
TRANSACTION STRUCTURING REPORT

This is a sample of the Basic Report.

Sample Business

Somewhere, USA



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Sample Business

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Purpose

The purpose of this Transaction Structuring Report is to present a single structuring scenario and related tax result associated with the presented scenario. 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 scenario presented in this report is not exhaustive and does 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 scenario 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 two (2) sections. Section 1 covers the title page through the end of the Structuring Scenario Narrative. Section 2 covers Scenario Support Schedules.

Section 1 contains a narrative for the scenario. The structuring scenario narrative provides a written explanation of the results associated with the scenario. The 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 contains the support schedules for the scenario and provides the financial details associated with the scenario. The initial schedule is the Net Proceed Analysis. The next schedule for the scenario is the Transaction Activity Schedule. This schedule provides an overall recap of the 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 2.

Just before the start of the scenario narrative in Section 1, there is a Net Proceed Analysis Schedule which will allow you to quickly gain an understanding of the overall estimated results associated with the 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 2. 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 Schedule in Section 1 which is located just prior to the start of the Scenario Narrative. This will enable you to understand the estimated results anticipated to occur for the scenario.
- 3) Third, review the Transaction Activity Detail and Transaction Activity Summary Schedule for the scenario in Section 2. By reviewing these individual schedules for the 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 narrative for the scenario.
- 5) Fifth, review the other support schedules for the 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 a Limited Partnership.

State of Organization

The business is organized in a State in the USA.

Date of Organization

The business was organized on January 1, 2008.

Business Purpose

The business is a private non-franchised Oil & Lube location.

Business Owner(s)

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

Information Used to Prepare Report

- Year 2008 Federal Income Tax Return(s)
- Year 2008 Balance Sheet as of December 31, 2008
- Depreciation Schedules for Year 2008
- Conversation with Intermediary
- Conversation with Mr. and Mrs. Entrepreneur

Scenario Narrative Explanation

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 the Scenario, the anticipated results of the Scenario can be easily analyzed.

The intent of the Scenario Narrative is to provide additional explanatory language to assist in understanding the Scenario.

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

Sample Business

Net Proceed Analysis – Scenario Comparison

| | Entity | Owner | Total |
|---|------------------|------------------|------------------|
| Transaction Components: | | | |
| Purchase Price | \$600,000 | \$1,300,000 | \$1,900,000 |
| Other | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Transaction Price | 600,000 | 1,300,000 | 1,900,000 |
| Less: Closing Costs | (65,526) | (141,973) | (207,499) |
| Tax | <u>(108,249)</u> | <u>(113,415)</u> | <u>(221,664)</u> |
| Net Transaction Proceeds Before Interest Income | 426,225 | 1,044,612 | 1,470,837 |
| Add: Seller Note Interest Income | 0 | 44,587 | 44,587 |
| Less: Tax on Seller Note Interest | <u>0</u> | <u>(11,147)</u> | <u>(11,147)</u> |
| Net Transaction Proceeds with Interest Income | 426,225 | 1,078,052 | 1,504,277 |

Liquidation Components:

| | | | |
|-------------------------------|-------------------------|---------------------------|---------------------------|
| Add: Cash | 0 | 0 | 0 |
| Accounts Receivable | 0 | 0 | 0 |
| Less: Current Liabilities | 0 | 0 | 0 |
| Other Liabilities | 0 | 0 | 0 |
| Bank Loan | 0 | 0 | 0 |
| Current Year Income Tax | 0 | 0 | 0 |
| Liquidation Tax | 0 | 0 | 0 |
| Net Total Liquidation Results | <u><u>\$426,225</u></u> | <u><u>\$1,078,052</u></u> | <u><u>\$1,504,277</u></u> |

Net Liquidation Results Recap:

| | | | |
|--|-------------------------|---------------------------|---------------------------|
| Net Proceeds from Fixed Purchase Price | 426,225 | 1,044,612 | 1,470,837 |
| Net Proceeds from Earn Out | 0 | 0 | 0 |
| Net Lease Income | 0 | 0 | 0 |
| Net Seller Note Interest | 0 | 33,440 | 33,440 |
| Liquidation Components | 0 | 0 | 0 |
| Net Total Liquidation Results | <u><u>\$426,225</u></u> | <u><u>\$1,078,052</u></u> | <u><u>\$1,504,277</u></u> |

This is an Asset Transaction for a total of \$1,900,000. The business assets are being sold for \$600,000 and real estate is being sold personally by the business owners for \$1,300,000.

