New York

NYBVG

Business Valuation Group, Inc.

Accuracy Is Our Agenda

ABC PHYSICAL THERAPY

CALCULATION OF 50% INTERESTS IN THE COMPANY

AS OF DECEMBER 31, 20XX

REPORT DATE: FEBRUARY 15, 20XX

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CONFIDENTIAL INFORMATION

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Table of Contents

Calculation Engagement

February 15, 20XX

Jim Jones
Street Name
Anytown, CA 43578

Re: Calculation of ABC Physical Therapy

Dear Mr. Jones:

ABC Physical Therapy ("the Company") is a physical therapy practice that encompasses all aspects of physical therapy, orthopedic, sports, aquatic and pediatric. There are four owners, each owning a 25% interest in the Company. The Company has six locations. You are in the process of splitting the Company for retirement. You want to buy the 50% interest in the Company.

The owners also own ABC Family Farm which was established in 20XX for the real estate business. ABC Family Farm owns six properties that the Company uses for its locations. We will not value the real estate properties. We will determine the business value of the Company. This requires separating the real estate from the business.

Purpose of Report

At your request we have prepared this calculation report to calculate the fair market value of a 50% interest in the Company for buyout purposes as of December 31, 20XX. The calculation excludes all owned real estate. The objective of this calculation is to determine the Fair Market Value of the business assets, per se, exclusive of the real estate.

We have performed a calculation engagement and present our report in conformity with the "Statement of Standards for Valuation Services No. 1" (SSVS) of the American Institute of Certified Public Accountants.

SSVS defines a calculation engagement as "An engagement to estimate value wherein the valuation analyst and the client agree on the specific valuation approaches and valuation methods the valuation analyst will use and the extent of valuation procedures the valuation analyst will perform to estimate the value the subject interest. A calculation engagement does not include all of the procedures required for a valuation engagement. If a valuation engagement had been performed, the results might have been different. The valuation analyst expresses the results of the calculation engagement as a calculated value, which may be either a single amount or a range."

SSVS addresses a calculation report as follows: "This type of report should be used only to communicate the results of a calculation engagement (calculated value); it should not be used to communicate the results of a valuation engagement (conclusion of value) (Paragraph 73)." A calculation report has certain requirements as presented in paragraphs 73 to 76 of SSVS.

Intended Users

The intended users of our report are the owners of the Company. Any other users are considered unintended users.

While it might seem logical that there is only one fair market value of an asset, that is not true. Value only has meaning in the context of a scenario, with its facts, assumptions, and the purpose of the valuation. Thus, our Calculations may not be used for other purposes, valuation dates, size interests, or by other users without our written permission. This is especially true for any circumstances that require a business appraisal or any other type of official opinion of value. Using our report in an unauthorized manner could be misleading and dangerous. You agree to indemnify New York Business Valuation Group, Inc. against any losses arising from unauthorized use of our report.

Standard of Value

Fair Market Value

The term 'fair market value' is defined as the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.[1]

Fair Market Value vs. Investment Value

The fair market value of an asset is its value to a hypothetical buyer and seller. It is not the value of that asset to any particular buyer, which is investment value and is frequently different than fair market value. Investment value to a strategic buyer is almost always higher than fair market value. Although our valuation is intended to estimate fair market value, we assume no responsibility for a seller's or buyer's inability to obtain a purchase contract at that price.

Premise of Value

The calculated value relied on a "value in use" or going concern premise. This premise assumed that the Company is an ongoing business enterprise with management operating in a rational way with a goal of maximizing shareholder value.

[1] International Glossary of Business Valuation Terms. IRS Treasury Regulations, Estate Tax Regulations 20.2031-1 and Gift Tax Regulations 25.2512-1 define the term similarly.

Scope of Work

To gain an understanding of the operations and financial condition of the Company, we reviewed the Company’s financial statements and other corporate information as made available to us.

Limitations of Calculations

Calculations represent less work done than an Appraisal. Performing Calculations allows us to take certain shortcuts that we could not take in an Appraisal.

(1) We reduced the amount of our independent market research compared to the amount we normally would perform in an Appraisal. Instead, we relied primarily on the client’s knowledge of the market and the compiled financial statements. This is a significant reduction of our normal work, and it is imperative that you understand that our forecast of future cash flows may be materially different if we were to do such market research, and that would correspondingly affect the valuation.

(2) In an Appraisal we must use every valuation method that is relevant. With a Calculation, we only need to use one valuation method. Here, we limited our analysis to the income approach.

It must be understood that the results of our Calculation cannot be considered an opinion of fair market value, as our assignment lacks the due diligence necessary in an Appraisal assignment.

Sources of Data

- Company's tax returns 20XX-20XX (cash basis), prepared by *Name*.
- Various correspondences (phone calls, emails, questionnaires) with *Name*.
- Economic statistics published by the government or other sources.
- Other sources specified herein.

Valuation

Valuation Approaches

A valuation approach is "a general way of determining a value indication of a business… using one or more valuation methods." A valuation method is, "within approaches, a specific way to determine value."

There are three valuation approaches in business valuation, which we list below. The approaches are:

(1) The Asset Approach. In this approach, we seek to measure value through the calculation of assets net of liabilities.

(2) The Market Approach. In this approach, we seek to measure value by comparing the Company to sales of similar businesses or valuations of publicly traded firms.

(3) The Income Approach. In this approach, we seek to measure value by converting anticipated economic benefits into a present single amount.

Selection of Valuation Methods

In this calculation, we utilize the Capitalization of Cash Flow Method.

Valuation

Capitalization of Cash Flow Method

We begin Table 5.1, the Capitalization of Cash Flow Method, with the after-tax economic net income (ENIAT) from Table 4.2. We consider the most recent year-2016, the three-year average, and five-year average after-tax net income in our analysis.

We make adjustments to reconcile the net income to cash flow. We add back depreciation (transferred from Table 5.1.B) and subtract capital expenditures.[2]

After the above adjustments, we arrive at forecast cash flow.

The value of the subject Company is calculated by capitalizing the estimated net cash flow to equity value, by using the Gordon Growth Model. The formula is:

$$V_0 = \frac{Cf \times (1+g)}{(r-g)}$$

Where:

V_0	= Aggregate Equity Value or Fair Market Value
C_f	= Estimated cash flow
r	= Required rate of return
g	= Expected long-term growth rate of cash flows
r – g	= Capitalization rate

We calculate the discount rate at 20.0% in Table 5.1.C.

The growth rate is the long-term sustainable growth rate for the subject company's income, or cash flow stream. The long-term growth rate generally equals an expected inflation rate plus an expected growth rate. We use 3.0% based on professional judgment.

