
TAX AND STRUCTURING ANALYSIS REPORT

Sample Business

Somewhere, USA



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Sample Business

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Table of Contents

TABLE OF CONTENTS	Page No.
PURPOSE	i
DISCLAIMER	ii
ABOUT WALKER ADVISORY ASSOCIATES	iii
HOW TO REVIEW THIS REPORT	iv
BUSINESS INFORMATION.....	1
SCENARIO NARRATIVES.....	2
Scenario # 1	3
Scenario # 1	4
Scenario # 2.....	6
Scenario # 3.....	8
Scenario Recap	10
GENERAL INFORMATION APPLICABLE TO TRANSACTIONS.....	11
CURRENT ASSETS	11
Cash and Cash Equivalents.....	11
Accounts Receivable	11
Inventory	12
Work In Progress	13
TANGIBLE ASSETS.....	14
Personal Property.....	14
Real Property.....	15
INTANGIBLE ASSETS	17
Goodwill	17
Going Concern Value	17
Workforce In Place.....	17
Information Base.....	18
Know-How	18
Customer-Based Intangibles.....	18
Supplier-Based Intangibles	19
Licenses, Permits, and Other Rights Granted By Governmental Units	19
Covenants Not To Compete.....	19

Franchises, Trademarks, and Trade Names.....	20
Contracts For Use Of, and Term Interests In, Other Code Section 197 Intangibles.....	21
OTHER ITEMS AND TERMS	23
Depreciation Recapture	23
Earn-Out	23
Installment Sale.....	24
Like-Kind Exchange	24
SCENARIO SUPPORT SCHEDULES.....	25
Schedule Explanations.....	25
Support Schedules - Scenario # 1	27
Support Schedules - Scenario # 2	36
Support Schedules - Scenario # 3	45

Purpose

The purpose of this Tax and Structuring Analysis Report is to present three (3) or more structuring scenarios and related tax results associated with the presented scenario(s). This report is associated with the pending and or future divestiture opportunity of Sample Business "Business".

The management of Tax and Structuring Matters is a proactive process but many business owners approach this as a reactive process by putting these issues off until a potential Buyer is located or until a business closing is underway. This report will help the business's owner(s) take a proactive approach to managing the Tax and Structuring Matters associated with the pending or future divestiture of the Business.

Understanding the level of net funds which will remain after applicable debt payments, transaction expenses and tax is critical and an essential knowledge component necessary to effectively negotiate a transaction.

In a transaction, the Seller and Buyer really have similar tax objectives. The Seller desires to maximize after-sale tax proceeds while the Buyer desires to maximize operational cash flow. Tax deductions impact both these areas which are influenced by the tax components of the structure used in the transaction.

Too often the Seller, Buyer and their respective advisors strive to WIN the tax game by trying to completely maximize all the tax benefits on one side of transaction. When negotiating a transaction the Seller and Buyer should not attempt to WIN the tax game but instead should work toward achieving some level of tax parity. Structuring design is what will help the Seller and Buyer achieve tax parity.

Seller and Buyer often overly focus on price when the true fact is the net results of a business transaction experienced by both Seller and Buyer is not driven by price alone but is driven by the transaction's overall structuring design.

This report will present the benefit the Business's Owner(s) will experience by integrating Tax and Structure related planning into a business divestiture.

Disclaimer

The scenarios presented in this report are not exhaustive and do not necessarily indicate the final structuring which may be most appropriate for a transaction associated with the Business. In fact, the final structuring for the Business will likely be some derivative of the options presented in this report supplemented with information uncovered during the course of Business's transaction.

The appropriate structure for the Business Transaction will be the structure which most effectively and efficiently achieves both Business's and Business Owner's goals.

A final analysis and associated tax calculation, based on the actual results of the Business's divestiture transaction, will need to occur to determine the true final net tax implication.

Tax rates used in the calculations contained in this report are based on current published information and ASSUMED rates for future periods. Any change in a future assumed rate or in a tax bracket will cause the calculations associated therewith to change.

The results presented in the various scenarios within this report represent what potentially can occur if all the data and variables used end up being the actual data and variables which occur over time. Because some of the assumed data and variables and the application thereof will change, this report should not be looked upon as an absolute nor as a solution for the replacement to using the services of a competent tax advisor but instead should be used solely as a planning tool and guide.

About Walker Advisory Associates

Walker Advisory Associates “WAA” is a small business advisory firm focused on providing Business Exit Planning and Transaction Support services to Small Business Entrepreneurs.

WAA supports Small Business Entrepreneurs throughout the country. Whether an Entrepreneur is a Current Business Owner or is in the process of Starting, Buying or Selling a business, he / she can benefit from the advisory services of an organization experienced in serving the unique needs of Business Entrepreneurs.

WAA’s flag ship and most sought after service is its Business Transaction Advisory Services. WAA works with Business Sellers, Business Buyers and their various advisors, such as Business Intermediaries, Accountants and Attorneys, to deal with the unique financial, tax, planning and procedural matters associated with Buying and Selling a business.

Buying or Selling a business is a very complex process. This is often one of the most significant financial events ever experienced for both the Buyer and Seller. Buyers often approach the process with a hope and desire of creating something better for their future while exposing themselves to a large investment and debt. Sellers want to capitalize on their years of hard work by receiving as much net after-tax cash as possible and also often see this as a way of securing their future.

As the size and/or complexity of a transaction increases, the need for creative and innovative structuring alternatives also increases. Structuring often requires balancing the buyer’s interest with those of co-investors, sellers, managers and lenders. There are a multitude of formats available for structuring business transactions. In fact, the net results of a business transaction experienced by both Seller and Buyer is not driven by price but is driven by the transaction’s overall structuring design.

WAA helps Entrepreneurs address these important matters and much more.

How To Review This Report

Consider the report to be broken into three (3) sections. Section 1 covers the title page through the end of the Structuring Scenario Narratives. Section 2 covers the General Information Applicable to Transactions. Section 3 covers Scenario Support Schedules.

Section 1 contains a narrative for each respective scenario. The structuring scenario narratives provide a written explanation of the results associated with each respective scenario. Each scenario narrative begins with a general explanation of the structuring contained in the scenario. The narrative then progresses forward to describe the scenario components to include transaction type, transaction price, funding, taxes and net to owner.

Section 2 provides information about Assets and other components associated with a transaction. This information will help you understand the taxation and impact these items will have on an Accrual and Cash Basis Seller.

Section 3 contains the support schedules for each scenario and provides the financial details associated with each scenario. The initial schedule for each scenario is the Transaction Activity Schedule. This schedule provides an overall recap of each respective scenario to include the presentation by year of revenue recognition, payment collections and tax liability. The other support schedules provide information such as, transaction gains, taxable proceeds, tax calculations, allocations, etc... A list and explanation of the various schedules is provided at the beginning of Section 3.

Just before the start of the scenario narratives in Section 1, there is a Net Proceed Analysis Comparison Schedule which provides on a single report the result totals from the separate net proceed analysis schedules provided for each in Section 3. This comparison will allow you to quickly gain an understanding of the estimated results associated with each scenario.

Although there are many ways to review the information contained in this report, here is a Suggested Report Review Sequence:

- 1) First, review the Support Schedule Explanations just before the scenario support schedules on Section 3. This will give you an understanding of what type of information is provided in the various support schedules.
- 2) Second, review the Net Proceed Analysis Comparison Schedule in Section 1 which is located just prior to the start of the Scenario Narratives. This will enable you to understand the estimated results anticipated to occur for each respective scenario.
- 3) Third, review the Net Proceed Analysis and Transaction Activity Schedule for each scenario in Section 3. By reviewing these individual schedules for each scenario you will gain an understanding of the detail by year which is summed up and totaled on the Comparison Schedule located in Section 1.
- 4) Fourth, read the narratives for each scenario.
- 5) Fifth, review the other support schedules for each scenario. With the Net Proceed Analysis and Transaction Activity Schedules having been reviewed and the narratives having been read, you will have a better base of information to understand the details contained in the other support schedules.

Business Information

Entity Type

The business is an S-Corporation.

State of Organization

The business is organized in a State in the USA.

Date of Organization

The business was organized on January 1, 1998.

Business Purpose

The business is a provider of 3D Laser Scanning, Digitizing and Reproduction Services.

Business Owner(s)

The business's owner(s) are Mr. and Mrs. Entrepreneur.

Information Used to Prepare Report

- Year 2007 Form 1120S Federal Income Tax Return
- Current Year Income Statement Sheet as of November 30, 2008
- Current Year Balance Sheet as of November 30, 2008
- Recast information from Business Intermediary
- Conversation with Business Intermediary

Scenario Narratives

Scenario Support Schedules are contained in the back of this report and provide an in-depth view into the numerical results of each Scenario.

Purchase Price Allocation, Transaction Gains, Income Categories, Tax Rate Assumptions, Tax Calculations, and overall Transaction Funds Flow are presented in the Scenario Support Schedules.

The support schedule entitled, Transaction Activity, is a consolidated recap which details the overall transaction and shows the anticipated funds flow by year. By comparing this schedule for each Scenario, the anticipated results of each Scenario can be easily analyzed.

The intent of the Scenario Narratives is to provide additional explanatory language to assist in understanding each respective Scenario.

Note: A Scenario's narrative and support schedules should be reviewed together to gain an overall understanding of the Scenario.

Sample Business

Net Proceed Analysis – Scenario Comparison

	Scenario # 1	Scenario # 2	Scenario # 3
<u>Transaction Components:</u>			
Purchase Price	\$800,000	\$800,000	\$800,000
Other	<u>0</u>	<u>0</u>	<u>0</u>
Total Transaction Price	800,000	800,000	800,000
Less: Closing Costs	(95,000)	(95,000)	(95,000)
Tax	<u>(111,285)</u>	<u>(111,285)</u>	<u>(150,412)</u>
Net Transaction Proceeds Before Interest Income	593,715	593,715	554,588
Add: Seller Note Interest Income	0	78,710	78,710
Less: Tax on Seller Note Interest	<u>0</u>	<u>(33,485)</u>	<u>(32,306)</u>
Net Transaction Proceeds with Interest Income	593,715	638,940	600,992
<u>Liquidation Components:</u>			
Add: Cash	58,056	58,056	58,056
Accounts Receivable	53,729	53,729	53,729
Less: Current Liabilities	(21,777)	(21,777)	(21,777)
Other Liabilities	(167,543)	(167,543)	(167,543)
Bank Loan	0	0	0
Current Year Income Tax	0	0	0
Liquidation Tax	0	0	0
Net Total Liquidation Results	<u><u>\$516,180</u></u>	<u><u>\$561,405</u></u>	<u><u>\$523,457</u></u>

Net Liquidation Results Recap:

Net Proceeds from Fixed Purchase Price	593,715	593,715	554,588
Net Proceeds from Earn Out	0	0	0
Net Lease Income	0	0	0
Net Seller Note Interest	0	45,225	46,404
Liquidation Components	(77,535)	(77,535)	(77,535)
Net Total Liquidation Results	<u><u>\$516,180</u></u>	<u><u>\$561,405</u></u>	<u><u>\$523,457</u></u>

Scenario # 1 is an Asset Transaction with an all cash payment.

