAL CURRENT INCOME TAX EXPENSE 0 5 FOREIGN UEFERENED INCOME TAX EXPENSE 0 6 FOREIGN UEFERENED INCOME TAX EXPENSE 0	18	DEFERRED COMPENSATION	0
21 CHARTTABLE CONTRIBUTION LIMITATION/CARRYFORWARD 0 22 DOMESTIC PRODUCTION ACTIVITIES DEDUCTION 0 23 CURR YR ACQUISITION OR REORG INVEST BANKING FEES 0 24 CURR YR ACQUISITION OR REORG INVEST BANKING FEES 0 24 CURR YR ACQUISITION/ROR OTHER COSTS 0 26 AMORTIZATION/IMPAIRMENT OF GOODWILL 0 27 AMORTIZATION OR IMPAIRMENT WRITE-OFFS 0 28 SCTION 198 ENVIRONMENTAL REMEDIATION COSTS 0 30 DEPLETION 0 31 DEPRECIATION (1,751,773) 32 CORPORATE OWNED LIFE INSURANCE PREMIUMS 0 31 DEBT EXPENSE 0 32 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES (9,006,593) 33 OTHER EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35) (15,742,431) COL C - PERMANENT DIFFERENCE 0 0 1 U.S. CURRENT INCOME TAX EXPENSE 0 3 STATE AND LOCAL DEFFERENCE 0 1 U.S. CURRENT INCOME TAX EXPENSE 0 4 STATE AND LOCAL DEFFERENCE 0 5 FOR	19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
21 CHARTTABLE CONTRIBUTION LIMITATION/CARRYFORWARD 0 21 DOMBSTIC PRODUCTION ACTIVITIES DEDUCTION 0 23 CURR YR ACQUISITION OR REORG INVEST BANKING FEES 0 24 CURR YR ACQUISITION OR REORG INVEST BANKING FEES 0 26 CURR YR ACQUISITION/ROR OTHER COSTS 0 26 AMORTIZATION/IMPAIRMENT OF GOODWILL 0 27 AMORTIZATION OR IMPAIRMENT WRITE-OFFS 0 28 OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS 0 30 DEPLETION 0 0 31 DEPRECION 0 0 32 CORPORATE OWNED LIFE INSURANCE PREMIUMS 0 41 DEPRECIDENCE 0 0 33 CORPORATE ONNED LIFE INSURANCE PREMIUMS 0 0 34 TOTAL EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES 0 0 35 OTHER EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35) (15,742,431) COL C - PERMANENT DIFFERENCE 0 0 4 U.S. CURRENT INCOME TAX EXPENSE 0 5 TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35) (15,742,431) COL C - PER	20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
22 DOMESTIC PRODUCTION ACTIVITIES DEDUCTION 0 23 CURR YR ACQUISITION OR REORG INUSST BANKING FEES 0 24 CURR YR ACQUISITION OR REORG INUSST BANKING FEES 0 25 CURR YR ACQUISITION, REORG AND START-UP COSTS 0 26 OTHER AMORTIZATION/IMPAIRMENT OF GOODWILL 0 27 AMORT OF ACQUISITION, REORG AND START-UP COSTS 0 28 OTHER AMORTIZATION OR IMPAINMENT WRITE-OFFS 0 29 SECTION 198 ENVINONMENTAL REMEDIATION COSTS 0 30 DEPLETION 0 31 DEPRECIATION 0 32 SCORPORATE OWNED LIFE INSURANCE PREMIUMS 0 34 PURCHASE VERSUS LEASE 0 35 OTHAL EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES (9,006,593) 36 TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35) (15,742,431) COL C - PERMANENT DIFFERENCE 0 0 1 U.S. CURRENT INCOME TAX EXPENSE 0 2 U.S. DEFERRED INCOME TAX EXPENSE 0 3 STATE AND LOCAL DERFERED INCOME TAX EXPENSE 0 4 STATE AND LOCAL DEFERRED INCOME TAX EXPENSE <td< td=""><td>21</td><td>CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD</td><td></td></td<>	21	CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD	
23 CURR YE ACQUISITION OR REDGE INVEST BANKING FEES 0 24 CURR YE ACQUISITION OR REDGE LEGAL & ACCTNG FEES 0 26 CURR YE ACQUISITION REDGE OTHER COSTS 0 26 AMORTIZATION/IMPARAMENT OF GOODWILL 0 27 AMORTIZATION INFARMENT FOR GOND START-UP COSTS 0 28 OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS 0 30 DEFLETION 0 31 DEFRECIATION 0 32 CORPORATE ONNED LIFE INSURANCE PREMIUMS 0 33 CORPORATE ONNED LIFE INSURANCE PREMIUMS 0 34 TOTAL EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES (9,006,593) 35 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES (9,006,593) 36 TOTAL EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES 0 35 OTHER EXPENSE/DEDUCTION ITEMS KENENSE 0 4 U.S. CURRENT INCOME TAX EXPENSE 0 5 STATE AND LOCAL DEFERENCE INCOME TAX EXPENSE 0 6 STATE AND LOCAL DEFERENCE INCOME TAX EXPENSE 0 6 FOREIGN WITHHOLDING TAXES 0 0 6 FOREIGN WITHHOLDING TAXES			