Thus, the capitalization rate is computed at 20.0% - 3.0% = 17.0%.

[2] Capital Expenditures should be higher than depreciation due to rising costs. Jay Abrams has developed a formula and table that provides the percentage by which capex exceeds depreciation. It depends only on the useful life of the equipment and the expected growth rate in costs of the equipment. Assuming a 5 year useful life of the equipment and a 3% expected growth rate in costs of the equipment, which is inflationary only, capital expenditures exceed depreciation by 9.2%. We present the chart in Table 5.1.A. Source: Jay B. Abrams, "Forecasting Cash Flow: Mathematics of the Payout Ratio", Business Valuation Review, June 2003. See Table 2, Page 75 in his article.

Inserting the various rates and adjusted cash flows into the above formula result in the indicated total equity. This is the FMV of the Company on a marketable minority basis before application of any necessary discounts or premiums.

The term "Marketable Minority Interest" requires explanation. It is on a control basis as we have applied control adjustments in Table 4.2. It is on a marketable basis as our calculation of discount rates uses as its source of data stock returns of publicly-traded companies. The shareholders of these firms have investments that are liquid, i.e., they can sell immediately and receive cash at the going market rate within three days of their sell order. Since we are valuing a non-controlling interest in a privately-held company, we must make adjustments for differences in liquidity.

In Table 4.2, we applied corporate income taxes to value the Company as a C-Corp. We now apply a pass-through entity premium of 17%, since the Company is an S-Corporation.[3] This results in the FMV-100% marketable minority interest basis for an S-Corporation.

We apply a 19% discount for lack of marketability.[4] This produces the Fair Market Value of the firm on a 100% Private Non-Control Basis.

The Fair Market Value of the firm based on 2016 net income yields $666,109. The Fair Market Value of the firm based on the three year average net income equals $648,883. The Fair Market Value of the firm based on the five year average net income is $660,367.

We weight the three results equally.

The Fair Market Value of the 100% interest in the Company on an illiquid non-control basis is **$658,000** (Rd.) as of December 31, 2016 as presented in Table 5.1.

We multiply this by the subject 50% interest to arrive at the *Fair Market Value* of a 50% interest in the firm on an illiquid non-control basis of **$329,000** (Rd.).

The above value of $658,000 represents the business value. It does not include the market value of the real estate.

[3] Erickson, Merle and Shiing-wu Wang, "The Effect of Organization form on Acquisition Price," Working Paper, July 2002. The article shows an 11% to 17% pass-through premium.
[4] This is the average DLOM (rounded) for a $750,000 to $2 million firm. See chart in Table 5.1.D.

Asset Appraisal Approach

While the premise of value for the income is going concern, the asset approach is used more to determine the value of the company in liquidation. In other words, the asset approach is used to ascertain whether the Company is worth more "dead or alive." If the asset approach with liquidating values yields a higher indication of fair market value than the income approach, i.e., the company is more valuable in liquidation than in operation, then a control shareholder would be wise to liquidate the Company, and the asset approach should dominate the income approach.

As shown under the financial analysis section, herein above, the adjusted book value as of December 31, 2016 is $661,907. The income approach resulted in a FMV of $658,000. The liquidation value would be lower. Thus, the income approach dominates.

Conclusion

Based on our calculations as described herein and subject to the Statement of Limiting Conditions, the resulting calculated value of a 50% interest of ABC Physical Therapy as of December 31, 20XX, on a no-control, illiquid basis, is:

$329,000 USD

The above value of represents the business value. It does not include the market value of the real estate.

If you have any question regarding this report, please feel free to contact our office.

Sincerely yours,

New York Business Valuation Group, Inc.

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Daniel T. Jordan, ASA, CBA, CPA, MBA
Accredited Senior Appraiser

Appendix

Published Research on Marketability Discounts

In support of the marketability adjustment, the following is a summary of the evidence for marketability discounts found in published research.

Marketability Discounts Evidenced by prices of Restricted Stocks

A "restricted stock" is identical to the freely-traded stock of a public company except that it is restricted from sale on the open market for a period of time. Because relative marketability is the only difference between the restricted stock and unrestricted stock in the same company, this difference provides evidence of the price discount between a freely marketable share and one that is identical but subject to restricted marketability.

SEC Institutional Investor Study

In a major study of institutional investor actions, one topic was the amount of discount at which transactions in letter stock occurred compared to the prices of identical but unrestricted stock on the open market. The SEC study, which summarized observed discounts from open market prices on letter stock transactions by the market in which the unrestricted stock traded, found an overall mean discount of 25.8 percent. For non-operating OTC companies, which are more likely to resemble most closely held companies, the mean discount was 32.6 percent.

Gelman Study

In 1972, Milton Gelman published a study of prices paid for restricted securities by four closed-end investment companies specializing in restricted securities investments. From 89 transactions between 1968 and 1970, Gelman found that both the arithmetic average and median discounts were 33 percent and that almost 60 percent of the purchases were at discounts of 30 percent or higher.

Trout Study

In a study of 60 letter stock purchases by mutual fund companies from 1968 to 1972, Robert Trout found an average discount of 33 percent for restricted stock from freely traded stock.

Maroney Study

In an article published in the March 1973 issue of Taxes, Robert E. Maroney presented the results of a study of the prices paid for the restricted securities by 10 registered investment companies. Moroney's study reflected 146 purchases and showed an average discount of 35.6 percent.

Mather Study

J. Michael Mather compared prices paid for restricted stocks with the market prices of their unrestricted counterparts. Mather's analysis, which covered the period 1969 through 1973 showed an average discount for marketability of 35.4 percent.

Standard Research Consultants Study

In 1983, Standard Research Consultants ("SRC") analyzed recent private placements of common stock to test the current applicability of the previously discussed SEC Institutional Investor Study. SRC studied 28 private placements of restricted common stock from October 1978 through June 1982 revealing a median discount of 45 percent.

Williamette Management Associates Study

Williamette analyzed 33 private placements of restricted stocks for the period January 1, 1981 through May 31, 1984. The median discount for the restricted stock transactions compared to the prices of their freely tradable counterparts was 31.2 percent

Silber Study

In a 1991 article in the Financial Analysts Journal, William J. Silber presented the results of an analysis of 69 private placements of common stock of publicly traded companies between 1981 and 1988. Silber found that the average discount was 34 percent

FMV Opinions, Inc. Study

An article in the January/February 1994 issue of Estate Planning referenced a study by FMV Opinions, Inc. that examined over 100 restricted stock transactions from 1979 through April 1992. The FMV study found a mean discount of only 23 percent.