Scenario Narrative

Sell Side Results

This Scenario assumes the business transfer will be structured as an Asset Transaction with a \$1,900,000 transaction price allocated as follows.

Entity Level:

| | |
|--------------------|---------|
| Inventory | 13,500 |
| Office Furniture | 2,500 |
| Office Equipment | 0 |
| Computer Equipment | 8,500 |
| Shop Equipment | 148,000 |
| Goodwill | 427,500 |

Owner Level:

| | |
|-------------------------|-------------|
| Real Estate - Land | 400,000 |
| Real Estate - Buildings | 900,000 |
| | ----- |
| Total | \$1,900,000 |
| | ===== |

The Buyer will pay \$1,805,000 down with \$95,000 being carried by the Seller for a period of 5 years. The note will create an additional \$44,587 of interest income to the Seller over the term of the note. This projected interest is incorporated into the activity associated with this Scenario.

After considering available tax basis, taxable gains will be \$999,213. A calculation of this gain is detailed in the Transaction Gain Analysis Schedule provided in the Scenario support schedule section located in the back of this report.

This gain along with the additional projected \$44,587 of interest income will result in an estimated tax of \$232,811. Schedules detailing the estimated tax can be found in the Scenario support schedule section located in the back of this report.

After considering applicable closing costs and taxes, the estimated net to owner is \$1,504,277. This is a combination of the amount to be received in the year of sale plus the receipt of amount due under the Seller Note. The calculation of the net to owner can be found by reviewing the Transaction Activity Schedules located in the Scenario support schedule section located in the back of this report.

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

| | |
|--------------------|-------------|
| Transaction Type: | Asset |
| Transaction Price: | \$1,900,000 |

Funding:

| | |
|--------------------|-----------------|
| Cash at Close: | \$1,805,000 |
| Seller Note: | \$95,000 |
| Interest Rate: | 8.00% per annum |
| Payment Period: | 5 years |
| Payments per year: | 0 |

Note Payments will not occur for a period of 5 years. The interest will accrue and at the beginning of Year 6 the principal and interest will balloon. This payout is based on general lender requirements in the current financing market. Thus, the note will be on complete standby with no principal or interest being paid until the end of the standby period or until a standby release is issued.

Estimated Tax: \$232,811

Net to Owner: \$1,504,277

The Net to Owner is only for amounts associated with the transaction and DOES NOT include excess cash or other assets existing in the business. The liquidation of these additional items, if applicable, will increase the Net to Owner amount.

Buy Side Results

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

The \$13,500 allocated to inventory can be expensed as fast as it is used.

The \$159,000 allocated to FFE can be depreciated over 5 to 7 years or possibly be expensed immediately with a Section 179 Election.

The \$900,000 allocated to the Building can be depreciated for 40 years.

The \$400,000 allocated to Land cannot be depreciated but it can be taken as a deduction when the real estate is sold at some future point.

The \$427,500 allocated to Business Goodwill can be amortized over 15 years.

Additional Scenario Notes

This is an Asset Transaction for a total of \$1,900,000. The business assets are being sold for \$600,000 and real estate is being sold personally by the business owners for \$1,300,000.

The closing costs incorporated into the scenario include broker fees of \$190,000 and \$17,500 for legal, tax, etc... for a total of \$207,500.

Due to the small seller note of \$95,000 only a small amount of gain would be deferred if the installment method was applied. At current capital gain rates the tax to be deferred is between \$3,000 and \$12,000 depending on which assets were applied to the note. Considering that tax rates will be going up past Year 2010, it is best to not defer the tax. Thus, this scenario assumes the installment method will not be used and the tax will be paid in the year of sale.

Note Regarding Depreciation of the Building

It appears that the building is being depreciated under a 15 year life applicable to Land Improvements or per the 15 year "Qualified Leasehold Improvement" provisions of the American Jobs Creation Act of 2004 (AJCA).

This building does not class as a Land Improvement. The building itself does not qualify as a Leasehold Improvement. It appears that any improvements to the building also do not qualify for the 15 year depreciation life under AJCA.

The building should have been depreciated on a 39 year life. Thus, the depreciation taken since Year 2004 has been overstated.