24 CURR YE ACQUISITION OR REDER LEGAL & ACCTNG FEES 0 25 CURR YE ACQUISITION/REORG OTHER COSTS 0 26 AMORTIZATION/IMPAIRMENT OF GOODWILL 0 27 AMORTIZATION NEORG AND START-UP COSTS 0 28 OTHER AMORTIZATION ON IMPAIRMENT WRITE-OFFS 0 29 SECTION 198 ENVIRONMENTAL REMEDIATION COSTS 0 20 DEPLETION 0 31 DEPRECIATION (1,751,773) 32 BAD DEBT EXPENSE 64,705 33 CORPORATE ONNED LIFE INSURANCE PREMIUMS 0 34 PURCHASE VERSUS LEASE 0 35 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES (9,006,593) 36 TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35) (15,742,431) COL C - PERMANENT DIFFERENCE 0 0 36 TOTAL EXPENSE/DEDUCTION ITEMS KEYENSE 0 37 STATE AND LOCAL CURENT INCOME TAX EXPENSE 0 38 STATE AND LOCAL CURENT INCOME TAX EXPENSE 0 4 STATE AND LOCAL CURENT INCOME TAX EXPENSE 0 5 FOREION DEFERENCE INCOME TAX EXPENSE 0			
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13PUNITIVE DAMAGES014EXCESS PARACHUTE PAYMENTS015EXCESS SECTION 162 (M) COMPENSATION016PENSION AND PROFIT SHARING1,656,55217OTHER POST-RETIREMENT BENEFITS018DEFERRED COMPENSATION019CHARITABLE CONTRIBUTION OF CASH AND TANG PROP020CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY021CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD022DOMESTIC PRODUCTION ACTIVITIES DEDUCTION346,91323CURR YR ACQUISITION OR REORG INVEST BANKING FEES024CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES025CURR YR ACQUISITION/REORG OTHER COSTS026AMORTIZATION/IMPAIRMENT OF GOODWILL027AMORT OF ACQUISITION, REORG AND START-UP COSTS028OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS029SECTION 198 ENVIRONMENTAL REMEDIATION COSTS030DEPLETION0			
14EXCESS PARACHUTE PAYMENTS015EXCESS SECTION 162 (M) COMPENSATION016PENSION AND PROFIT SHARING1,656,55217OTHER POST-RETIREMENT BENEFITS018DEFERRED COMPENSATION019CHARITABLE CONTRIBUTION OF CASH AND TANG PROP020CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY021CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD022DOMESTIC PRODUCTION ACTIVITIES DEDUCTION346,91323CURR YR ACQUISITION OR REORG INVEST BANKING FEES024CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES025CURR YR ACQUISITION/REORG OTHER COSTS026AMORTIZATION/IMPAIRMENT OF GOODWILL027AMORT OF ACQUISITION, REORG AND START-UP COSTS028OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS029SECTION 198 ENVIRONMENTAL REMEDIATION COSTS030DEPLETION0			
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16PENSION AND PROFIT SHARING1,656,55217OTHER POST-RETIREMENT BENEFITS018DEFERRED COMPENSATION019CHARITABLE CONTRIBUTION OF CASH AND TANG PROP020CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY021CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD022DOMESTIC PRODUCTION ACTIVITIES DEDUCTION346,91323CURR YR ACQUISITION OR REORG INVEST BANKING FEES024CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES025CURR YR ACQUISITION/REORG OTHER COSTS026AMORTIZATION/IMPAIRMENT OF GOODWILL027AMORT OF ACQUISITION, REORG AND START-UP COSTS028OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS029SECTION 198 ENVIRONMENTAL REMEDIATION COSTS030DEPLETION0			