Scenario # 2 is an Asset Transaction with a cash payment and a \$240,000 Seller Note.

Scenario # 3 is an Asset Transaction and a Seller Non-Competition Agreement with a cash payment and a \$240,000 Seller Note.

Scenario # 1

Sell Side Results

This Scenario # 1 assumes the business transfer will be structured as an Asset Transaction with an \$800,000 transaction price allocated as follows.

Entity Level:

Office Furniture	5,955
Office Equipment	6,211
Tools	2,352
Machinery	208,330
Scanners	120,000
Topometric Sensor	18,744
Computer Equipment	15,481
Computer Software	5,000
Rolling Stock (Vehicles, Trucks, etc...)	10,437
Platforms	7,490
Goodwill	400,000

Owner Level:

Non-Competition Agreement	0

Total	\$800,000
	=====

The Buyer will pay \$800,000 down with \$0 being carried by the Seller.

After considering available tax basis, taxable gains will be \$411,853. A calculation of this gain is detailed in the Transaction Gain Analysis Schedule provided in the Scenario # 1 support schedule section located in the back of this report.

This gain will result in an estimated tax of \$111,285. Schedules detailing the estimated tax can be found in the Scenario # 1 support schedule section located in the back of this report.

After considering applicable closing costs and taxes, the estimated net to owner is \$516,180. The calculation of the net to owner can be found by reviewing the Transaction Activity Schedule located in the Scenario # 1 support schedule section located in the back of this report.

A detail of the key financial components of this Scenario # 1 are as follows:

Transaction Type: Asset
Transaction Price: \$800,000
Funding:

Cash at Close:	\$800,000
Seller Note:	\$0
Estimated Tax:	\$111,285
Net to Owner:	\$516,180

The Net to Owner includes excess cash or other assets existing in the business less the payoff of all liabilities.

Buy Side Results

The result to the Buyer occurring from this Scenario # 1 is as follows:

The \$400,000 allocated to FFE and Rolling Stock can be depreciated over 5 to 7 years or possibly be expensed immediately with a Section 179 Election.

The \$400,000 allocated to Corporate Goodwill can be amortized over 15 years.

Scenario # 2

Sell Side Results

This Scenario # 2 assumes the business transfer will be structured as an Asset Transaction with an \$800,000 transaction price allocated as follows.

Entity Level:

Office Furniture	5,955
Office Equipment	6,211
Tools	2,352
Machinery	208,330
Scanners	120,000
Topometric Sensor	18,744
Computer Equipment	15,481
Computer Software	5,000
Rolling Stock (Vehicles, Trucks, etc...)	10,437
Platforms	7,490
Goodwill	400,000

Owner Level:

Non-Competition Agreement	0

Total	\$800,000
	=====

The Buyer will pay \$560,000 down with \$240,000 being carried by the Seller for a period of 7 years. The note will create an additional \$78,710 of interest income to the Seller over the term of the note. This projected interest is incorporated into the activity associated with this Scenario # 2.

After considering available tax basis, taxable gains will be \$411,853. A calculation of this gain is detailed in the Transaction Gain Analysis Schedule provided in the Scenario # 2 support schedule section located in the back of this report.

This gain along with the additional projected \$78,710 of interest income will result in an estimated tax of \$144,770. Schedules detailing the estimated tax can be found in the Scenario # 2 support schedule section located in the back of this report.

After considering applicable closing costs and taxes, the estimated net to owner is \$561,405. The calculation of the net to owner can be found by reviewing the Transaction Activity Schedule located in the Scenario # 2 support schedule section located in the back of this report.

A detail of the key financial components of this Scenario # 2 are as follows:

Transaction Type: Asset

Transaction Price: \$800,000

Funding:

Cash at Close: \$560,000

Seller Note: \$240,000

Interest Rate: 7% per annum

Payment Period: 7 years

Payments per year: 12

Note Payments will include Interest only for the first 24 payments with principal and interest over the next 60 payments. The first twenty-four payments are Interest Only because Lenders often either allow a Seller Note to initially receive interest only or in some cases will put the note on complete standby for a period of time. When a note is on complete standby no principal or interest can be paid until the end of the standby period or until a standby release is issued.

Estimated Tax: \$144,770

Net to Owner: \$561,405

The Net to Owner includes excess cash or other assets existing in the business less the payoff of all liabilities.

Buy Side Results

The result to the Buyer occurring from this Scenario # 2 is as follows:

The \$400,000 allocated to FFE and Rolling Stock can be depreciated over 5 to 7 years or possibly be expensed immediately with a Section 179 Election.

The \$400,000 allocated to Corporate Goodwill can be amortized over 15 years.

Scenario # 3

Sell Side Results

This Scenario # 3 assumes the business transfer will be structured as an Asset Transaction with an \$800,000 transaction price allocated as follows.

Entity Level:

Office Furniture	5,955
Office Equipment	6,211
Tools	2,352
Machinery	208,330
Scanners	120,000
Topometric Sensor	18,744
Computer Equipment	15,481
Computer Software	5,000
Rolling Stock (Vehicles, Trucks, etc...)	10,437
Platforms	7,490
Goodwill	160,000

Owner Level:

Non-Competition Agreement	240,000

Total	\$800,000
	=====

The Buyer will pay \$560,000 down with \$240,000 being carried by the Seller for a period of 7 years. The note will create an additional \$78,710 of interest income to the Seller over the term of the note. This projected interest is incorporated into the activity associated with this Scenario # 3.

After considering available tax basis, taxable gains will be \$411,853. A calculation of this gain is detailed in the Transaction Gain Analysis Schedule provided in the Scenario # 3 support schedule section located in the back of this report.

This gain along with the additional projected \$78,710 of interest income will result in an estimated tax of \$182,718. Schedules detailing the estimated tax can be found in the Scenario # 3 support schedule section located in the back of this report.

After considering applicable closing costs and taxes, the estimated net to owner is \$523,457. The calculation of the net to owner can be found by reviewing the Transaction Activity Schedule located in the Scenario # 3 support schedule section located in the back of this report.

A detail of the key financial components of this Scenario # 3 are as follows:

Transaction Type: Asset

Transaction Price: \$800,000

Funding:

Cash at Close: \$560,000

Seller Note: \$240,000

Interest Rate: 7% per annum

Payment Period: 7 years

Payments per year: 12

Note Payments will include Interest only for the first 24 payments with principal and interest over the next 60 payments. The first twenty-four payments are Interest Only because Lenders often either allow a Seller Note to initially receive interest only or in some cases will put the note on complete standby for a period of time. When a note is on complete standby no principal or interest can be paid until the end of the standby period or until a standby release is issued.

Estimated Tax: \$182,718

Net to Owner: \$523,457

The Net to Owner includes excess cash or other assets existing in the business less the payoff of all liabilities.

Buy Side Results

The result to the Buyer occurring from this Scenario # 3 is as follows:

The \$400,000 allocated to FFE and Rolling Stock can be depreciated over 5 to 7 years or possibly be expensed immediately with a Section 179 Election.

The \$160,000 allocated to Corporate Goodwill can be amortized over 15 years.

The \$240,000 allocated to Personal Shareholder Covenant Not-To-Compete can be amortized over 15 years.

Scenario Recap

Scenario # 1 is an Asset Transaction with an ALL cash payment. An ALL cash payment happens very rarely. This Scenario # 1 is presented to show the pure result of the transaction without any other variable, such as a Seller Note. The majority of the transaction is subject to preferential capital gain rates. One way to lower tax by approximately another \$20,000 is to further reduce the allocation to Furniture, Fixtures and Equipment “FFE” by \$100,000. This Scenario # 1 currently allocates \$400,000 to FFE so a \$100,000 reduction would bring the FFE allocation to \$300,000. Although this would reduce tax it could certainly have a negative impact on the Buyer’s borrowing capacity. The realty is FFE should receive an allocation based on what it is really worth whether it is as presented or higher or lower.

Scenario # 2 is an Asset Transaction with a \$560,000 cash payment due at closing along with a \$240,000 Seller Note. A review of the Transaction Activity Schedule in the Scenario # 2 support schedule section located in the back of this report details net cash inflows initially and over the term of the Seller Note collection. This Scenario #2, in some form, is the most likely structuring solution for this transaction.

Scenario # 3 is an Asset Transaction and a Seller Non-Competition Agreement with a \$560,000 cash payment due a closing along with a \$240,000 Seller Note. It is common for Buyers to try and allocate a component of the Transaction Price to a Seller Non-Competition Agreement. The Non-Competition language built into the Buy/Sell Agreement is sufficient without an actual allocation.

For an S-Corporation, the amount allocated to a Non-Competition Agreement causes the Seller to incur ordinary income tax on these funds as opposed to a preferential capital gain rate. The Buyer receives the exact same tax benefit whether or not an allocation is made to Non-Competition because when an allocation occurs to Non-Competition it is generally being moved from Goodwill. Both Goodwill and Non-Competition are a 15 write off for the Buyer. This Scenario # 3 shows the negative tax impact which will occur if \$240,000 is allocated to a Non-Competition Agreement. This allocation caused an additional tax burden of approximately \$39,000 when compared to the tax paid in Scenario # 2. Thus, stay away from allowing an allocation to be placed on a Non-Competition Agreement.

In each Scenario the Net to Owner includes excess cash or other assets existing in the business less the payoff of all liabilities.

Note: The Transaction Activity Schedule for each Scenario at the end of this report provides an analysis and recap of each Scenario by period. This schedule and the other supporting schedules provide helpful and informative information regarding the results of each Scenario.

General Information Applicable to Transactions

Current Assets

Cash and Cash Equivalents

The term cash means actual cash on deposit with Banks, Savings & Loans, Investment Groups, etc... Cash Equivalents are assets that are readily convertible into cash, such as funds in a certificate of deposit, money market holdings, short-term government bonds or Treasury bills, marketable securities and commercial paper. Cash equivalents are distinguished from other investments through their short-term existence; they mature within 3 months whereas short-term investments are 12 months or less, and long-term investments are any investments that mature in excess of 12 months.

When sold and transferred in a business transaction cash and cash equivalents do not cause a taxable event because this asset type is sold dollar for dollar. This means that the tax basis in these assets equals the value allocated to them as a part of the transaction.

Accounts Receivable

Upon the delivery of a service and or the sale of a product a customer can either pay the resulting billed invoice immediately or be allowed a short period of time in which to get the invoice paid. During this period of time the invoice, in the accounting records of the business supplying the service and or product, is known as an Accounts Receivable. An Accounts Receivable is a short term extension of time allotted to a customer enabling the customer to pay an invoice at a future point.

In a business transaction, if Accounts Receivable is part of the assets being sold, the tax treatment for an Accrual Basis Taxpayer versus a Cash Basis Taxpayer is different.