Management Planning, Inc. Study

Management Planning performed a study entitled, "Analysis of Restricted Stocks of Public Companies: 1980-1995, which covered a total of 49 transactions after eliminations for various factors. These results arrived at an average marketability discount of 27.7 percent.

Statement of Limiting Conditions

This calculation is subject to the following assumptions and limiting conditions, in conjunction with the previously presented Certification section:

(1) We have relied upon financial information provided by Jim Jones, specifically the internally prepared financial statements for 20XX, and we have accepted it as correct without further verification as though they fairly and accurately represent the financial condition and activities of the Business. All other information used in this report is from sources we deem reliable. We have accurately reflected such information in this report; however, we make no representation as to our sources' accuracy or completeness and have accepted their information without further verification.

(2) Neither our engagement nor this report can be relied upon to disclose any fraud, misrepresentation, deviations from Generally Accepted Accounting Principles, or other errors or irregularities.

(3) The conclusions are based upon our review and analysis of documents and information provided, but did not include a visit to the Company's offices. We assume that the present owners would continue to maintain the character and integrity of the enterprise through any sale, reorganization, or diminution of the owners' participation or equity interest. We know of no significant pending legal action against the Company, and we assume none is or will be occurring. If this did happen, then it would change our opinion of the value of the Company.

(4) All claims to property have been assumed to be valid and no investigation or consideration of legal title or any existing liens or encumbrances, which may be against the assets, were undertaken except as may be stated in this report.

(5) We have not considered the existence of potential environmental liabilities, which may or may not be present on the underlying property. This includes real estate either owned or leased by the Company. Therefore, no responsibility can be taken for hidden or unapparent conditions of the property or potential claims against the Company.

(6) The calculation in this report is valid only for the stated purposes, and only as of the valuation date specified. The fair market value, as determined within our report, shall not be used for other purposes, size interests, or dates without our written permission.

(7) This report reflects facts and conditions existing at the valuation date. Subsequent events and conditions have not been considered unless specifically noted and discussed in the report. We have no obligation to update our report for any other subsequent events and conditions.

(8) The estimate of fair market value established by this report may rely on estimated values for some assets of the Business if independent appraisals for these assets are not available. Where such values are used in this appraisal no warranty is made with respect to these values. If these values are incorrect, the resulting estimate of the value of the subject ownership interest may be affected.

(9) This is a preliminary appraisal and is not a certified appraisal. A preliminary report is not nearly as rigorous as a formal appraisal and is designed to give a guideline or benchmark value rather than a formal determination of value.

(10) We performed less independent market research than we normally perform in an Appraisal. Instead, we relied primarily on the client's knowledge of the market and his/her forecasts. This is a significant reduction of our normal work, and it is imperative to understand that our forecast of future cash flows may be substantially different if we were to do such market research, and that would correspondingly affect the valuation.

(11) This report, being preliminary in nature and limited in scope, does not conform to all IRS and USPAP standards.

(12) An appraisal is not a legal or tax opinion. Its purpose is to estimate value according to the applicable standard of value. The appraiser assumes no responsibility whatsoever for legal or tax matters relative to its finding. Values are stated without reference to applicable legal or tax claims unless so noted.

(13) Though some similarities exist between value as used for this purpose and others, it would be incorrect to use the fair market value as determined within our report for any other purposes due to specific timing, performance, and marketability issues that arise in evaluating the fair market value of a company. Accordingly, any such use of the value as determined within this report for other purposes would be inaccurate and possibly misleading and no such use shall be made by the Company.

(14) Our determination of fair market value does not represent investment advice of any kind to any person and does not constitute a recommendation as to the purchase or sale of shares of the Company or as to any other course of action.

(15) Future services regarding the subject matter of this report, including, but not limited to, testimony or attendance in court shall not be required of New York Business Valuation Group, Inc. unless previous arrangements have been made in writing.

(16) Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, mail, direct transmittal, or other

media without the prior written consent and approval of New York Business Valuation Group, Inc.

(17) This report may only be distributed in its entirety to those directly involved with the purpose of this study. All other users are to be considered unintended users and should not rely on the information contained in this report without the advice of their attorney or accountant. This report may not be distributed in part, as only a thorough reading of this report can accurately convey the logic contained within. Excerpts taken out of context can be dangerously misleading and are therefore forbidden without the written consent of New York Business Valuation Group, Inc.

Appraiser's Qualifications

Daniel Jordan, ASA, CBA, CPA, MBA, is the Managing Principal of New York Business Valuation Group, Inc. (NYBVG), specializing in the valuation of closely held businesses and intangible assets. Mr. Jordan provides business valuation services full time since 2000.

In addition to his CPA, Mr. Jordan has achieved multiple professional accreditations. He is an Accredited Senior Appraiser (ASA) and a Certified Business Appraiser (CBA). He earned his MBA Degree in Finance and Accounting from the Heinrich-Heine-University of Düsseldorf, Germany. Additionally, Mr. Jordan has published articles on valuation-related matters, lectured seminars, and provided expert testimony in court.

Mr. Jordan has been working for leading valuation firms. Prior to NYBVG, he worked nine years for Abrams Valuation Group, Inc. under the direct supervision of Jay Abrams, a nationally known authority in valuing closely-held companies who has written extensive material that is used in the profession. Mr. Jordan has assisted in the writing of Abrams' book "How To Value Your Business And Increase Its Potential", published by McGraw-Hill, which is also noted in the book. Mr. Jordan plays an integral role in valuations and litigation support work.

Mr. Jordan has played an integral role in valuations and transaction support work and has provided valuation/financial consulting services to clients representing a variety of organizations, from small entrepreneurs and family limited partnerships to firms with revenues of up to $246 million, including the following:

- Mergers & Acquisitions and Sales
- Venture Capital Funding
- Private Placements
- Shareholder Buy/Sell Agreements
- Debt Instruments (Notes, Viatical Settlement)
- Intangible Assets (Patents, Economic Damages, Non-compete Agreement)
- Purchase Price Allocation (SFAS 141)
- Litigation Settlement
- Estate, Income & Gift Tax Reporting
- Financial Reporting