For the current transaction, this will result in an a portion of the prior depreciation being subject to Deprecation Recapture and a portion being classed as an Unrecaptured 1250 Gain. Deprecation Recapture is taxed at ordinary tax rates while Unrecaptured 1250 Gain is taxed at a special capital gain rate of 25%.

Any gain on the building in excess of the prior depreciation is classed as a capital gain subject to a capital gain rate of 15%.

Based on a 15 year depreciable life, the deprecation recognized through 12/31/2008 is \$212,918. But, the building should have been depreciated on a 39 year life so the depreciation recognized through 12/31/2008 should have been \$62,666. This means that recognized depreciation has been overstated by \$150,252.

Thus, \$150,252 will be classed as Deprecation Recapture subject to ordinary income tax and \$62,666 will be classed as Unrecaptured 1250 Gain subject to the special capital gain rate of 25%.

Additionally, this depreciation matter should be corrected in Year 2009 with at least the correct amount of deprecation being recognized. The correct deprecation for Year 2009 to be recognized under the 39 year life is \$15,505.

If though the business is sold in Year 2009 only 50%, which is \$7,753, will end up being recognized. This \$7,753 will then be classed as part of the Unrecaptured 1250 Gain bringing the total Unrecaptured 1250 Gain to \$70,419.

The Net to Owner in this scenario is only for amounts associated with the transaction and DOES NOT include excess cash or other assets existing in the business. The liquidation of these additional items, if applicable, will have their own tax implication and will likely increase the Net to Owner amount.

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

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.

Sample Business

Net Proceed Analysis

| | Entity | Owner | Total |
|---|-------------------------|---------------------------|---------------------------|
| <u>Transaction Components:</u> | | | |
| Purchase Price | \$600,000 | \$1,300,000 | \$1,900,000 |
| Other | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Transaction Price | 600,000 | 1,300,000 | 1,900,000 |
| Less: Closing Costs | (65,526) | (141,973) | (207,499) |
| Tax | <u>(108,249)</u> | <u>(113,415)</u> | <u>(221,664)</u> |
| Net Transaction Proceeds Before Interest Income | 426,225 | 1,044,612 | 1,470,837 |
| Add: Seller Note Interest Income | 0 | 44,587 | 44,587 |
| Less: Tax on Seller Note Interest | <u>0</u> | <u>(11,147)</u> | <u>(11,147)</u> |
| Net Transaction Proceeds with Interest Income | 426,225 | 1,078,052 | 1,504,277 |
| <u>Liquidation Components:</u> | | | |
| Add: Cash | 0 | 0 | 0 |
| Accounts Receivable | 0 | 0 | 0 |
| Less: Current Liabilities | 0 | 0 | 0 |
| Other Liabilities | 0 | 0 | 0 |
| Bank Loan | 0 | 0 | 0 |
| Current Year Income Tax | 0 | 0 | 0 |
| Liquidation Tax | 0 | 0 | 0 |
| Net Total Liquidation Results | <u><u>\$426,225</u></u> | <u><u>\$1,078,052</u></u> | <u><u>\$1,504,277</u></u> |

Net Liquidation Results Recap:

| | | | |
|--|-------------------------|---------------------------|---------------------------|
| Net Proceeds from Fixed Purchase Price | 426,225 | 1,044,612 | 1,470,837 |
| Net Proceeds from Earn Out | 0 | 0 | 0 |
| Net Lease Income | 0 | 0 | 0 |
| Net Seller Note Interest | 0 | 33,440 | 33,440 |
| Liquidation Components | 0 | 0 | 0 |
| Net Total Liquidation Results | <u><u>\$426,225</u></u> | <u><u>\$1,078,052</u></u> | <u><u>\$1,504,277</u></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 Detail