A business using the Accrual Basis of Accounting establishes tax basis at the time a service and or product is delivered to a customer because the resulting billed invoice immediately becomes recognized as income which in turn causes income tax to be due even though the business has not yet received payment for the invoice.

A business using the Cash Basis of Accounting has no tax basis in a billed invoice because income for a Cash Basis Taxpayer is not recognized until payment is received for the invoice.

Thus, when Accounts Receivable is included as a part of the assets sold in a business transaction, an Accrual Basis Taxpayer will incur no income tax on the portion of the transaction allocated to the Accounts Receivable because tax was paid when the invoice was originally issued. On the other hand, a Cash Basis Taxpayer will owe ordinary income tax because the funds received in the business transaction are considered to be the collection of the Accounts Receivable and for a Cash Basis Taxpayer this is an ordinary income event.

Inventory

These are assets which ultimately get sold to customers. These include raw materials, work-in-process goods, completed finished goods and products purchased for direct resale.

Whether a business is an Accrual Basis Taxpayer or a Cash Basis Taxpayer, inventory, for tax purposes, is required to be maintained as an asset on the Balance Sheet until the inventory is sold.

In a business transaction, the tax basis carrying amount of the inventory, which is generally the amount carried on the Balance Sheet, will be deducted from the portion of the transaction price allocated to the inventory. If the allocated amount equals the tax basis carrying amount, then no tax will be due. If the allocated amount is less than the tax basis carrying amount, an ordinary operating tax loss will occur. If the allocated amount is greater than the tax basis carrying amount, an ordinary operating tax profit will occur.

Work In Progress

Unlike work in process associated with inventory, which are unfinished goods still in the manufacturing process, Work In Progress is generally the unbilled portion associated with an active job or contract. This is actually sometimes referred to as Unbilled Receivables.

Contracts are accounted for on the Completed Contract Method or on the Percentage of Completion Method. In either case, as work is occurring on the contract a percentage of the contract is in fact being completed. This completed portion is the amount considered as the Work In Progress portion. If the Percentage of Completion Method is being used to account for the contract then the Work In Progress can be placed in two categories being billed and unbilled. If the Completed Contract Method is used to account of the contract then the percentage of the contract which has been finished is in fact categorized as unbilled. Thus, this unbilled categorization is what often leads to Work In Progress being referred to as Unbilled Receivables.

Under the Completed Contract Method an Accrual Basis Taxpayer will have no tax basis to deduct from any amount allocated to the Work In Progress because no invoices have been issued to cause the previous recognition of any income. So, an allocation to Work In Progress will cause the entire allocated amount to become taxable as ordinary income.

Under the Percentage of Completion Method an Accrual Basis Taxpayer will have tax basis for amounts in the billed category and will have no tax basis for amounts in the unbilled category. So, an allocation to Work in progress will cause no tax to be due on the amounts held in the billed category with ordinary income occurring for amount any amount in the unbilled category.

A Cash Basis Taxpayer will recognize ordinary income for any amount allocated to Work In Progress under either the Percentage of Completion or Completed Contract Methods.

Tangible Assets

Personal Property

These assets are known as Section 1245 Property. These include assets such as Furniture, Fixtures, Equipment, Rolling Stock, etc... These assets are depreciated over time which is generally from 5 to 12 years depending on asset type.

The depreciation allowed on these assets is taken as a tax deduction against operating income which means that it is an ordinary tax deduction. When a Personal Property asset is later sold, any gain on the sale of the asset is considered a capital gain. The gain is then broken down into two categories. The first category is the portion subject to depreciation recapture and the second category is the portion not subject to depreciation recapture.

Depreciation Recapture is simple to identify. The gain on the sale of a Personal Property asset is first compared to any depreciation previously applied to the asset. Category One receives an allocation up to the amount of the previous depreciation. Category Two receives any amount still remaining.

The tax implications will generally be the same for a Taxpayer under the Accrual Method and Cash Method of accounting.

C-Corporations pay ordinary income tax on any gain from the Sale of Personal Property regardless of the amount in Category One or Category Two because C-Corporations do not benefit from a preferential capital gain rate.

People, also known in tax as Natural Persons, and Pass-Thru Entities (i.e. S-Corporation, LLC, Partnership, etc...) which pass through activity to Natural Persons receive an ordinary tax rate for Category One and a preferential capital gain rate for Category Two.

Real Property

These assets are known as Section 1250 Property. These include assets such as Buildings and Land. Since 1986, non-residential Buildings placed in service are depreciated on the straight line basis over a period of 40 years. Non-residential Buildings placed in service prior to 1986 had the option of having the depreciation accelerated for a period shorter than 40 years. Land cannot be depreciated.

The depreciation allowed on these assets is taken as a tax deduction against operating income which means that it is an ordinary tax deduction. When a Real Property asset is later sold, any gain on the sale of the asset is considered a capital gain. Likewise any loss is considered a capital loss.

If the property is a Non-residential Building placed in service since 1986 then its gain will be broken down into two categories. The first category is the portion associated with any previous straight line depreciation which is known as an "Unrecaptured 1250 Gain" and the second category is the portion in excess of the previous straight line depreciation.

Since Non-residential Buildings placed in service since 1986 are only depreciated on the straight line basis there is no depreciation recapture. This is because depreciation recapture is only related to accelerated depreciation. Category One receives an allocation up to the amount of the previous straight line depreciation. Category Two receives any amount still remaining.

When Land is sold at a profit it generates a capital gain but no portion is subject to Depreciation Recapture or Unrecaptured 1250 Gain because Land cannot receive any form of depreciation. Thus, its gain can be considered to fall entirely in Category Two.

The tax implications will generally be the same for a Taxpayer under the Accrual Method and Cash Method of accounting.

C-Corporations pay ordinary income tax on any gain from the Sale of Real Property regardless of the amount in Category One or Category Two because C-Corporations do not benefit from a preferential capital gain rate.

People, also known in tax as Natural Persons, and Pass-Thru Entities (i.e. S-Corporation, LLC, Partnership, etc...) which pass through activity to Natural

Persons receive a special 25% capital gain tax rate for Category One and a preferential capital gain rate for Category Two.

Intangible Assets

Goodwill

Goodwill is the value of a trade or business attributable to the expectancy of continued customer patronage. This expectancy may be due to the name or reputation of a trade or business or any other factor.

Going Concern Value

Going concern value is the additional element of value that attaches to property by reason of its existence as an integral part of an ongoing business activity. Going concern value includes the value attributable to the ability of a trade or business (or part of a trade or business) to continue functioning or generating income without interruption notwithstanding a change in ownership, but does not include any of the other items included in the definition of Code Section 197 intangibles. Going concern value also includes the value attributable to the immediate use or availability of an acquired trade or business, such as, for example, the use of the revenues or net earnings that otherwise would not be received during any period if the acquired trade or business were not available or operational.

Workforce In Place

Workforce in place (sometimes referred to as an agency force or assembled workforce) includes the composition of a workforce (e.g., the experience, education or training of a workforce), the terms and conditions of employment whether contractual or otherwise, and any other value placed on employees or any of their attributes. Thus, the amount paid or incurred for workforce in place includes, for example, any portion of the purchase price of an acquired trade or business attributable to the existence of a highly-skilled workforce, an existing employment contract (or contracts), or a relationship with employees or consultants (including, but not limited to, any key employee contract or relationship). Workforce in place does not include any covenant not to compete or other similar arrangement.

Information Base

Information base includes items such as business books and records, operating systems, and any other information base, regardless of the method of recording the information. It also includes any customer-related information base, including lists or other information with respect to current or prospective customers. Finally, it also includes any other intangible property that is similar in all material respects to an information base, including a customer-related information base.

The amount paid or incurred for information bases includes, for example, any portion of the purchase price of an acquired trade or business attributable to the intangible value of technical manuals, training manuals or programs, data files, and accounting or inventory control systems, as well as the cost of acquiring customer lists, subscription lists, insurance expirations, patient or client files, or lists of newspaper, magazine, radio, or television advertisers.

Know-How

Know how includes any patent or copyright, formula, process, design, pattern, know-how, format, package design, computer software, or interest in a film, sound recording, video tape, book or other similar property, unless specifically exempted from the definition as discussed in, and any other intangible property that is similar in all material respects to this type of property. However, these items generally are Code Section 197 intangibles only if they are acquired as part of a trade or business.

Customer-Based Intangibles

A customer-based intangible is any composition of market, market share, or other value resulting from the future provision of goods or services pursuant to relationships (contractual or otherwise) in the ordinary course of business with customers.

The amount paid or incurred for customer-based intangibles includes, for example, any portion of the purchase price of an acquired trade or business attributable to the existence of customer base, a circulation base, an undeveloped market or market growth, insurance in force, mortgage servicing contracts, investment management contracts, or other relationships with customers that involve the future provision of goods or services. On the other hand, any portion of the

purchase price of an acquired trade or business attributable to accounts receivable or other similar rights to income for those goods or services provided to customers before the acquisition of a trade or business is not an amount paid or incurred for a customer-based intangible.

Supplier-Based Intangibles

A supplier-based intangible is the value resulting from the future acquisition of goods or services pursuant to relationships (contractual or otherwise) in the ordinary course of business with suppliers of goods or services to be used or sold by the taxpayer.

The amount paid or incurred for supplier-based intangibles includes, for example, any portion of the purchase price of an acquired trade or business attributable to the existence of a favorable relationship with persons providing distribution services (e.g., favorable shelf or display space at a retail outlet), the existence of a favorable credit rating, or the existence of favorable supply contracts. The amount paid or incurred for supplier-based intangibles does not include any amount required to be paid for the goods or services themselves pursuant to the terms of the agreement or other relationship, or the right to receive property or services from another person.

Licenses, Permits, and Other Rights Granted By Governmental Units

These include any license, permit or other right granted by a governmental unit, including an agency or instrumentality thereof, even if the right is granted for an indefinite period or the right is reasonably expected to be renewed for an indefinite period. These rights include, for example, a liquor license, a taxi-cab medallion (or license), an airport landing or take-off right (sometimes referred to as a slot), a regulated airline route, or a television or radio broadcasting license.

Covenants Not To Compete

This includes any covenant not to compete or other arrangement to the extent that the arrangement has substantially the same effect as a covenant not to compete entered into in connection with the direct or indirect acquisition of an interest in a trade or business (or a substantial portion thereof). For this purpose, an acquisition may be made in the form of an asset acquisition (including a qualified stock

purchase that is treated as a purchase of assets under Code Section 338), a stock acquisition or redemption, and the acquisition or redemption of a partnership interest.

An agreement requiring the performance of services, or the provision of property or the use of property (other than property of the acquired trade or business) does not have substantially the same effect as a covenant not to compete to the extent that the amount paid under the agreement represents reasonable compensation for the services actually rendered or for the property, or use of the property actually provided. As under pre-Code Section 197 law, to the extent that the amount paid or incurred under a covenant not to compete represents additional consideration for the acquisition of stock in a corporation, such amount is not to be taken into account under Code Section 197, but instead, is to be included as part of the acquirer's basis in the stock. H.R. Rep. 213, 103d Cong., 1st Sess. 216 (1993).