Industry Experience

Various Manufacturers, Distributors, Retail and Online Retail of Different Lines of Business • Various E-Commerce Businesses • Various Franchises • Various Types of Medical Practice • Private Equity • Hedge Funds • Commodity Trading Advisor • Casinos • Insurance • Computer Software • Computer Hardware • Textile • Apparel • Mechanical Repair • Line Tester Technology • Food Manufacturer and Broker • Asset Management • Electronics Manufacturers • Furniture Manufacturing • Leasing Furniture • Embroidery & Printing • Retail Pharmacy • Internet Start-up • Internet Mortgage Leads • Auto Repair • Automobile and Home Improvement Leads • Export of Automobiles • Restaurants • Art Collection • Manufacture of Custom Scientific Equipment • Swim Wear • Commodities • General Contracting • Construction • Concrete Manufacturing • Jewelry • Gas Station • Laundry • Trucking • Staffing • Liquor Store • Shoe Store • Child Day Care • Beauty Salon • Hardware Store • Clothing Store • Heating Oil Dealer • Supply of Natural Gas and Electricity • Supermarket • Hair Care • Landscaping • Accounting Practice • Pharmaceutical • Plumbing • Advertising Agencies • Wholesaler of Tobacco and Candy Products • Car Wash • Manufacture of Awnings • Video Production • Photography • Wholesale of Medical Supplies • Financial Advisory Firms • Janitorial Services • Ambulance • Rental of Office Space • Call Center Services •Sale of Pet Food • Testing Laboratory • Catering • Retail of Live Poultry • Art Studio • Termite and Pest Control • Sporting Goods • Gym and Fitness • Painting • Contact Center •Retail of Bicycles • Veterinary Clinic • Architecture • Roofing • Fencing • Retail of Nuts, Dried Fruits • Mail Forwarding • Freight Forwarding • Sober Living Home • Marketing and Sales • Online Bakery Supply • Bakery Store • Wealth Management • Real Estate Holding • Customs Broker • Wines and Gourmet Food Products • Computer Training • Steel Fabrication • Physical Therapy • Commercial Flooring • Summer Camp • Machine Shop • Wine Bar • Consulting Firms • Various IT Solutions and Services • Investment Advisor • Ad Network • Art Collection • Fishing Equipment • Billing Nursing Homes • Brokerage • Web Hosting and SEO • Retail Motorcycle • Aircrafts • Label Printing • Telephone and Data Service Provider • Medical Transcription • Finance Lender • Ticket Broker •Printing Equipment Manufacturing • Manufacturer's Representative • Marketing Research • Funeral Home • Crematory • Bus Company and Transportation • Deli and Grocery • Repair of Cell Phones and Other • Commercial Cleaning • Lighting • Property Management • Prepackaged Software • IT Staffing and Network Solutions • Meat Market • Tax Resolution • Bank • Recruiter • Biotech • Chiropractor • Psychiatrist • Publishing House • etc.

Expert Testimony

- Daniel T. Jordan has testified as an expert witness for the Supreme Court of New York, Kings County, Monmouth County Superior Court, the Queens Surrogate Court, and the Veritext National Court Reporting Company in Washington DC. Daniel Jordan is eligible to receive appointments by court. Fiduciary ID Number is 702368.

Books/Articles

- Assisted with the writing of *How to Value Your Business and Increase Its Potential*, Jay Abrams, McGraw-Hill, 2005.
- *Superiority of Regression Analysis over Ratio Analysis*", Business Appraisal Practice, Fall 2007, p. 27-31; QuickRead NACVA, February 13, 2014.
- "*Valuation of Stock Options*", QuickRead NACVA, January 22, 2014.

- "*Valuing Intangibles in a Business Combination*", QuickRead NACVA, February 19, 2014.
- "*Excessive Government Spending: Are We Heading Towards The Next Financial Crisis?*", QuickRead NACVA, April 14, 2016.

Lecture Summary

- "Superiority of Regression Analysis over Ratio Analysis", New York State Society of CPA's, Business Valuation Committee, New York, NY, October 2007.
- "Understanding Business Appraisals", New York Legal Assistance Group, Inc., New York, NY, November 2008.
- "A Fresh Look at BV Theory", New York Association of Business Brokers, Tarrytown, NY, April 2009.
- "Business Valuation: Discounts and Premiums", American Association of Attorney-Certified Public Accountants, Uncasville, CT, May 2010.

Books/Articles Quoting Daniel Jordan

- Practical Planner, Martin M. Shenkman, CPA, MBA, PFS, JD, Volume 5, Issue 5, May 2010

Business Valuation Education

- *International Appraisal Conference* of The American Society of Appraisers (ASA), San Diego, California, August 2002 (27 Continuing Professional Education 'CPE' Hours)
- *Mastering Appraisal Skills for Valuing the Closely Held Business – Part A.* Instructor: Paul R. Hyde. The Institute of Business Appraisers, Inc. (IBA), San Diego, California, March 2005 (32 CPE Hours)
- *Mastering Appraisal Skills for Valuing the Closely Held Business – Part B.* Instructor: Rand M. Curtiss. The IBA, Cleveland, Ohio, July 2005 (32 CPE Hours)
- *Report Writing*. Instructor: Steven Schroeder. The IBA, St. Louis, Missouri, August 2005 (16 CPE Hours)
- *Preparation For the CBA Exam*. The IBA, Phoenix, Arizona, November, 2005 (16 CPE Hours)
- *Uniform Standards of Professional Appraisal Practice (USPAP)*: Instructor: Andrew Mantowani. Ivy Real Estate Education, New York, NY, February 2006 (15 CPE Hours)
- *International Appraisal Conference* of The ASA, New York, August 1, 2006 (6.5 CPE Hours)
- *Valuation for Financial Accounting (FASB 141/142/144).* Instructor: William Johnston, ASA. Center for Advanced Valuation Studies (CAVS), New York, August 2, 2006 (7 CPE Hours)
- *Current Topics in Business Valuations*, New York City Chapter of the ASA, New York, May 4, 2007 (8 CPE Hours)