17OTHER POST-RETIREMENT BENEFITS018DEFERRED COMPENSATION019CHARITABLE CONTRIBUTION OF CASH AND TANG PROP020CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY021CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD022DOMESTIC PRODUCTION ACTIVITIES DEDUCTION346,91323CURR YR ACQUISITION OR REORG INVEST BANKING FEES024CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES025CURR YR ACQUISITION/REORG OTHER COSTS026AMORTIZATION/IMPAIRMENT OF GOODWILL027AMORT OF ACQUISITION, REORG AND START-UP COSTS028OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS029SECTION 198 ENVIRONMENTAL REMEDIATION COSTS030DEPLETION0			-
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19CHARITABLE CONTRIBUTION OF CASH AND TANG PROP020CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY021CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD022DOMESTIC PRODUCTION ACTIVITIES DEDUCTION346,91323CURR YR ACQUISITION OR REORG INVEST BANKING FEES024CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES025CURR YR ACQUISITION/REORG OTHER COSTS026AMORTIZATION/IMPAIRMENT OF GOODWILL027AMORT OF ACQUISITION, REORG AND START-UP COSTS028OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS029SECTION 198 ENVIRONMENTAL REMEDIATION COSTS030DEPLETION0			
20CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY021CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD022DOMESTIC PRODUCTION ACTIVITIES DEDUCTION346,91323CURR YR ACQUISITION OR REORG INVEST BANKING FEES024CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES025CURR YR ACQUISITION/REORG OTHER COSTS026AMORTIZATION/IMPAIRMENT OF GOODWILL027AMORT OF ACQUISITION, REORG AND START-UP COSTS028OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS029SECTION 198ENVIRONMENTAL REMEDIATION COSTS030DEPLETION0			-
21CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD022DOMESTIC PRODUCTION ACTIVITIES DEDUCTION346,91323CURR YR ACQUISITION OR REORG INVEST BANKING FEES024CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES025CURR YR ACQUISITION/REORG OTHER COSTS026AMORTIZATION/IMPAIRMENT OF GOODWILL027AMORT OF ACQUISITION, REORG AND START-UP COSTS028OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS029SECTION 198 ENVIRONMENTAL REMEDIATION COSTS030DEPLETION0			· · · · · · · · · · · · · · · · · · ·
22DOMESTIC PRODUCTION ACTIVITIES DEDUCTION346,91323CURR YR ACQUISITION OR REORG INVEST BANKING FEES024CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES025CURR YR ACQUISITION/REORG OTHER COSTS026AMORTIZATION/IMPAIRMENT OF GOODWILL027AMORT OF ACQUISITION, REORG AND START-UP COSTS028OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS029SECTION 198ENVIRONMENTAL REMEDIATION COSTS030DEPLETION0			_
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25CURR YR ACQUISITION/REORG OTHER COSTS026AMORTIZATION/IMPAIRMENT OF GOODWILL027AMORT OF ACQUISITION, REORG AND START-UP COSTS028OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS029SECTION 198ENVIRONMENTAL REMEDIATION COSTS030DEPLETION0			
26AMORTIZATION/IMPAIRMENT OF GOODWILL027AMORT OF ACQUISITION, REORG AND START-UP COSTS028OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS029SECTION 198ENVIRONMENTAL REMEDIATION COSTS030DEPLETION0			_
27AMORT OF ACQUISITION, REORG AND START-UP COSTS028OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS029SECTION 198ENVIRONMENTAL REMEDIATION COSTS030DEPLETION0			•
28OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS029SECTION 198ENVIRONMENTAL REMEDIATION COSTS030DEPLETION0		•	
29SECTION 198ENVIRONMENTAL REMEDIATION COSTS030DEPLETION0			
30 DEPLETION 0			
SI DEPRECIATION ()			
	⊥د	DEPRECIATION	0