Any amount paid or incurred under a covenant not to compete (or similar arrangement) entered into in connection with the direct or indirect acquisition of an interest in a trade or business (or substantial portion thereof) is chargeable to capital account and is to be amortized ratably over the 15-year period specified in. In addition, any amount paid or incurred under a covenant not to compete (or similar arrangement) after the taxable year in which the covenant was entered into is amortized ratably over the remaining months in the 15-year amortization period as of the beginning of the month that the amount is paid or incurred.

Franchises, Trademarks, and Trade Names

A franchise for this purpose is defined as it is for purposes of the rules on transfers of franchises. Thus, it includes an agreement that gives one of the parties to the agreement the right to distribute, sell, or provide goods, services, or facilities, within a specified area. A license, permit, or other right granted by a governmental unit is a franchise if it otherwise meets the definition.

A trademark for this purpose includes any word, name, symbol, or device, or any combination thereof, adopted and used by a manufacturer or merchant to identify goods or services and distinguish them from those provided by others. It includes any trademark arising under statute or applicable common law, and any similar right granted by contract.

A trade name for this purpose includes any name used by a manufacturer or merchant to identify or designate a particular trade or business or the name or title used by a person or organization engaged in a trade or business. It includes any trade name arising under statute or applicable common law, and any similar right granted by contract.

The renewal of a franchise, trademark, or trade name is to be treated as an acquisition of the franchise, trademark, or trade name. The costs paid or incurred for the renewal of a franchise, trademark, or trade name are amortized over the 15-year period that begins with the month of renewal, and any costs paid or incurred for the issuance, or earlier renewal, continue to be taken into account over the remaining portion of the amortization period that began at the time of the issuance, or earlier renewal. Any amount paid or incurred for the protection, expansion or defense of a trademark or trade name that is capitalized is treated as an amount paid for a renewal.

Contracts For Use Of, and Term Interests In, Other Code Section 197 Intangibles

Code Section 197 intangibles include any right under a license, contract, or other arrangement providing for the use of property that would be a Code Section 197 intangible, as well as any term interest, whether outright or in trust, in such property. However, Code Section 197 intangibles do not include any interest, including an interest as a licensee, in a patent, patent application or copyright that is not acquired as part of a purchase of a trade or business. In addition, royalty payments under a contract for the use of Code Section 197 intangibles unconnected with the purchase of a trade or business are not required to be capitalized unless the transaction is a sale or exchange. However, licensing transactions will be closely scrutinized to see whether it is in fact a sale or exchange.

The tax implications associated with Intangibles will generally be the same for a Taxpayer under the Accrual Method and Cash Method of accounting.

C-Corporations pay ordinary income tax on the any gain from the Sale or Licensing of Intangibles because C-Corporations do not benefit from a preferential capital gain rate.

People, also known in tax as Natural Persons, and Pass-Thru Entities (i.e. S-Corporation, LLC, Partnership, etc...) which pass through activity to Natural Persons, receive a preferential capital gain rate on the Sale of Intangibles with the exception of a Covenant Not to Compete which is treated as ordinary income. The licensing of any Intangible will also result in ordinary income.

Other Items and Terms

Depreciation Recapture

Depreciation Recapture is the process by which prior depreciation is included as ordinary income on the tax return when a depreciated property is sold at a gain. Each year that a depreciable business asset is owned, depreciation is claimed that theoretically corresponds with the using up of the property through normal wear, obsolescence, etc. Thus, the property should be worth approximately its adjusted basis. If the property is sold for more than its adjusted basis, section 1245 of the tax Code requires that the gain on personal property and certain nonresidential real property (to the extent of depreciation claimed) be recaptured. The purpose of this procedure is to prevent capital gain treatment of gain resulting from claiming depreciation. The procedure does not apply when the property is disposed of at a loss.

Earn-Out

An Earn Out is the portion of the purchase price of a business which is contingent upon the occurrence of some future event. For Example, if a Buyer and Seller cannot come to terms on the validity of existing data to support the Seller's asking price, a lower price may be accepted with a contingency that if the business performs at a level to support the asking price, then the difference between the asking price and agreed upon price will be paid to the Seller. The actual events to trigger an earn-out obligation vary but most will include or be based on some target matrix to include items such as sales, earnings, cash flow, etc...

An Earn Out can be an excellent way to provide upside opportunity to the Seller while mitigating risk exposure to the Buyer. If the business performs, the Seller benefits from the additional earnings and if the business does not perform, the Buyer is not exposed to additional purchase price requirement.

Installment Sale

An Installment Sale is a sale in which at least one payment occurs in a year after the year of sale. This is also referred to as the Installment Method. This method enables a taxpayer to spread the recognition of gain on the sale of property over the payment period. Under this procedure, the seller computes the gross profit percent from the sale (that is, the gain divided by the contract price) and applies it to each payment received to arrive at the amount of the gain to be recognized.

Like-Kind Exchange

A Like-Kind Exchange is an exchange of property held for productive use in a trade or business or for investment (except inventory and stocks and bonds) for property of the same type. Unless different property is received (called boot), the exchange is nontaxable in the current year. Any gain or loss is not recognized until the property received in the exchange is sold or disposed.

Scenario Support Schedules

Schedule Explanations

Transaction Activity

This schedule splits the transaction activity between where it is being received either at the Business Entity Level or at the Personal Level. This schedule is essentially a recap schedule incorporating information which has been calculated and compiled in the other provided support schedules. It recaps the estimated and projected Net "After-Tax" cash flow expected to occur by year.

By reviewing this schedule the reader can gain an understanding of what is expected to occur in the year of close and in future periods.

Transaction Gain Analysis

The gain or (loss) associated with a business transaction is derived from the respective assets sold and other income sources associated with the transaction. This gain or (loss) is generally a summation from various income categories. These categories, depending on entity type, can carry different tax rates.

This schedule splits the transaction proceeds between where it is being received either at the Business Entity Level or at the Personal Level. This schedule then calculates the gain or (loss) associated with each asset or income source and then categorizes the gain or (loss). Thus, this schedule will help the reader understand the gain or loss associated with the transaction and how this gain or loss is categorized for income tax calculation purposes.

Income Subject To Taxation

Total Gross Proceeds are not taxable. It is necessary to consider information such as existing tax basis, income timing, income sources, etc... in the calculation of income tax associated with a business transaction.

This schedule uses information from the Transaction Gain Analysis Schedule, Promissory Note Schedule and certain items from the Transaction Activity Schedule in the determination of what constitutes taxable income.

The income is split between where it is being received either at the Business Entity Level or at the Personal Level. It is then broken down by five sections being Cash, Earn Out, Note, Time Period Income and Dividend Income. Cash is the portion the portion of the transaction associated with the funds submitted as a part of the

closing. Earn Out is the portion of the transaction tied to future amounts to be earned under an earn out agreement if applicable. Note is the portion of the transaction being received under a Seller Promissory Note if applicable. Time Period Income are other income items not applicable to the other sections which include consulting agreements, employment agreements, etc... Dividend Income is any taxable dividends, if applicable, being issued from an entity to the entities' owners.

Tax Rate Assumptions

This schedule details the various tax rates used in the tax calculations.

Calculated Tax Amounts

This schedule uses the information presented in the Income Subject to Taxation Schedule and calculates Federal and State Level Tax. The resulting tax is then carried to the tax section in the Transaction Activity Schedule.

Thus, the information detailed in this schedule is actual estimated tax amounts.

Asset Allocation

This schedule splits the transaction asset allocation in to two columns being Business Entity Level and Personal Level.

This schedule categorizes by class the Asset Components of the transaction as per the requirements for the completion of IRS Form 8594 – Asset Acquisition Statement.

Promissory Notes

This schedule details the annual Seller Promissory Note receipts if applicable.

Support Schedules - Scenario # 1

The schedules which follow this page are for Scenario # 1.

Sample Business

Net Proceed Analysis – Scenario # 1

	Entity	Owner	Total
<u>Transaction Components:</u>			
Purchase Price	\$800,000	\$0	\$800,000
Other	0	0	0
Total Transaction Price	800,000	0	800,000
Less: Closing Costs	(95,000)	0	(95,000)
Tax	(111,285)	0	(111,285)
Net Transaction Proceeds Before Interest Income	593,715	0	593,715
Add: Seller Note Interest Income	0	0	0
Less: Tax on Seller Note Interest	0	0	0
Net Transaction Proceeds with Interest Income	593,715	0	593,715
<u>Liquidation Components:</u>			
Add: Cash	58,056	0	58,056
Accounts Receivable	53,729	0	53,729
Less: Current Liabilities	(21,777)	0	(21,777)
Other Liabilities	(167,543)	0	(167,543)
Bank Loan	0	0	0
Current Year Income Tax	0	0	0
Liquidation Tax	0	0	0
Net Total Liquidation Results	\$516,180	\$0	\$516,180

Net Liquidation Results Recap:

Net Proceeds from Fixed Purchase Price	593,715	0	593,715
Net Proceeds from Earn Out	0	0	0
Net Lease Income	0	0	0
Net Seller Note Interest	0	0	0
Liquidation Components	(77,535)	0	(77,535)
Net Total Liquidation Results	\$516,180	\$0	\$516,180

Net Transaction Proceeds are the amounts projected to be received from the transaction after payment of closing costs and taxes.

Net Seller Note Interest is the projected interest income to be received by the Seller as a result of extending financing to the Buyer.

The Liquidation Components are Asset and Liability amounts remaining after the transaction which were not transferred to the Buyer.

The Net Liquidation Recap details by source the projected amounts to be received by the Seller "After" tax and closing costs.