| | 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 | \$600,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$600,000 |
| 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 | (65,526) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (65,526) |
| 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 | 534,474 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 534,474 |
| 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 | 44,587 | 0 | 0 | 0 | 0 | 0 | 44,587 |
| Closing Costs | (141,973) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (141,973) |
| Real Estate - Land | 400,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 400,000 |
| Real Estate - Buildings | 805,000 | 0 | 0 | 0 | 0 | 95,000 | 0 | 0 | 0 | 0 | 0 | 900,000 |
| Sub-Total Personal Level | 1,063,027 | 0 | 0 | 0 | 0 | 139,587 | 0 | 0 | 0 | 0 | 0 | 1,202,614 |
| Total Transaction | 1,597,501 | 0 | 0 | 0 | 0 | 139,587 | 0 | 0 | 0 | 0 | 0 | 1,737,088 |
| Less: | | | | | | | | | | | | |
| Entity Level Tax | (108,249) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (108,249) |
| Dividend Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Personal Tax | (113,415) | 0 | 0 | 0 | 0 | (11,147) | 0 | 0 | 0 | 0 | 0 | (124,562) |
| Sub-Total Tax | (221,664) | 0 | 0 | 0 | 0 | (11,147) | 0 | 0 | 0 | 0 | 0 | (232,811) |
| 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 |
| Net to Owner | \$1,375,837 | \$0 | \$0 | \$0 | \$0 | \$128,440 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,504,277 |

Sample Business
Transaction Activity Summary

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 11 | Total |
|------------------------------|--------------------|------------|------------|------------|------------|------------------|------------|------------|------------|------------|------------|--------------------|
| Recap: | | | | | | | | | | | | |
| Gross Funds Due At Closing | 600,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 600,000 |
| Less: Closing Costs | (65,526) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (65,526) |
| Estimated Tax | (108,249) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (108,249) |
| Net Sale Proceeds at Closing | 426,225 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 426,225 |
| Real Estate | 1,205,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,205,000 |
| Less: Closing Costs | (141,973) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (141,973) |
| Estimated Tax | (113,415) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (113,415) |
| Net Real Estate | 949,612 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 949,612 |
| Prommisory Note Collection | 0 | 0 | 0 | 0 | 0 | 139,587 | 0 | 0 | 0 | 0 | 0 | 139,587 |
| Less: Estimated Tax | 0 | 0 | 0 | 0 | 0 | (11,147) | 0 | 0 | 0 | 0 | 0 | (11,147) |
| Net Note Collections | 0 | 0 | 0 | 0 | 0 | 128,440 | 0 | 0 | 0 | 0 | 0 | 128,440 |
| Net to Owner | \$1,375,837 | \$0 | \$0 | \$0 | \$0 | \$128,440 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,504,277 |

Sample Business

Transaction Gain Analysis

| | 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 | 13,500 | (13,500) | (1,474) | (1,474) | (1,474) | 0 | 0 | 0 | 0 | (1,474) |
| Office Furniture | 2,500 | 0 | (273) | 2,227 | 0 | 2,227 | 0 | 0 | 0 | 2,227 |
| Office Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Computer Equipment | 8,500 | (2,320) | (928) | 5,252 | 0 | 5,252 | 0 | 0 | 0 | 5,252 |
| Shop Equipment | 148,000 | (11,166) | (16,163) | 120,671 | 0 | 120,671 | 0 | 0 | 0 | 120,671 |
| Goodwill | 427,500 | 0 | (46,688) | 380,812 | 0 | 0 | 0 | 0 | 380,812 | 380,812 |
| Sub-Total Business Assets | 600,000 | (26,986) | (65,526) | 507,488 | (1,474) | 128,150 | 0 | 0 | 380,812 | 507,488 |
| 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 | 600,000 | (26,986) | (65,526) | 507,488 | (1,474) | 128,150 | 0 | 0 | 380,812 | 507,488 |
| 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 | 400,000 | (282,269) | (43,684) | 74,047 | 0 | 0 | 0 | 0 | 74,047 | 74,047 |
| Real Estate - Buildings | 900,000 | (384,033) | (98,289) | 417,678 | 0 | 150,252 | 70,419 | 0 | 197,007 | 417,678 |
| Total Personal Level | 1,300,000 | (666,302) | (141,973) | 491,725 | 0 | 150,252 | 70,419 | 0 | 271,054 | 491,725 |
| Grand Total - Transaction | <u>\$1,900,000</u> | <u>(\$693,288)</u> | <u>(\$207,499)</u> | <u>\$999,213</u> | <u>(\$1,474)</u> | <u>\$278,402</u> | <u>\$70,419</u> | <u>\$0</u> | <u>\$651,866</u> | <u>\$999,213</u> |