- *Advanced Financial Statement Analysis for Appraisers - Making the Calls*, Instructor: Mike Adhikari, The IBA, Las Vegas, January 2008 (8 CPE Hours)
- *Advanced Case Studies: Practical Applications*, Instructor: Dennis Bingham, The IBA, January 2008 (16 CPE Hours)
- *Valuing Intangibles*, Instructor: Rob Schlegel, The IBA, January 2008 (8 CPE Hours)
- *Forensic Accounting for Business Appraisers*. Instructor: Dr. Laura Tindall, The IBA, Louisville, KY, July 2008 (16 CPE Hours)
- *Business Appraisal for Divorce*, Instructor: Rob Schlegel, The IBA, July 2008 (8 CPE Hours)
- *Marketing Your Practice-Making the Phone Ring*, Instructor: KC Conrad, The IBA, August, 2008 (8 CPE Hours)
- Advanced Planning Seminar -Estate & Business Planning, New York, April 20, 2009 (7 CPE Hours)
- Estate Planners Day 2009, Estate Planning Council of NYC, New York, May 6, 2009 (7 CPE Hours)
- *14th Annual Multi-State ESOP Conference* of The ESOP Association, Scranton, Pennsylvania, September 2009
- *ESOP Appraisals*, Instructor: Chris Best, The IBA, November 9, 2009 (8 CPE Hours)
- *ESOP Conference* of The ESOP Association, Las Vegas, Nevada, November 2009 (12 CPE Hours)
- *44th Annual Heckerling Institute on Estate Planning*, Orlando, January 25-29, 2010 (33 CPE Hours)
- *45th Annual Heckerling Institute on Estate Planning*, Orlando, January 10-14, 2011 (33 CPE Hours)
- *46th Annual Heckerling Institute on Estate Planning*, Orlando, January 9-13, 2012 (33 CPE Hours)
- *New York Ethics*: Tax Concentration, Accountants Education Group, December 3, 2014 (4 CPE Hours)
- *National Tax Practice Institute (NTPI) Level 1 Online*, National Association of Enrolled Agents, December 2014 (24 CPE Hours)
- *BV301 Valuation of Intangible Assets, Chicago*, Instructor: Raymond Rath, ASA, The American Society of Appraisers (ASA), May 7-10, 2015 (30 CPE Hours)
- *Regulatory Ethics: Accountants Liability: Raise Your Risk IQ*, Continental Casualty Company, one of the CNA Insurance Companies, October 15, 2015 (3.5 CPE Hours)
- *50th Annual Heckerling Institute on Estate Planning*, Orlando, January 11-15, 2016 (33.5 CPE Hours)
- *2016-2017 Uniform Standards of Professional Appraisal Practice (USPAP)*, Career WebSchool California, March 2, 2016 (7 CPE Hours)
- *51st Annual Heckerling Institute on Estate Planning*, Orlando, January 9-13, 2017 (34 CPE Hours)

Member - Professional Organizations

- The American Society of Appraisers (ASA)
- The Institute of Business Appraisers, Inc. (IBA)

- Better Business Bureau
- National Business Valuation Group, LLC
- Fellow Member of Yeshiva University Planned Giving Committee
- Estate Planning Council of NYC
- New York Association of Business Brokers

Tables

Table 4.1
ABC Physical Therapy
Balance Sheets [1]

Fiscal Year Ending 12/31	2012	2013	2014	2015	2016	Adjustment [2]	adj. 2016 w/o RE
Cash	272,312	122,188	124,504	199,214	124,543		124,543
A/R							
Inventories							
Other Current Assets							
Total Current Assets	**272,312**	**122,188**	**124,504**	**199,214**	**124,543**		**124,543**
Property & Equip—Before Depr	1,548,144	1,646,970	1,916,428	1,978,523	1,999,275	(842,289)	1,156,986
– Accum. Depreciation	(681,938)	(713,741)	(778,870)	(823,755)	(871,021)	244,799	(626,222)
Property & Equipment—Net	**866,206**	**933,229**	**1,137,558**	**1,154,768**	**1,128,254**		**530,764**
Intangible Assets-Net of Amort	-	-	-	-	-		
Loans to Shareholders							
Other Assets (Security Deposit)	6,600	6,600	6,600		6,600		6,600
Total Assets	**1,145,118**	**1,062,017**	**1,268,662**	**1,353,982**	**1,259,397**		**661,907**
A/P							
Accrued Expenses							
Income Taxes Payable							
Current Portion of LTD							
Other Current Liabilities							
Total Current Liabilities	**-**	**-**	**-**	**-**	**-**		
Loans from Shareholders							
Long-Term Debt	486,872	426,880	492,504	478,243	545,737	(545,737)	-
Other Liabilities							
Total Long Term Liabilities	**486,872**	**426,880**	**492,504**	**478,243**	**545,737**		**-**
Total Liabilities	**486,872**	**426,880**	**492,504**	**478,243**	**545,737**		**-**
Common Stock							
Paid in capital							
Retained Earnings	658,246	635,137	776,158	875,739	713,660		
Total Equity	**658,246**	**635,137**	**776,158**	**875,739**	**713,660**		**661,907**
Total Liabilities & Equity	**1,145,118**	**1,062,017**	**1,268,662**	**1,353,982**	**1,259,397**		**661,907**

Notes:

[1] Source: Company's tax returns (cash basis), prepared by Name.

[2] Source: Depreciation Detail Listing (from 2016 Tax Return)

	Cost	Accum depr
Building	158,793	77,900
Land	37,000	-
Bldg-name	175,496	67,349
Bldg-name	171,000	65,256
Bldg-name	300,000	34,294
Total	**842,289**	**244,799**

Table 4.1.A
ABC Physical Therapy
Common Size Balance Sheets

Fiscal Year Ending 12/31	**2012**	**2013**	**2014**	**2015**	**2016**
Cash	23.8%	11.5%	9.8%	14.7%	9.9%
A/R	0.0%	0.0%	0.0%	0.0%	0.0%
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%
Other Current Assets	0.0%	0.0%	0.0%	0.0%	0.0%
Total Current Assets	**23.8%**	**11.5%**	**9.8%**	**14.7%**	**9.9%**
Property & Equip—Before Depr	135.2%	155.1%	151.1%	146.1%	158.7%
– Accum. Depreciation	-59.6%	-67.2%	-61.4%	-60.8%	-69.2%
Property & Equipment—Net	75.6%	87.9%	89.7%	85.3%	89.6%
Intangible Assets-Net of Amort	0.0%	0.0%	0.0%	0.0%	0.0%
Loans to Shareholders	0.0%	0.0%	0.0%	0.0%	0.0%
Other Assets	0.6%	0.6%	0.5%	0.0%	0.5%
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
A/P	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued Expenses	0.0%	0.0%	0.0%	0.0%	0.0%
Income Taxes Payable	0.0%	0.0%	0.0%	0.0%	0.0%
Current Portion of LTD	0.0%	0.0%	0.0%	0.0%	0.0%
Other Current Liabilities	0.0%	0.0%	0.0%	0.0%	0.0%
Total Current Liabilities	0.0%	0.0%	0.0%	0.0%	0.0%
Loans from Shareholders	0.0%	0.0%	0.0%	0.0%	0.0%
Long-Term Debt	42.5%	40.2%	38.8%	35.3%	43.3%
Other Liabilities	0.0%	0.0%	0.0%	0.0%	0.0%
Total Long Term Liabilities	**42.5%**	**40.2%**	**38.8%**	**35.3%**	**43.3%**
Total Liabilities	**42.5%**	**40.2%**	**38.8%**	**35.3%**	**43.3%**
Common Stock	0.0%	0.0%	0.0%	0.0%	0.0%
Paid in capital	0.0%	0.0%	0.0%	0.0%	0.0%
Retained Earnings	57.5%	59.8%	61.2%	64.7%	56.7%
Total Equity	**57.5%**	**59.8%**	**61.2%**	**64.7%**	**56.7%**
Total Liabilities & Equity	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table 4.1.B
ABC Physical Therapy
Balance Sheet Item as Percentage of Sales