Sample Business

Transaction Activity – Scenario # 1

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
Entity Level												
Business Assets	\$800,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$800,000
Earn Out	0	0	0	0	0	0	0	0	0	0	0	0
Non-Competition	0	0	0	0	0	0	0	0	0	0	0	0
Consulting	0	0	0	0	0	0	0	0	0	0	0	0
Lease and Rental	0	0	0	0	0	0	0	0	0	0	0	0
License and Royalty Fees	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income - Seller Note	0	0	0	0	0	0	0	0	0	0	0	0
Stock	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Less:												
Salary	0	0	0	0	0	0	0	0	0	0	0	0
Health Insurance Premiums	0	0	0	0	0	0	0	0	0	0	0	0
Retirement Plan	0	0	0	0	0	0	0	0	0	0	0	0
Closing Costs	(95,000)	0	0	0	0	0	0	0	0	0	0	(95,000)
Other	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Entity Level	705,000	0	0	0	0	0	0	0	0	0	0	705,000
Personal Level												
Salary from Business	0	0	0	0	0	0	0	0	0	0	0	0
Employment Agreement	0	0	0	0	0	0	0	0	0	0	0	0
Consulting Agreement	0	0	0	0	0	0	0	0	0	0	0	0
Retirement Plan Distributions	0	0	0	0	0	0	0	0	0	0	0	0
Business Assets	0	0	0	0	0	0	0	0	0	0	0	0
Stock	0	0	0	0	0	0	0	0	0	0	0	0
Non-Competition	0	0	0	0	0	0	0	0	0	0	0	0
Lease and Rental	0	0	0	0	0	0	0	0	0	0	0	0
License and Royalty Fees	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income - Seller Note	0	0	0	0	0	0	0	0	0	0	0	0
Closing Costs	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Personal Level	0	0	0	0	0	0	0	0	0	0	0	0
Total Transaction	705,000	0	0	0	0	0	0	0	0	0	0	705,000
Less:												
Entity Level Tax	(105,107)	0	0	0	0	0	0	0	0	0	0	(105,107)
Franchise Tax	(6,178)	0	0	0	0	0	0	0	0	0	0	(6,178)
Personal Tax	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Tax	(111,285)	0	0	0	0	0	0	0	0	0	0	(111,285)
Liquidation Additions	111,785	0	0	0	0	0	0	0	0	0	0	111,785
Liquidation Subtractions	(189,320)	0	0	0	0	0	0	0	0	0	0	(189,320)
Net to Owner	\$516,180	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$516,180

Sample Business

Transaction Gain Analysis – Scenario # 1

	Transaction Gain Calculation				Transaction Gain Categories					
	Allocation	Tax Basis	Closing Costs	Gain	Ordinary Income	Depreciation Recapture	Unrecaptured 1250 Gain	Built In Gain	Capital Gain	Total
Entity Level:										
Business Assets:										
Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accounts Receivable	0	0	0	0	0	0	0	0	0	0
Work In Progress - Contracts	0	0	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0	0	0
Office Furniture	5,955	(440)	(707)	4,808	0	4,808	0	0	0	4,808
Office Equipment	6,211	(6,211)	(738)	(738)	0	0	0	0	(738)	(738)
Tools	2,352	(3,563)	(279)	(1,490)	0	0	0	0	(1,490)	(1,490)
Machinery	208,330	(208,330)	(24,739)	(24,739)	0	0	0	0	(24,739)	(24,739)
Scanners	120,000	(22,078)	(14,250)	83,672	0	83,672	0	0	0	83,672
Topometric Sensor	18,744	(18,744)	(2,226)	(2,226)	0	0	0	0	(2,226)	(2,226)
Computer Equipment	15,481	(15,481)	(1,838)	(1,838)	0	0	0	0	(1,838)	(1,838)
Computer Software	5,000	(2,919)	(594)	1,487	0	1,487	0	0	0	1,487
Vehicles	10,437	(7,000)	(1,239)	2,198	0	2,198	0	0	0	2,198
Platforms	7,490	(7,490)	(889)	(889)	0	0	0	0	(889)	(889)
Leasehold Improvements	0	(891)	0	(891)	0	0	0	0	(891)	(891)
Goodwill	400,000	0	(47,501)	352,499	0	0	0	0	352,499	352,499
Sub-Total Business Assets	800,000	(293,147)	(95,000)	411,853	0	92,165	0	0	319,688	411,853
Other:										
Consulting Agreement	0	0	0	0	0	0	0	0	0	0
Non-Competition Agreement	0	0	0	0	0	0	0	0	0	0
Lease and Rental	0	0	0	0	0	0	0	0	0	0
License and Royalty Fees	0	0	0	0	0	0	0	0	0	0
Sub-Total Other	0	0	0	0	0	0	0	0	0	0
Total Entity Level	800,000	(293,147)	(95,000)	411,853	0	92,165	0	0	319,688	411,853
Personal Level:										
Shareholder(s):										
Consulting Agreement	0	0	0	0	0	0	0	0	0	0
Employment Agreement	0	0	0	0	0	0	0	0	0	0
Non-Competition Agreement	0	0	0	0	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0	0	0	0	0
Stock / Ownership Interest	0	0	0	0	0	0	0	0	0	0
Real Estate - Land	0	0	0	0	0	0	0	0	0	0
Real Estate - Buildings	0	0	0	0	0	0	0	0	0	0
Total Personal Level	0	0	0	0	0	0	0	0	0	0
Grand Total - Transaction	<u>\$800,000</u>	<u>(\$293,147)</u>	<u>(\$95,000)</u>	<u>\$411,853</u>	<u>\$0</u>	<u>\$92,165</u>	<u>\$0</u>	<u>\$0</u>	<u>\$319,688</u>	<u>\$411,853</u>

Sample Business

Income Subject to Taxation – Scenario # 1

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
Entity Level:												
Ordinary Income:												
Business Assets	0	0	0	0	0	0	0	0	0	0	0	0
Non-Competition	0	0	0	0	0	0	0	0	0	0	0	0
Consulting	0	0	0	0	0	0	0	0	0	0	0	0
Lease and Rental	0	0	0	0	0	0	0	0	0	0	0	0
License and Royalty Fees	0	0	0	0	0	0	0	0	0	0	0	0
Stock / Ownership Interest	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income - Seller Note	0	0	0	0	0	0	0	0	0	0	0	0
Deduction - Salary	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Ordinary Income	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation Recapture:	92,165	0	0	0	0	0	0	0	0	0	0	92,165
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:												
Business Assets	319,688	0	0	0	0	0	0	0	0	0	0	319,688
Earn Out	0	0	0	0	0	0	0	0	0	0	0	0
Stock / Ownership Interest	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Capital Gain	319,688	0	0	0	0	0	0	0	0	0	0	319,688
Total - Entity Level	411,853	0	0	0	0	0	0	0	0	0	0	411,853
Personal Level												
Ordinary Income:												
Salary from Business	0	0	0	0	0	0	0	0	0	0	0	0
Employment Agreement	0	0	0	0	0	0	0	0	0	0	0	0
Consulting	0	0	0	0	0	0	0	0	0	0	0	0
Retirement Plan Distributions	0	0	0	0	0	0	0	0	0	0	0	0
Business Assets	0	0	0	0	0	0	0	0	0	0	0	0
Stock / Ownership Interest	0	0	0	0	0	0	0	0	0	0	0	0
Non-Competition	0	0	0	0	0	0	0	0	0	0	0	0
Lease and Rental	0	0	0	0	0	0	0	0	0	0	0	0
License and Royalty Fees	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income - Seller Note	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Ordinary Income	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation Recapture:	0	0	0	0	0	0	0	0	0	0	0	0
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:												
Business Assets	0	0	0	0	0	0	0	0	0	0	0	0
Earn Out	0	0	0	0	0	0	0	0	0	0	0	0
Stock / Ownership Interest	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Capital Gain	0	0	0	0	0	0	0	0	0	0	0	0
Total - Personal Level	0	0	0	0	0	0	0	0	0	0	0	0

Sample Business

Tax Rate Assumptions – Scenario # 1

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Entity Tax Rates - Federal											
Income Tax	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Capital Gain	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Unrecaptured 1250 Gain	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Built In Gain	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Social Security Tax	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
Medicare Tax	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
Entity Tax Rates - State											
Income Tax	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%
Capital Gain	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%
Dividend Tax Rate - Federal											
	0.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Dividend Tax Rate - State											
	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Personal Tax Rates - Federal											
Income Tax	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Capital Gain	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Unrecaptured 1250 Gain	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Social Security Tax	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
Medicare Tax	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
Self Employment Tax	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%
Self Employment - Medicare Only	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
Personal Tax Rates - State											
Income Tax	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%
Capital Gain	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%

Sample Business
Calculated Tax Amounts – Scenario # 1

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
Entity Level:												
State Tax:												
Ordinary Income:	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation Recapture:	8,571	0	0	0	0	0	0	0	0	0	0	8,571
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:	29,731	0	0	0	0	0	0	0	0	0	0	29,731
Sub-Total State	38,302	0	0	0	0	0	0	0	0	0	0	38,302
Federal Tax:												
Ordinary Income:	(13,406)	0	0	0	0	0	0	0	0	0	0	(13,406)
Depreciation Recapture:	32,258	0	0	0	0	0	0	0	0	0	0	32,258
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:	47,953	0	0	0	0	0	0	0	0	0	0	47,953
Payroll:	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Federal	66,805	0	0	0	0	0	0	0	0	0	0	66,805
Total Entity Level Tax	105,107	0	0	0	0	0	0	0	0	0	0	105,107
Franchise:												
California	6,178	0	0	0	0	0	0	0	0	0	0	6,178
Other	0	0	0	0	0	0	0	0	0	0	0	0
Total Franchise Tax	6,178	0	0	0	0	0	0	0	0	0	0	6,178
Personal Level:												
State Tax:												
Ordinary Income:	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation Recapture:	0	0	0	0	0	0	0	0	0	0	0	0
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total State	0	0	0	0	0	0	0	0	0	0	0	0
Federal Tax:												
Ordinary Income:	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation Recapture:	0	0	0	0	0	0	0	0	0	0	0	0
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Payroll:	0	0	0	0	0	0	0	0	0	0	0	0
Self-Employment:	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Federal	0	0	0	0	0	0	0	0	0	0	0	0
Total Personal Level Tax	0	0	0	0	0	0	0	0	0	0	0	0
Total Tax	111,285	0	0	0	0	0	0	0	0	0	0	111,285

Sample Business

Asset Allocation – Scenario # 1

		Entity Level	Personal Level	Total
Class I	Cash	0	0	0
Class II	Certificate of Deposit	0	0	0
	Life Insurance Policies	0	0	0
	Market Securites	0	0	0
Class III	Accounts Receivable	0	0	0
	Work In Progress - Contracts	0	0	0
Class IV	Inventory	0	0	0
Class V	Office Furniture	5,955	0	5,955
	Office Equipment	6,211	0	6,211
	Tools	2,352	0	2,352
	Machinery	208,330	0	208,330
	Scanners	120,000	0	120,000
	Topometric Sensor	18,744	0	18,744
	Computer Equipment	15,481	0	15,481
	Computer Software	5,000	0	5,000
	Vehicles	10,437	0	10,437
	Platforms	7,490	0	7,490
	Rolling Stock (Vehicles, Trucks, etc..)	0	0	0
	Buildings	0	0	0
	Land	0	0	0
	Long-Term Construction Contracts	0	0	0
Class VI	Customer Based Intangibles	0	0	0
	Supplier Based Intangibles	0	0	0
	Workforce In Place	0	0	0
	Information Database	0	0	0
	Know How	0	0	0
	Trademarks	0	0	0
	Patents	0	0	0
	Copyrights	0	0	0
	Licenses	0	0	0
	Franchise	0	0	0
	Covenant Not To Compete	0	0	0
Class VII	Goodwill	400,000	0	400,000
	Total	800,000	0	800,000

Sample Business

Promissory Notes – Scenario # 1

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
Note Amortization-Corporate												
Ordinary Gain %	0%	0	0	0	0	0	0	0	0	0	0	0
Unrecap 1250 Gain %	0%	0	0	0	0	0	0	0	0	0	0	0
Capital Gain %	0%	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0
Note Amortization-Personal												
Ordinary Gain %	0%	0	0	0	0	0	0	0	0	0	0	0
Unrecap 1250 Gain %	0%	0	0	0	0	0	0	0	0	0	0	0
Capital Gain %	0%	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0

Support Schedules - Scenario # 2

The schedules which follow this page are for Scenario # 2.