Sample Business
Income Subject to Taxation

| | 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 | (1,474) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1,474) |
| 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 | (1,474) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1,474) |
| Depreciation Recapture: | 128,150 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 128,150 |
| 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 | 380,812 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 380,812 |
| 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 | 380,812 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 380,812 |
| Total - Entity Level | 507,488 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 507,488 |
| 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 | 44,587 | 0 | 0 | 0 | 0 | 0 | 44,587 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sub-Total Ordinary Income | 0 | 0 | 0 | 0 | 0 | 44,587 | 0 | 0 | 0 | 0 | 0 | 44,587 |
| Depreciation Recapture: | 150,252 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 150,252 |
| Unrecaptured 1250 Gain: | 70,419 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 70,419 |
| 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 |
| Real Estate - Land | 74,047 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 74,047 |
| Real Estate - Buildings | 197,007 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 197,007 |
| Sub-Total Capital Gain | 271,054 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 271,054 |
| Total - Personal Level | 491,725 | 0 | 0 | 0 | 0 | 44,587 | 0 | 0 | 0 | 0 | 0 | 536,312 |

Sample Business

Tax Rate Assumptions

| | 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 | 34.00% | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% | 28.00% |
| Capital Gain | 16.50% | 15.00% | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% |
| 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 | 0.70% | 0.70% | 0.70% | 0.70% | 0.70% | 0.70% | 0.70% | 0.70% | 0.70% | 0.70% | 0.70% |
| Capital Gain | 0.70% | 0.07% | 0.70% | 0.70% | 0.70% | 0.70% | 0.70% | 0.70% | 0.70% | 0.70% | 0.70% |
| 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 | 34.00% | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% | 28.00% |
| Capital Gain | 16.50% | 15.00% | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% |
| 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 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Capital Gain | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Sample Business
Calculated Tax Amounts

| | 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: | (10) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (10) |
| Depreciation Recapture: | 897 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 897 |
| 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: | 2,666 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,666 |
| Sub-Total State | 3,553 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,553 |
| Federal Tax: | | | | | | | | | | | | |
| Ordinary Income: | (1,709) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1,709) |
| Depreciation Recapture: | 43,571 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 43,571 |
| 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: | 62,834 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 62,834 |
| Payroll: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sub-Total Federal | 104,696 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 104,696 |
| Total Entity Level Tax | 108,249 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 108,249 |
| Dividend: | | | | | | | | | | | | |
| State Tax | | | | | | | | | | | | |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal Tax | | | | | | | | | | | | |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dividend Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 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 | 11,147 | 0 | 0 | 0 | 0 | 0 | 11,147 |
| Depreciation Recapture: | 51,086 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 51,086 |
| Unrecaptured 1250 Gain: | 17,605 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,605 |
| Built In Gain: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Gain: | 44,724 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 44,724 |
| 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 | 113,415 | 0 | 0 | 0 | 0 | 11,147 | 0 | 0 | 0 | 0 | 0 | 124,562 |
| Total Personal Level Tax | 113,415 | 0 | 0 | 0 | 0 | 11,147 | 0 | 0 | 0 | 0 | 0 | 124,562 |
| Total Tax | 221,664 | 0 | 0 | 0 | 0 | 11,147 | 0 | 0 | 0 | 0 | 0 | 232,811 |

Sample Business*Asset Allocation*

| | | 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 | 13,500 | 0 | 13,500 |
| Class V | Office Furniture | 2,500 | 0 | 2,500 |
| | Office Equipment | 0 | 0 | 0 |
| | Computer Equipment | 8,500 | 0 | 8,500 |
| | Equipment & Machinery | 148,000 | 0 | 148,000 |
| | Rolling Stock (Vehicles, Trucks, etc..) | 0 | 0 | 0 |
| | Software | 0 | 0 | 0 |
| | Buildings | 0 | 900,000 | 900,000 |
| | Land | 0 | 400,000 | 400,000 |
| | 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 | 427,500 | 0 | 427,500 |
| | Total | 600,000 | 1,300,000 | 1,900,000 |

Sample Business

Promissory Notes

| | 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 | 95,000 | 0 | 0 | 0 | 0 | 0 | 95,000 |
| Interest | 0 | 0 | 0 | 0 | 0 | 44,587 | 0 | 0 | 0 | 0 | 0 | 44,587 |
| Total | 0 | 0 | 0 | 0 | 0 | 139,587 | 0 | 0 | 0 | 0 | 0 | 139,587 |
| 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 |