Fiscal Year Ending 12/31	**2012**	**2013**	**2014**	**2015**	**2016**	**AVG**	**STD DEV**
Cash	10.2%	5.2%	5.5%	7.9%	4.8%	**6.7%**	**2.3%**
A/R	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Other Current Assets	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Total Current Assets	**10.2%**	**5.2%**	**5.5%**	**7.9%**	**4.8%**	**6.7%**	**2.3%**
Property & Equip—Before Depr	58.1%	70.5%	84.0%	78.1%	76.4%	**73.4%**	**9.8%**
– Accum. Depreciation	-25.6%	-30.6%	-34.1%	-32.5%	-33.3%	**-31.2%**	**3.4%**
Property & Equipment—Net	32.5%	40.0%	49.9%	45.6%	43.1%	**42.2%**	**6.5%**
Intangible Assets-Net of Amort	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Loans to Shareholders	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Other Assets	0.2%	0.3%	0.3%	0.0%	0.3%	**0.2%**	**0.1%**
Total Assets	**43.0%**	**45.5%**	**55.6%**	**53.5%**	**48.1%**	**49.1%**	**5.3%**
A/P	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Accrued Expenses	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Income Taxes payable	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Current Portion of LTD	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Other Current Liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Total Current Liabilities	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Loans from Shareholders	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Long-Term Debt	18.3%	18.3%	21.6%	18.9%	20.9%	**19.6%**	**1.5%**
Other Liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Total Long Term Liabilities	**18.3%**	**18.3%**	**21.6%**	**18.9%**	**20.9%**	**19.6%**	**1.5%**
Total Liabilities	**18.3%**	**18.3%**	**21.6%**	**18.9%**	**20.9%**	**19.6%**	**1.5%**
Common Stock	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Paid in capital	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Retained Earnings	24.7%	27.2%	34.0%	34.6%	27.3%	**29.6%**	**4.5%**
Total Equity	**24.7%**	**27.2%**	**34.0%**	**34.6%**	**27.3%**	**29.6%**	**4.5%**
Total Liabilities & Equity	**43.0%**	**45.5%**	**55.6%**	**53.5%**	**48.1%**	**49.1%**	**5.3%**

Table 4.1.C
ABC Physical Therapy
Cash Flow Items as a Percentage of Sales

Fiscal Year Ending 12/31	2012	2013	2014	2015	2016	AVG	STD DEV
Capital Expenditures [1]							
Sale of Fixed Assets [1]							
Cap Exp/Sales	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Current Assets excluding Cash/Sales	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Current Assets/Sales	10.2%	5.2%	5.5%	7.9%	4.8%	**6.7%**	**2.3%**
Depreciation/Sales	1.9%	1.2%	2.5%	1.3%	1.4%	**1.7%**	**0.5%**
Amortization/Sales	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Long Term Debt/Sales	18.3%	18.3%	21.6%	18.9%	20.9%	**19.6%**	**1.5%**
Current Liabilities/Sales	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Net Working Capital/Sales	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Gain (Loss) on Sale of FA/Sales	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
Sale of FA/Sales	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**

Table 4.2
ABC Physical Therapy
Income Statements [1]

Fiscal Year Ending 12/31	**2012**	**2013**	**2014**	**2015**	**2016**
Sales	**2,663,460**	**2,335,777**	**2,281,728**	**2,531,798**	**2,615,657**
Cost of Sales					
Gross Profit	**2,663,460**	**2,335,777**	**2,281,728**	**2,531,798**	**2,615,657**
SG&A Expenses					
Officers' Salaries	124,289	131,886	135,274	146,535	123,599
Salaries—Other	946,934	919,842	920,017	919,583	1,036,864
Repairs and maintenance	58,744	24,536	40,080	38,350	67,565
Rents	44,623		36,585		
Taxes and licenses	124,244	146,466	136,289	97,478	96,478
Advertising	39,129	29,937	18,199	24,202	25,150
Pension plans	62,257	124,081	79,563	137,646	
Employee benefits	40,256				169,580
Other Deductions					
Bank Charge	372	10,403	7,188	10,202	683
Bonus	67,043	133,141	30,250	65,000	17,200
1099 Contactors	132,779	71,327	87,299	171,904	
Computer Expense	15,000				
Education		2,791	25,301	3,616	3,558
Insurance	122,296	168,890	174,068	211,312	362,299
Landscapping and Snow Plow	7,786	15,863	15,266	19,356	13,829
Maintenance and Cleaning	10,511	12,368	11,379	12,894	18,196
50% Meals & Entertainment	2,684	3,671	3,273	3,123	5,654
Pool Maintenance					14,723
Office Expenses	43,992	57,471	11,235	47,078	8,497
Payroll Processing	13,295				
Professional Fees	41,836	32,783	39,683	41,044	65,647
Supplies			35,001	12,774	43,307
Supplies-Physical Therapy	201,439	132,028	120,872	215,235	170,432
Telephone	3,392	3,734	3,651	3,895	4,479
Uniforms	13,975		8,003	4,283	7,964
Utilities	31,376	22,546	44,160	38,601	44,128
Other	25,637	28,984	25,477	29,368	30,299
Total Other Deductions	**733,413**	**696,000**	**642,106**	**889,685**	**810,895**
Total SG&A Exp	**2,173,889**	**2,072,748**	**2,008,113**	**2,253,479**	**2,330,131**
EBITDA	**489,571**	**263,029**	**273,615**	**278,319**	**285,526**
Depreciation + Sec 179	49,974	27,994	56,886	33,781	36,985
Amortization					
Operating Income	**439,597**	**235,035**	**216,729**	**244,538**	**248,541**

Table 4.2
ABC Physical Therapy
Income Statements [1]