Sample Business

Net Proceed Analysis – Scenario # 2

	Entity	Owner	Total
<u>Transaction Components:</u>			
Purchase Price	\$800,000	\$0	\$800,000
Other	0	0	0
Total Transaction Price	800,000	0	800,000
Less: Closing Costs	(95,000)	0	(95,000)
Tax	(111,285)	0	(111,285)
Net Transaction Proceeds Before Interest Income	593,715	0	593,715
Add: Seller Note Interest Income	78,710	0	78,710
Less: Tax on Seller Note Interest	(33,485)	0	(33,485)
Net Transaction Proceeds with Interest Income	638,940	0	638,940
<u>Liquidation Components:</u>			
Add: Cash	58,056	0	58,056
Accounts Receivable	53,729	0	53,729
Less: Current Liabilities	(21,777)	0	(21,777)
Other Liabilities	(167,543)	0	(167,543)
Bank Loan	0	0	0
Current Year Income Tax	0	0	0
Liquidation Tax	0	0	0
Net Total Liquidation Results	\$561,405	\$0	\$561,405

Net Liquidation Results Recap:

Net Proceeds from Fixed Purchase Price	593,715	0	593,715
Net Proceeds from Earn Out	0	0	0
Net Lease Income	0	0	0
Net Seller Note Interest	45,225	0	45,225
Liquidation Components	(77,535)	0	(77,535)
Net Total Liquidation Results	\$561,405	\$0	\$561,405

Net Transaction Proceeds are the amounts projected to be received from the transaction after payment of closing costs and taxes.

Net Seller Note Interest is the projected interest income to be received by the Seller as a result of extending financing to the Buyer.

The Liquidation Components are Asset and Liability amounts remaining after the transaction which were not transferred to the Buyer.

The Net Liquidation Recap details by source the projected amounts to be received by the Seller "After" tax and closing costs.

Sample Business

Transaction Activity – Scenario # 2

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
Entity Level												
Business Assets	\$560,000	\$0	\$41,544	\$44,547	\$47,767	\$51,220	\$54,922	\$0	\$0	\$0	\$0	\$800,000
Earn Out	0	0	0	0	0	0	0	0	0	0	0	0
Non-Competition	0	0	0	0	0	0	0	0	0	0	0	0
Consulting	0	0	0	0	0	0	0	0	0	0	0	0
Lease and Rental	0	0	0	0	0	0	0	0	0	0	0	0
License and Royalty Fees	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income - Seller Note	16,800	16,800	15,484	12,481	9,260	5,807	2,078	0	0	0	0	78,710
Stock	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Less:												
Salary	0	0	0	0	0	0	0	0	0	0	0	0
Health Insurance Premiums	0	0	0	0	0	0	0	0	0	0	0	0
Retirement Plan	0	0	0	0	0	0	0	0	0	0	0	0
Closing Costs	(95,000)	0	0	0	0	0	0	0	0	0	0	(95,000)
Other	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Entity Level	481,800	16,800	57,028	57,028	57,027	57,027	57,000	0	0	0	0	783,710
Personal Level												
Salary from Business	0	0	0	0	0	0	0	0	0	0	0	0
Employment Agreement	0	0	0	0	0	0	0	0	0	0	0	0
Consulting Agreement	0	0	0	0	0	0	0	0	0	0	0	0
Retirement Plan Distributions	0	0	0	0	0	0	0	0	0	0	0	0
Business Assets	0	0	0	0	0	0	0	0	0	0	0	0
Stock	0	0	0	0	0	0	0	0	0	0	0	0
Non-Competition	0	0	0	0	0	0	0	0	0	0	0	0
Lease and Rental	0	0	0	0	0	0	0	0	0	0	0	0
License and Royalty Fees	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income - Seller Note	0	0	0	0	0	0	0	0	0	0	0	0
Closing Costs	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Personal Level	0	0	0	0	0	0	0	0	0	0	0	0
Total Transaction	481,800	16,800	57,028	57,028	57,027	57,027	57,000	0	0	0	0	783,710
Less:												
Entity Level Tax	(67,495)	(6,895)	(14,060)	(13,384)	(12,659)	(11,882)	(11,038)	0	0	0	0	(137,413)
Franchise Tax	(3,257)	(252)	(781)	(776)	(770)	(764)	(757)	0	0	0	0	(7,357)
Personal Tax	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Tax	(70,752)	(7,147)	(14,841)	(14,160)	(13,429)	(12,646)	(11,795)	0	0	0	0	(144,770)
Liquidation Additions	111,785	0	0	0	0	0	0	0	0	0	0	111,785
Liquidation Subtractions	(189,320)	0	0	0	0	0	0	0	0	0	0	(189,320)
Net to Owner	\$333,513	\$9,653	\$42,187	\$42,868	\$43,598	\$44,381	\$45,205	\$0	\$0	\$0	\$0	\$561,405

Sample Business

Transaction Gain Analysis – Scenario # 2

	Transaction Gain Calculation				Transaction Gain Categories					
	Allocation	Tax Basis	Closing Costs	Gain	Ordinary Income	Depreciation Recapture	Unrecaptured 1250 Gain	Built In Gain	Capital Gain	Total
Entity Level:										
Business Assets:										
Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accounts Receivable	0	0	0	0	0	0	0	0	0	0
Work In Progress - Contracts	0	0	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0	0	0
Office Furniture	5,955	(440)	(707)	4,808	0	4,808	0	0	0	4,808
Office Equipment	6,211	(6,211)	(738)	(738)	0	0	0	0	(738)	(738)
Tools	2,352	(3,563)	(279)	(1,490)	0	0	0	0	(1,490)	(1,490)
Machinery	208,330	(208,330)	(24,739)	(24,739)	0	0	0	0	(24,739)	(24,739)
Scanners	120,000	(22,078)	(14,250)	83,672	0	83,672	0	0	0	83,672
Topometric Sensor	18,744	(18,744)	(2,226)	(2,226)	0	0	0	0	(2,226)	(2,226)
Computer Equipment	15,481	(15,481)	(1,838)	(1,838)	0	0	0	0	(1,838)	(1,838)
Computer Software	5,000	(2,919)	(594)	1,487	0	1,487	0	0	0	1,487
Vehicles	10,437	(7,000)	(1,239)	2,198	0	2,198	0	0	0	2,198
Platforms	7,490	(7,490)	(889)	(889)	0	0	0	0	(889)	(889)
Leasehold Improvements	0	(891)	0	(891)	0	0	0	0	(891)	(891)
Goodwill	400,000	0	(47,501)	352,499	0	0	0	0	352,499	352,499
Sub-Total Business Assets	800,000	(293,147)	(95,000)	411,853	0	92,165	0	0	319,688	411,853
Other:										
Consulting Agreement	0	0	0	0	0	0	0	0	0	0
Non-Competition Agreement	0	0	0	0	0	0	0	0	0	0
Lease and Rental	0	0	0	0	0	0	0	0	0	0
License and Royalty Fees	0	0	0	0	0	0	0	0	0	0
Sub-Total Other	0	0	0	0	0	0	0	0	0	0
Total Entity Level	800,000	(293,147)	(95,000)	411,853	0	92,165	0	0	319,688	411,853
Personal Level:										
Shareholder(s):										
Consulting Agreement	0	0	0	0	0	0	0	0	0	0
Employment Agreement	0	0	0	0	0	0	0	0	0	0
Non-Competition Agreement	0	0	0	0	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0	0	0	0	0
Stock / Ownership Interest	0	0	0	0	0	0	0	0	0	0
Real Estate - Land	0	0	0	0	0	0	0	0	0	0
Real Estate - Buildings	0	0	0	0	0	0	0	0	0	0
Total Personal Level	0	0	0	0	0	0	0	0	0	0
Grand Total - Transaction	<u>\$800,000</u>	<u>(\$293,147)</u>	<u>(\$95,000)</u>	<u>\$411,853</u>	<u>\$0</u>	<u>\$92,165</u>	<u>\$0</u>	<u>\$0</u>	<u>\$319,688</u>	<u>\$411,853</u>

Sample Business
Income Subject to Taxation – Scenario # 2

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
Entity Level:												
Ordinary Income:												
Business Assets	0	0	0	0	0	0	0	0	0	0	0	0
Non-Competition	0	0	0	0	0	0	0	0	0	0	0	0
Consulting	0	0	0	0	0	0	0	0	0	0	0	0
Lease and Rental	0	0	0	0	0	0	0	0	0	0	0	0
License and Royalty Fees	0	0	0	0	0	0	0	0	0	0	0	0
Stock / Ownership Interest	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income - Seller Note	16,800	16,800	15,484	12,481	9,260	5,807	2,078	0	0	0	0	78,710
Deduction - Salary	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Ordinary Income	16,800	16,800	15,484	12,481	9,260	5,807	2,078	0	0	0	0	78,710
Depreciation Recapture:	92,165	0	0	0	0	0	0	0	0	0	0	92,165
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:												
Business Assets	108,200	0	36,609	39,255	42,092	45,135	48,397	0	0	0	0	319,688
Earn Out	0	0	0	0	0	0	0	0	0	0	0	0
Stock / Ownership Interest	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Capital Gain	108,200	0	36,609	39,255	42,092	45,135	48,397	0	0	0	0	319,688
Total - Entity Level	217,165	16,800	52,093	51,736	51,352	50,942	50,475	0	0	0	0	490,563
Personal Level												
Ordinary Income:												
Salary from Business	0	0	0	0	0	0	0	0	0	0	0	0
Employment Agreement	0	0	0	0	0	0	0	0	0	0	0	0
Consulting	0	0	0	0	0	0	0	0	0	0	0	0
Retirement Plan Distributions	0	0	0	0	0	0	0	0	0	0	0	0
Business Assets	0	0	0	0	0	0	0	0	0	0	0	0
Stock / Ownership Interest	0	0	0	0	0	0	0	0	0	0	0	0
Non-Competition	0	0	0	0	0	0	0	0	0	0	0	0
Lease and Rental	0	0	0	0	0	0	0	0	0	0	0	0
License and Royalty Fees	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income - Seller Note	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Ordinary Income	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation Recapture:	0	0	0	0	0	0	0	0	0	0	0	0
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:												
Business Assets	0	0	0	0	0	0	0	0	0	0	0	0
Earn Out	0	0	0	0	0	0	0	0	0	0	0	0
Stock / Ownership Interest	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Capital Gain	0	0	0	0	0	0	0	0	0	0	0	0
Total - Personal Level	0	0	0	0	0	0	0	0	0	0	0	0