32 33	BAD DEBT EXPENSE CORPORATE OWNED LIFE INSURANCE PREMIUMS	0 0
34 35	PURCHASE VERSUS LEASE OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	0 3,430,254
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	5,261,941
COL	D - DEDUCTION PER TAX RETURN	
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	20,296,131
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	4,018,212
12	FINES AND PENALTIES	0
13	PUNITIVE DAMAGES	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162 (M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	6,193,850
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	424,953
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21 22	CHARITABLE CONTRIBUTION LIMITATION	0
22 23	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION CURR YR ACQUISITION OR REORG INVEST BANKING FEES	346,913
23 24	CURR IR ACQUISITION OR REORG INVEST BANKING FEES	0 0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCING FEES	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	22,431,233
32	BAD DEBT EXPENSE	796,422
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	, 0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	75,423,342
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	129,931,056

2006 FEDERAL FORM 1120 TAX RETURN 41-0462685

Otter Tail Corporation Year: 2006

SCHEDULE M-3 SUPPORTING SCHEDULES

STMT 16 - SCH M-3, PART II, LINE 25 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

COLUMN A.

COLUMN A:	
LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES GROSS SALES	
MISCELLANEOUS OTHER INCOME	298,484,435 5,530,896
TOTAL	304,015,331
COLUMN B:	
LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	0 510 064
GROSS SALES MISCELLANEOUS OTHER INCOME	2,712,264 (118)
GAIN ON ADR, ACRS, MACRS PROPERTY	1,086,921
	, , , , , , , , , , , , , , , , ,
TOTAL	3,799,067
COLUMN C:	
LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES MISCELLANEOUS OTHER INCOME	3,291,526
Fed Empowerment Zone Tax Credit	9,000
TOTAL	3,300,526
COLUMN D:	
TOTAL OF COLUMNS A, B AND C	311,114,924
STATEMENT 19 - SCH M-3, PART I OTHER EXPENSE/DEDUCTION ITEMS WITH	
OTHER EXPENSE/DEDUCTION TIEMS WITH	DIFFERENCES
COLUMN A: LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES	
SALARIES & WAGES	29,513,617
MISCELLANEOUS REPAIRS	25,947,301
FEDERAL INCOME TAXES	9,350,950
STATE TAXES BASED ON INCOME	2,498,454
EMPLOYEE BENEFIT PROGRAMS	6,479,976
LOBBYING EXPENSE - NONDEDUCTIBLE	93,397
SCHEDULE K-1 LOSS	728,319
INSURANCE	1,961,648
MISCELLANEOUS DEDUCTIONS	4,426,019

80,999,681

41-0462685

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COLUMN B:

LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES OTHER EXPENSE/DED ITEMS WITH DIFFERENCES SALARIES & WAGES	(48,000)
MISCELLANEOUS REPAIRS	810,043
FEDERAL INCOME TAXES	(9,350,951)
STATE TAXES BASED ON INCOME	(540,636)
EMPLOYEE BENEFIT PROGRAMS	(2,944,319)
CUSTOMER RELATED EXPENSES	(71,161)
PROPERTY REMOVAL COSTS	1,355,936
SCHEDULE K-1 LOSS	(309,534)
R & D	· · ·
INSURANCE	3,584,172
	783,800
MISCELLANEOUS DEDUCTIONS	(148,422)
CIP Expenses (recoverable)	(28,052)
A&G (Book Expense; Tax Capitalize)	(2,099,469)
TOTAL	(9,006,593)
COLUMN C:	
LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES	
EMPLOYEE BENEFIT PROGRAMS	1,318,892
LOBBYING EXPENSE - NONDEDUCTIBLE	(93,397)
MISCELLANEOUS DEDUCTIONS	2,204,759
TOTAL	3,430,254
	i
COLUMN D:	
TOTAL OF COLUMNS A, B AND C	75,423,342