Fiscal Year Ending 12/31	**2012**	**2013**	**2014**	**2015**	**2016**
Interest Income					
(Interest Expense)	(26,286)		(1,458)	(4,151)	(934)
Other Income (Expense)					3,288
Gain (Loss) on Sale of Fixed Assets					
Net Income Before Taxes	**$ 413,311**	**$ 235,035**	**$ 215,271**	**$ 240,387**	**$ 250,895**
Income Taxes					
Net Income After Taxes	**$ 413,311**	**$ 235,035**	**$ 215,271**	**$ 240,387**	**$ 250,895**
Adjustments					
Addbacks					
Owners' Comp	124,289	131,886	135,274	146,535	123,599
Actual Rent	44,623	-	36,585	-	-
Personal Auto Expense	3,606	6,664	3,228	6,664	300
Life Insurance	37,085	37,066	37,065	26,097	6,192
Personal Entertainment & Meals	-	-	-	13,479	43,455
Other Officers' Perks & Personal Exp	148,372	121,095	122,286	154,064	163,836
Deductions					
Arm's-Length Comp (Table 4.2.C)	(275,000)	(275,000)	(275,000)	(275,000)	(275,000)
Arm's-Length Rent (Table 4.2.D)	(129,549)	(129,549)	(129,549)	(129,549)	(129,549)
= Total Adjustments	**(46,574)**	**(107,838)**	**(70,111)**	**(57,710)**	**(67,167)**
Economic Net Inc Before Taxes	**$ 366,737**	**$ 127,197**	**$ 145,160**	**$ 182,677**	**$ 183,728**
Income Taxes (Table 4.2.B)	(142,844)	(38,676)	(46,503)	(62,852)	(63,309)
Economic Net Income After Taxes	**$ 223,893**	**$ 88,521**	**$ 98,657**	**$ 119,825**	**$ 120,419**

Most Recent Year Adjusted After-Tax Net Income (Rd.)	$ 120,000
3-Year Weighted Average Adjusted After-Tax Net Income (2014-2016) (Rd.)	**$ 117,000**
3-Year Straight Average Adjusted After-Tax Net Income (2014-2016) (Rd.)	$ 113,000
5-Year Weighted Average Adjusted After-Tax Net Income (2012-2016) (Rd.)	**$ 119,000**
5-Year Straight Average Adjusted After-Tax Net Income (2012-2016) (Rd.)	$ 130,000

Notes:

[1] Source: Company's tax returns (cash basis), prepared by Name.

Table 4.2.A
ABC Physical Therapy
Common Size Income Statements

Fiscal Year Ending 12/31	2012	2013	2014	2015	2016
Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost of Sales	0.0%	0.0%	0.0%	0.0%	0.0%
Gross Profit	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
SG&A Expenses					
Officers' Salaries	4.7%	5.6%	5.9%	5.8%	4.7%
Salaries—Other	35.6%	39.4%	40.3%	36.3%	39.6%
Repairs and maintenance	2.2%	1.1%	1.8%	1.5%	2.6%
Rents	1.7%	0.0%	1.6%	0.0%	0.0%
Taxes and licenses	4.7%	6.3%	6.0%	3.9%	3.7%
Advertising	1.5%	1.3%	0.8%	1.0%	1.0%
Pension plans	2.3%	5.3%	3.5%	5.4%	0.0%
Employee benefits	1.5%	0.0%	0.0%	0.0%	6.5%
Other Deductions					
Bank Charge	0.0%	0.4%	0.3%	0.4%	0.0%
Bonus	2.5%	5.7%	1.3%	2.6%	0.7%
1099 Contactors	5.0%	3.1%	3.8%	6.8%	0.0%
Computer Expense	0.6%	0.0%	0.0%	0.0%	0.0%
Education	0.0%	0.1%	1.1%	0.1%	0.1%
Insurance	4.6%	7.2%	7.6%	8.3%	13.9%
Landscapping and Snow Plow	0.3%	0.7%	0.7%	0.8%	0.5%
Maintenance and Cleaning	0.4%	0.5%	0.5%	0.5%	0.7%
50% Meals & Entertainment	0.1%	0.2%	0.1%	0.1%	0.2%
Pool Maintenance	0.0%	0.0%	0.0%	0.0%	0.6%
Office Expenses	1.7%	2.5%	0.5%	1.9%	0.3%
Payroll Processing	0.5%	0.0%	0.0%	0.0%	0.0%
Professional Fees	1.6%	1.4%	1.7%	1.6%	2.5%
Supplies	0.0%	0.0%	1.5%	0.5%	1.7%
Supplies-Physical Therapy	7.6%	5.7%	5.3%	8.5%	6.5%
Telephone	0.1%	0.2%	0.2%	0.2%	0.2%
Uniforms	0.5%	0.0%	0.4%	0.2%	0.3%
Utilities	1.2%	1.0%	1.9%	1.5%	1.7%
Other	1.0%	1.2%	1.1%	1.2%	1.2%
Total Other Deductions	**27.5%**	**29.8%**	**28.1%**	**35.1%**	**31.0%**
Total SG&A Exp	**81.6%**	**88.7%**	**88.0%**	**89.0%**	**89.1%**
EBITDA	**18.4%**	**11.3%**	**12.0%**	**11.0%**	**10.9%**
Depreciation + Sec 179	1.9%	1.2%	2.5%	1.3%	1.4%
Amortization	0.0%	0.0%	0.0%	0.0%	0.0%

Table 4.2.A
ABC Physical Therapy
Common Size Income Statements

Fiscal Year Ending 12/31	2012	2013	2014	2015	2016
Operating Income	**16.5%**	**10.1%**	**9.5%**	**9.7%**	**9.5%**
Interest Income	0.0%	0.0%	0.0%	0.0%	0.0%
(Interest Expense)	-1.0%	0.0%	-0.1%	-0.2%	0.0%
Other Income (Expense)	0.0%	0.0%	0.0%	0.0%	0.1%
Gain (Loss) on Sale of Fixed Assets	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income Before Taxes	**15.5%**	**10.1%**	**9.4%**	**9.5%**	**9.6%**
Income Taxes	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income After Taxes	**15.5%**	**10.1%**	**9.4%**	**9.5%**	**9.6%**
Adjustments	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Addbacks					
Owners' Comp	4.7%	5.6%	5.9%	5.8%	4.7%
Actual Rent	1.7%	0.0%	1.6%	0.0%	0.0%
Personal Auto Expense	0.1%	0.3%	0.1%	0.3%	0.0%
Life Insurance	1.4%	1.6%	1.6%	1.0%	0.2%
Personal Entertainment & Meals	0.0%	0.0%	0.0%	0.5%	1.7%
Other Officers' Perks & Personal Exp	5.6%	5.2%	5.4%	6.1%	6.3%
Deductions					
Arm's-Length Comp (Table 4.2.C)	-10.3%	-11.8%	-12.1%	-10.9%	-10.5%
Arm's-Length Rent (Table 4.2.D)	-4.9%	-5.5%	-5.7%	-5.1%	-5.0%
= Total Adjustments	**-1.7%**	**-4.6%**	**-3.1%**	**-2.3%**	**-2.6%**
Economic Net Inc Before Taxes	**13.8%**	**5.4%**	**6.4%**	**7.2%**	**7.0%**
Income Taxes (Table 4.2.B)	-5.4%	-1.7%	-2.0%	-2.5%	-2.4%
Economic Net Income After Taxes	**8.4%**	**3.8%**	**4.3%**	**4.7%**	**4.6%**