Sample Business

Tax Rate Assumptions – Scenario # 2

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Entity Tax Rates - Federal											
Income Tax	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Capital Gain	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Unrecaptured 1250 Gain	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Built In Gain	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Social Security Tax	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
Medicare Tax	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
Entity Tax Rates - State											
Income Tax	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%
Capital Gain	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%
Dividend Tax Rate - Federal											
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Dividend Tax Rate - State											
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Personal Tax Rates - Federal											
Income Tax	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Capital Gain	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Unrecaptured 1250 Gain	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Social Security Tax	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
Medicare Tax	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
Self Employment Tax	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%
Self Employment - Medicare Only	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
Personal Tax Rates - State											
Income Tax	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%
Capital Gain	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%

Sample Business
Calculated Tax Amounts – Scenario # 2

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
Entity Level:												
State Tax:												
Ordinary Income:	1,562	1,562	1,440	1,161	861	540	193	0	0	0	0	7,319
Depreciation Recapture:	8,571	0	0	0	0	0	0	0	0	0	0	8,571
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:	10,063	0	3,405	3,651	3,915	4,198	4,501	0	0	0	0	29,733
Sub-Total State	20,196	1,562	4,845	4,812	4,776	4,738	4,694	0	0	0	0	45,623
Federal Tax:												
Ordinary Income:	(1,189)	5,333	3,724	2,684	1,569	374	(916)	0	0	0	0	11,579
Depreciation Recapture:	32,258	0	0	0	0	0	0	0	0	0	0	32,258
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:	16,230	0	5,491	5,888	6,314	6,770	7,260	0	0	0	0	47,953
Payroll:	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Federal	47,299	5,333	9,215	8,572	7,883	7,144	6,344	0	0	0	0	91,790
Total Entity Level Tax	67,495	6,895	14,060	13,384	12,659	11,882	11,038	0	0	0	0	137,413
Franchise:												
California	3,257	252	781	776	770	764	757	0	0	0	0	7,357
Other	0	0	0	0	0	0	0	0	0	0	0	0
Total Franchise Tax	3,257	252	781	776	770	764	757	0	0	0	0	7,357
Personal Level:												
State Tax:												
Ordinary Income:	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation Recapture:	0	0	0	0	0	0	0	0	0	0	0	0
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total State	0	0	0	0	0	0	0	0	0	0	0	0
Federal Tax:												
Ordinary Income:	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation Recapture:	0	0	0	0	0	0	0	0	0	0	0	0
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Payroll:	0	0	0	0	0	0	0	0	0	0	0	0
Self-Employment:	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Federal	0	0	0	0	0	0	0	0	0	0	0	0
Total Personal Level Tax	0	0	0	0	0	0	0	0	0	0	0	0
Total Tax	70,752	7,147	14,841	14,160	13,429	12,646	11,795	0	0	0	0	144,770

Sample Business

Asset Allocation – Scenario # 2

		Entity Level	Personal Level	Total
Class I	Cash	0	0	0
Class II	Certificate of Deposit	0	0	0
	Life Insurance Policies	0	0	0
	Market Securites	0	0	0
Class III	Accounts Receivable	0	0	0
	Work In Progress - Contracts	0	0	0
Class IV	Inventory	0	0	0
Class V	Office Furniture	5,955	0	5,955
	Office Equipment	6,211	0	6,211
	Tools	2,352	0	2,352
	Machinery	208,330	0	208,330
	Scanners	120,000	0	120,000
	Topometric Sensor	18,744	0	18,744
	Computer Equipment	15,481	0	15,481
	Computer Software	5,000	0	5,000
	Vehicles	10,437	0	10,437
	Platforms	7,490	0	7,490
	Rolling Stock (Vehicles, Trucks, etc..)	0	0	0
	Buildings	0	0	0
	Land	0	0	0
	Long-Term Construction Contracts	0	0	0
	Class VI	Customer Based Intangibles	0	0
Supplier Based Intangibles		0	0	0
Workforce In Place		0	0	0
Information Database		0	0	0
Know How		0	0	0
Trademarks		0	0	0
Patents		0	0	0
Copyrights		0	0	0
Licenses		0	0	0
Franchise		0	0	0
Covenant Not To Compete	0	0	0	
Class VII	Goodwill	400,000	0	400,000
	Total	800,000	0	800,000

Sample Business

Promissory Notes – Scenario # 2

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
Note Amortization-Corporate													
Ordinary Gain %	0%	0	0	0	0	0	0	0	0	0	0	0	0
Unrecap 1250 Gain %	0%	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain %	88%	0	0	36,609	39,255	42,092	45,135	48,397	0	0	0	0	211,488
Total		0	0	36,609	39,255	42,092	45,135	48,397	0	0	0	0	211,488
Principal		0	0	41,544	44,547	47,767	51,220	54,922	0	0	0	0	240,000
Interest		16,800	16,800	15,484	12,481	9,260	5,807	2,078	0	0	0	0	78,710
Total		16,800	16,800	57,028	57,028	57,027	57,027	57,000	0	0	0	0	318,710
Note Amortization-Personal													
Ordinary Gain %	0%	0	0	0	0	0	0	0	0	0	0	0	0
Unrecap 1250 Gain %	0%	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain %	0%	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	0	0	0	0	0	0	0	0
Principal		0	0	0	0	0	0	0	0	0	0	0	0
Interest		0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	0	0	0	0	0	0	0	0

Support Schedules - Scenario # 3

The schedules which follow this page are for Scenario # 3

Sample Business

Net Proceed Analysis – Scenario # 3

	Entity	Owner	Total
<u>Transaction Components:</u>			
Purchase Price	\$560,000	\$240,000	\$800,000
Other	<u>0</u>	<u>0</u>	<u>0</u>
Total Transaction Price	560,000	240,000	800,000
Less: Closing Costs	(66,500)	(28,500)	(95,000)
Tax	<u>(63,602)</u>	<u>(86,810)</u>	<u>(150,412)</u>
Net Transaction Proceeds Before Interest Income	429,898	124,690	554,588
Add: Seller Note Interest Income	0	78,710	78,710
Less: Tax on Seller Note Interest	<u>0</u>	<u>(32,306)</u>	<u>(32,306)</u>
Net Transaction Proceeds with Interest Income	429,898	171,094	600,992
<u>Liquidation Components:</u>			
Add: Cash	58,056	0	58,056
Accounts Receivable	53,729	0	53,729
Less: Current Liabilities	(21,777)	0	(21,777)
Other Liabilities	(167,543)	0	(167,543)
Bank Loan	0	0	0
Current Year Income Tax	0	0	0
Liquidation Tax	0	0	0
Net Total Liquidation Results	<u>\$352,363</u>	<u>\$171,094</u>	<u>\$523,457</u>

Net Liquidation Results Recap:

Net Proceeds from Fixed Purchase Price	429,898	124,690	554,588
Net Proceeds from Earn Out	0	0	0
Net Lease Income	0	0	0
Net Seller Note Interest	0	46,404	46,404
Liquidation Components	(77,535)	0	(77,535)
Net Total Liquidation Results	<u>\$352,363</u>	<u>\$171,094</u>	<u>\$523,457</u>

Net Transaction Proceeds are the amounts projected to be received from the transaction after payment of closing costs and taxes.

Net Seller Note Interest is the projected interest income to be received by the Seller as a result of extending financing to the Buyer.

The Liquidation Components are Asset and Liability amounts remaining after the transaction which were not transferred to the Buyer.

The Net Liquidation Recap details by source the projected amounts to be received by the Seller "After" tax and closing costs.

Sample Business

Transaction Activity – Scenario # 3

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
Entity Level												
Business Assets	\$560,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$560,000
Earn Out	0	0	0	0	0	0	0	0	0	0	0	0
Non-Competition	0	0	0	0	0	0	0	0	0	0	0	0
Consulting	0	0	0	0	0	0	0	0	0	0	0	0
Lease and Rental	0	0	0	0	0	0	0	0	0	0	0	0
License and Royalty Fees	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income - Seller Note	0	0	0	0	0	0	0	0	0	0	0	0
Stock	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Less:												
Salary	0	0	0	0	0	0	0	0	0	0	0	0
Health Insurance Premiums	0	0	0	0	0	0	0	0	0	0	0	0
Retirement Plan	0	0	0	0	0	0	0	0	0	0	0	0
Closing Costs	(66,500)	0	0	0	0	0	0	0	0	0	0	(66,500)
Other	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Entity Level	493,500	0	0	0	0	0	0	0	0	0	0	493,500
Personal Level												
Salary from Business	0	0	0	0	0	0	0	0	0	0	0	0
Employment Agreement	0	0	0	0	0	0	0	0	0	0	0	0
Consulting Agreement	0	0	0	0	0	0	0	0	0	0	0	0
Retirement Plan Distributions	0	0	0	0	0	0	0	0	0	0	0	0
Business Assets	0	0	0	0	0	0	0	0	0	0	0	0
Stock	0	0	0	0	0	0	0	0	0	0	0	0
Non-Competition	0	0	41,544	44,547	47,767	51,220	54,922	0	0	0	0	240,000
Lease and Rental	0	0	0	0	0	0	0	0	0	0	0	0
License and Royalty Fees	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income - Seller Note	16,800	16,800	15,484	12,481	9,260	5,807	2,078	0	0	0	0	78,710
Closing Costs	(28,500)	0	0	0	0	0	0	0	0	0	0	(28,500)
Other	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Personal Level	(11,700)	16,800	57,028	57,028	57,027	57,027	57,000	0	0	0	0	290,210
Total Transaction	481,800	16,800	57,028	57,028	57,027	57,027	57,000	0	0	0	0	783,710
Less:												
Entity Level Tax	(60,597)	0	0	0	0	0	0	0	0	0	0	(60,597)
Franchise Tax	(3,005)	0	0	0	0	0	0	0	0	0	0	(3,005)
Personal Tax	(6,895)	(6,895)	(21,382)	(21,235)	(21,078)	(20,909)	(20,722)	0	0	0	0	(119,116)
Sub-Total Tax	(70,497)	(6,895)	(21,382)	(21,235)	(21,078)	(20,909)	(20,722)	0	0	0	0	(182,718)
Liquidation Additions	111,785	0	0	0	0	0	0	0	0	0	0	111,785
Liquidation Subtractions	(189,320)	0	0	0	0	0	0	0	0	0	0	(189,320)
Net to Owner	\$333,768	\$9,905	\$35,646	\$35,793	\$35,949	\$36,118	\$36,278	\$0	\$0	\$0	\$0	\$523,457