Otter Tail Power Company Difference Between Book and Tax Depreciation Year Ended December 31, 2009

	(A)	(B)
Line No.	Description	Total Company
1	Tax Depreciation on a straight-line basis	\$113,742,097
2	Book Depreciation	35,398,291
3 4	Difference between Tax Depreciation on a straight-line basis and Book Depreciation	\$78,343,806
5 6 7 8 9 10 11	Tax Depreciation, as calculated by method MACRS 5 to 20-year Property Buildings - SL - All Vintages Intangibles ACRS (1981-1986) Property ADR (1971-1980) Property DCB (1964-1970) Property	\$129,875,200 556,627 692,582 35,172 832 2,179
12	Total Tax Depreciation, as calculated *	\$131,162,592
13	Tax Depreciation on a straight-line basis	\$113,742,097
14 15	Excess of Tax Depreciation, as calculated over Tax Depreciation on a straight-line basis	\$17,420,495

Notes:

(1) These amounts are per the 2009 tax accrual for Above-the-Line activity.

(2) The Source for book and tax depreciation is effective tax rate calculations for 2009.

* Adjustment of Bonus Depreciation shown on Year End Accrual 2009 not reflected here as considered in the net 481(a) Cap to Repair Adjustment.

Otter Tail Power Company Consolidated Federal Income Tax Liability Tax Year 2009 Per Tax Return

[Trade Secret Data Begins

Linade Se	(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Company Name	Taxable Income or (Loss)	Tax Rate	Income Tax Before Tax Credits	Tax Credits (R&D Wind; Low Inc. Housing; Empowerment Zone)	Federal Income Tax Liability (per tax return)
1						
2 3						
4						
5						
6 7						
7						
8						
9						
10						
11 12						
12						
13						
15						
16						
17						
18						
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	Total	·		·		
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TRADE SECRET DATA ENDS]

Line No.	Description
1	Current income tax used in the cost of service is calculated on a stand-alone
2	basis. Effective tax rates are applied to regulatory operating income calculated
3	within the Jurisdictional Cost of Service Study (JCOSS), which includes
4	adjustments to items of income or expense based on prior Commission
5	Orders or settlement stipulations, if applicable. Depending on the
6	circumstances that apply in a given year, taxes calculated for regulatory
7	purposes in the JCOSS may be higher or lower than the actual taxes
8	calculated on a consolidated basis in the tax return for any number of
9	varying reasons. For example, items of income and expense considered
10	below-the-line for regulatory purposes contribute to the overall tax calculation
11	on the consolidated tax return. Ratepayers are not exposed to the risks
12	associated with below-the-line revenue and expense activity and thus
13	shouldn't be exposed to the taxes associated with that same activity. In
14	addition, timing differences that arise, such as book versus tax depreciation
15	expense, off-set increases or decreases in current tax expense by a
16	corresponding decrease or increase in deferred tax expense. Deferred taxes
17	are calculated for book/regulatory purposes only and are not part of the
18	consolidated tax return. Deferred tax calculations are included in order to
19	recognize the fact that at some future point in time book/regulatory will incur the
20	same tax expense/liability as calculated in the tax return.
21	
22	For the Test Year, tax expense calculated for regulatory purposes in the
23	JCOSS is higher than the taxes calculated in the consolidated tax return
24	due to a net operating loss that was incurred and its impact on deferred taxes.
25	A full discussion of the cause for OTP's net operating losses, which are the
26	result of favorable federal depreciation rates for wind investments, is provided in
27	the direct testimony of Mr. Peter J. Beithon at pages 37 - 39. In addition, OTP
28	and OTC have entered into a tax sharing agreement that prevents any cross
29	prevents any cross subsidization of OTP and OTC taxes.

Line No.	Description
1	This schedule is not applicable, as no state income taxes are claimed for South Dakota