Sample Business

Transaction Gain Analysis – Scenario # 3

	Transaction Gain Calculation				Transaction Gain Categories					
	Allocation	Tax Basis	Closing Costs	Gain	Ordinary Income	Depreciation Recapture	Unrecaptured 1250 Gain	Built In Gain	Capital Gain	Total
Entity Level:										
Business Assets:										
Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accounts Receivable	0	0	0	0	0	0	0	0	0	0
Work In Progress - Contracts	0	0	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0	0	0
Office Furniture	5,955	(440)	(707)	4,808	0	4,808	0	0	0	4,808
Office Equipment	6,211	(6,211)	(738)	(738)	0	0	0	0	(738)	(738)
Tools	2,352	(3,563)	(279)	(1,490)	0	0	0	0	(1,490)	(1,490)
Machinery	208,330	(208,330)	(24,739)	(24,739)	0	0	0	0	(24,739)	(24,739)
Scanners	120,000	(22,078)	(14,250)	83,672	0	83,672	0	0	0	83,672
Topometric Sensor	18,744	(18,744)	(2,226)	(2,226)	0	0	0	0	(2,226)	(2,226)
Computer Equipment	15,481	(15,481)	(1,838)	(1,838)	0	0	0	0	(1,838)	(1,838)
Computer Software	5,000	(2,919)	(594)	1,487	0	1,487	0	0	0	1,487
Vehicles	10,437	(7,000)	(1,239)	2,198	0	2,198	0	0	0	2,198
Platforms	7,490	(7,490)	(889)	(889)	0	0	0	0	(889)	(889)
Leasehold Improvements	0	(891)	0	(891)	0	0	0	0	(891)	(891)
Goodwill	160,000	0	(19,001)	140,999	0	0	0	0	140,999	140,999
Sub-Total Business Assets	560,000	(293,147)	(66,500)	200,353	0	92,165	0	0	108,188	200,353
Other:										
Consulting Agreement	0	0	0	0	0	0	0	0	0	0
Non-Competition Agreement	0	0	0	0	0	0	0	0	0	0
Lease and Rental	0	0	0	0	0	0	0	0	0	0
License and Royalty Fees	0	0	0	0	0	0	0	0	0	0
Sub-Total Other	0	0	0	0	0	0	0	0	0	0
Total Entity Level	560,000	(293,147)	(66,500)	200,353	0	92,165	0	0	108,188	200,353
Personal Level:										
Shareholder(s):										
Consulting Agreement	0	0	0	0	0	0	0	0	0	0
Employment Agreement	0	0	0	0	0	0	0	0	0	0
Non-Competition Agreement	240,000	0	(28,500)	211,500	211,500	0	0	0	0	211,500
Goodwill	0	0	0	0	0	0	0	0	0	0
Stock / Ownership Interest	0	0	0	0	0	0	0	0	0	0
Real Estate - Land	0	0	0	0	0	0	0	0	0	0
Real Estate - Buildings	0	0	0	0	0	0	0	0	0	0
Total Personal Level	240,000	0	(28,500)	211,500	211,500	0	0	0	0	211,500
Grand Total - Transaction	<u>\$800,000</u>	<u>(\$293,147)</u>	<u>(\$95,000)</u>	<u>\$411,853</u>	<u>\$211,500</u>	<u>\$92,165</u>	<u>\$0</u>	<u>\$0</u>	<u>\$108,188</u>	<u>\$411,853</u>

Sample Business
Income Subject to Taxation – Scenario # 3

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
Entity Level:												
Ordinary Income:												
Business Assets	0	0	0	0	0	0	0	0	0	0	0	0
Non-Competition	0	0	0	0	0	0	0	0	0	0	0	0
Consulting	0	0	0	0	0	0	0	0	0	0	0	0
Lease and Rental	0	0	0	0	0	0	0	0	0	0	0	0
License and Royalty Fees	0	0	0	0	0	0	0	0	0	0	0	0
Stock / Ownership Interest	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income - Seller Note	0	0	0	0	0	0	0	0	0	0	0	0
Deduction - Salary	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Ordinary Income	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation Recapture:	92,165	0	0	0	0	0	0	0	0	0	0	92,165
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:												
Business Assets	108,188	0	0	0	0	0	0	0	0	0	0	108,188
Earn Out	0	0	0	0	0	0	0	0	0	0	0	0
Stock / Ownership Interest	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Capital Gain	108,188	0	0	0	0	0	0	0	0	0	0	108,188
Total - Entity Level	200,353	0	0	0	0	0	0	0	0	0	0	200,353
Personal Level												
Ordinary Income:												
Salary from Business	0	0	0	0	0	0	0	0	0	0	0	0
Employment Agreement	0	0	0	0	0	0	0	0	0	0	0	0
Consulting	0	0	0	0	0	0	0	0	0	0	0	0
Retirement Plan Distributions	0	0	0	0	0	0	0	0	0	0	0	0
Business Assets	0	0	0	0	0	0	0	0	0	0	0	0
Stock / Ownership Interest	0	0	0	0	0	0	0	0	0	0	0	0
Non-Competition	0	0	36,609	39,255	42,092	45,135	48,409	0	0	0	0	211,500
Lease and Rental	0	0	0	0	0	0	0	0	0	0	0	0
License and Royalty Fees	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income - Seller Note	16,800	16,800	15,484	12,481	9,260	5,807	2,078	0	0	0	0	78,710
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Ordinary Income	16,800	16,800	52,093	51,736	51,352	50,942	50,487	0	0	0	0	290,210
Depreciation Recapture:	0	0	0	0	0	0	0	0	0	0	0	0
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:												
Business Assets	0	0	0	0	0	0	0	0	0	0	0	0
Earn Out	0	0	0	0	0	0	0	0	0	0	0	0
Stock / Ownership Interest	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Capital Gain	0	0	0	0	0	0	0	0	0	0	0	0
Total - Personal Level	16,800	16,800	52,093	51,736	51,352	50,942	50,487	0	0	0	0	290,210

Sample Business

Tax Rate Assumptions – Scenario # 3

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Entity Tax Rates - Federal											
Income Tax	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Capital Gain	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Unrecaptured 1250 Gain	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Built In Gain	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Social Security Tax	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
Medicare Tax	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
Entity Tax Rates - State											
Income Tax	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%
Capital Gain	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%
Dividend Tax Rate - Federal											
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Dividend Tax Rate - State											
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Personal Tax Rates - Federal											
Income Tax	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Capital Gain	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Unrecaptured 1250 Gain	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Social Security Tax	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
Medicare Tax	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
Self Employment Tax	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%	15.30%
Self Employment - Medicare Only	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
Personal Tax Rates - State											
Income Tax	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%
Capital Gain	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%	9.30%

Sample Business
Calculated Tax Amounts – Scenario # 3

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
Entity Level:												
State Tax:												
Ordinary Income:	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation Recapture:	8,571	0	0	0	0	0	0	0	0	0	0	8,571
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:	10,061	0	0	0	0	0	0	0	0	0	0	10,061
Sub-Total State	18,632	0	0	0	0	0	0	0	0	0	0	18,632
Federal Tax:												
Ordinary Income:	(6,521)	0	0	0	0	0	0	0	0	0	0	(6,521)
Depreciation Recapture:	32,258	0	0	0	0	0	0	0	0	0	0	32,258
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:	16,228	0	0	0	0	0	0	0	0	0	0	16,228
Payroll:	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Federal	41,965	0	0	0	0	0	0	0	0	0	0	41,965
Total Entity Level Tax	60,597	0	0	0	0	0	0	0	0	0	0	60,597
Franchise:												
California	3,005	0	0	0	0	0	0	0	0	0	0	3,005
Other	0	0	0	0	0	0	0	0	0	0	0	0
Total Franchise Tax	3,005	0	0	0	0	0	0	0	0	0	0	3,005
Personal Level:												
State Tax:												
Ordinary Income:	1,562	1,562	4,845	4,811	4,776	4,738	4,695	0	0	0	0	26,989
Depreciation Recapture:	0	0	0	0	0	0	0	0	0	0	0	0
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Payroll:	0	0	0	0	0	0	0	0	0	0	0	0
Self-Employment:	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total State	1,562	1,562	4,845	4,811	4,776	4,738	4,695	0	0	0	0	26,989
Federal Tax:												
Ordinary Income:	5,333	5,333	16,537	16,424	16,302	16,171	16,027	0	0	0	0	92,127
Depreciation Recapture:	0	0	0	0	0	0	0	0	0	0	0	0
Unrecaptured 1250 Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Built In Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain:	0	0	0	0	0	0	0	0	0	0	0	0
Payroll:	0	0	0	0	0	0	0	0	0	0	0	0
Self-Employment:	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Federal	5,333	5,333	16,537	16,424	16,302	16,171	16,027	0	0	0	0	92,127
Total Personal Level Tax	6,895	6,895	21,382	21,235	21,078	20,909	20,722	0	0	0	0	119,116
Total Tax	70,497	6,895	21,382	21,235	21,078	20,909	20,722	0	0	0	0	182,718

Sample Business

Asset Allocation – Scenario # 3

		Entity Level	Personal Level	Total
Class I	Cash	0	0	0
Class II	Certificate of Deposit	0	0	0
	Life Insurance Policies	0	0	0
	Market Securites	0	0	0
Class III	Accounts Receivable	0	0	0
	Work In Progress - Contracts	0	0	0
Class IV	Inventory	0	0	0
Class V	Office Furniture	5,955	0	5,955
	Office Equipment	6,211	0	6,211
	Tools	2,352	0	2,352
	Machinery	208,330	0	208,330
	Scanners	120,000	0	120,000
	Topometric Sensor	18,744	0	18,744
	Computer Equipment	15,481	0	15,481
	Computer Software	5,000	0	5,000
	Vehicles	10,437	0	10,437
	Platforms	7,490	0	7,490
	Rolling Stock (Vehicles, Trucks, etc..)	0	0	0
	Buildings	0	0	0
	Land	0	0	0
	Long-Term Construction Contracts	0	0	0
Class VI	Customer Based Intangibles	0	0	0
	Supplier Based Intangibles	0	0	0
	Workforce In Place	0	0	0
	Information Database	0	0	0
	Know How	0	0	0
	Trademarks	0	0	0
	Patents	0	0	0
	Copyrights	0	0	0
	Licenses	0	0	0
	Franchise	0	0	0
	Covenant Not To Compete	160,000	240,000	400,000
Class VII	Goodwill	0	0	0
	Total	560,000	240,000	800,000

Sample Business

Promissory Notes – Scenario # 3

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
Note Amortization-Corporate													
Ordinary Gain %	0%	0	0	0	0	0	0	0	0	0	0	0	0
Unrecap 1250 Gain %	0%	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain %	0%	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	0	0	0	0	0	0	0	0
Principal		0	0	0	0	0	0	0	0	0	0	0	0
Interest		0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	0	0	0	0	0	0	0	0
Note Amortization-Personal													
Ordinary Gain %	0%	0	0	0	0	0	0	0	0	0	0	0	0
Unrecap 1250 Gain %	0%	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain %	88%	0	0	36,609	39,255	42,092	45,135	48,409	0	0	0	0	211,500
Total		0	0	36,609	39,255	42,092	45,135	48,409	0	0	0	0	211,500
Principal		0	0	41,544	44,547	47,767	51,220	54,922	0	0	0	0	240,000
Interest		16,800	16,800	15,484	12,481	9,260	5,807	2,078	0	0	0	0	78,710
Total		16,800	16,800	57,028	57,028	57,027	57,027	57,000	0	0	0	0	318,710