Table 4.2.B
Income Tax Calculations

Fiscal Year Ending 12/31	2012	2013	2014	2015	2016
Calculation of Corporate Taxes					
Pre-Tax Income	366,737	127,197	145,160	182,677	183,728
New York Tax	27,505	9,540	10,887	13,701	13,780
Income Subject To Federal Taxes	339,232	117,657	134,273	168,976	169,948

Tax Calculations						Taxable	Federal
From \$0 to \$50,000	7,500	7,500	7,500	7,500	7,500	50,000	15%
From \$50,000 to \$75,000	6,250	6,250	6,250	6,250	6,250	75,000	25%
From \$75,000 to \$100,000	8,500	8,500	8,500	8,500	8,500	100,000	34%
From \$100,000 to \$335,000	91,650	6,886	13,366	26,901	27,280	335,000	39%
From \$335,000 to \$10,000,000	1,439	0	0	0	0	10,000,000	34%
From \$10,000,000 to \$15,000,000	0	0	0	0	0	15,000,000	35%
From \$15,000,000 to \$18,333,333	0	0	0	0	0	18,333,333	38%
Above \$18,333,333	0	0	0	0	0	9,999,999,999	35%
Federal Tax	115,339	29,136	35,616	49,151	49,530		
New York Tax	27,505	9,540	10,887	13,701	13,780		
Total Tax	**142,844**	**38,676**	**46,503**	**62,852**	**63,309**		

State Tax Rate (on next line)
7.50%

Average Federal Tax Rate	34.0%	24.8%	26.5%	29.1%	29.1%
Average Total Tax Rate	39.0%	30.4%	32.0%	34.4%	34.5%

Table 4.2.C
Compensation of Officers

Fiscal Year Ending 12/31	2012	2013	2014	2015	2016
Name		34,924	34,097	41,861	123,599
Name		29,833	29,275	30,224	
Name		34,970	40,423	32,517	
Name		32,159	31,479	41,933	
Total	**124,289**	**131,886**	**135,274**	**146,535**	**123,599**

Amr's Lenth Comp	
Name	125,000
Name	30,000
Name	80,000
Name	40,000
Total	**275,000**

[1] Provided by Name.

Table 4.2.D
Computation of Fair Market Rent

	Properties		FMV [1]
1	Name	$	639,000
2	Name		180,000
3	Name		208,000
4	Name		181,500
5	Name		342,200
6	Name		300,000
	Total	**$**	**1,850,700**
	Capitalization Rate [2]		7%
	Fair Market Rent	**$**	**129,549**

[1] Provided by Name.
[2] Appraisal Report of ABC Physical Therapy as of February 15, 20XX, by Name.

Table 4.3
ABC Physical Therapy
Financial Ratios

Fiscal Year Ending 12/31	**2012**	**2013**	**2014**	**2015**	**2016**	**Avg**
Liquidity Ratios						
Current Ratio	NA	NA	NA	NA	NA	**NA**
Quick Ratio	NA	NA	NA	NA	NA	**NA**
Leverage Ratios						
Debt Ratio (Debt/Assets)	42.5%	40.2%	38.8%	35.3%	43.3%	**40.0%**
Debt/Equity	74.0%	67.2%	63.5%	54.6%	76.5%	**67.1%**
Fixed Assets to Net Worth	131.6%	146.9%	146.6%	131.9%	158.1%	**143.0%**
Coverage Ratio (Times Interest Earned)	1672.4%	NA	14864.8%	5891.1%	26610.4%	**NA**
Activity Ratios						
AR Turnover (Sales/Receivables)	NA	NA	NA	NA	NA	**NA**
Days' Receivables (365/AR turnover)	NA	NA	NA	NA	NA	**NA**
Inv Turnover (COG/Inventory)	NA	NA	NA	NA	NA	**NA**
Days' Inventory (365/Inv turnover)	NA	NA	NA	NA	NA	**NA**
Assets to Sales	0.4	0.5	0.6	0.5	0.5	**0.5**
Asset Turnover (Sales/Total Assets)	2.3	2.2	1.8	1.9	2.1	**2.1**
Fixed Assets Turnover (Sales/Fixed Assets)	3.1	2.5	2.0	2.2	2.3	**2.4**
Accounts Payable to Sales	0.0	0.0	0.0	0.0	0.0	**0.0**
Working Capital Turnover	9.8	19.1	18.3	12.7	21.0	**16.2**
Profitability Ratios						
Sales Growth—Annual	NA	-12.3%	-2.3%	11.0%	3.3%	**-0.1%**
Sales Growth—CAGR	-0.5%	3.8%	7.1%	3.3%	NA	**3.4%**
Gross Profit Margin	100.0%	100.0%	100.0%	100.0%	100.0%	**100.0%**
Pre-Tax Profit Margin—Unadjusted	15.5%	10.1%	9.4%	9.5%	9.6%	**10.8%**
Net Inc Bef Tax (NIBT)—Annual Growth	NA	-43.1%	-8.4%	11.7%	4.4%	**-8.9%**
NIBT—CAGR	-11.7%	2.2%	8.0%	4.4%	NA	**0.7%**
Econ Net Inc Bef Tax (NIBT)—Annual Growth	NA	-65.3%	14.1%	25.8%	0.6%	**-6.2%**
Econ NIBT—CAGR	-15.9%	13.0%	12.5%	0.6%	NA	**2.6%**
Pre Tax ROE—Unadjusted	62.8%	36.3%	30.5%	29.1%	31.6%	**38.1%**
Pre Tax ROA—Unadjusted	36.1%	21.3%	18.5%	18.3%	19.2%	**22.7%**
Pre Tax ROE—Adjusted	55.7%	19.7%	20.6%	22.1%	23.1%	**28.2%**
Pre Tax ROA—Adjusted	32.0%	11.5%	12.5%	13.9%	14.1%	**16.8%**

Table 5.1
ABC Physical Therapy
Capitalization of Cash Flow Method

		Most Recent Year	3 Year Avg	5 Year Avg
Average Adjusted Net Income (Table 4.2)		$ 120,000	$ 117,000	$ 119,000
Adjustments to Reconcile Net Income to Cash Flow:				
+ Depreciation (Table 5.1.B)		43,504	43,504	43,504
+ Amortization (Table 5.1.B)		-	-	-
- Capital Expenditures [1]		(47,497)	(47,497)	(47,497)
- Incr in Net Working Capital (Table 5.1.B)		-	-	-
+ Incr (Decr) in Long Term Debt (Table 5.1.B)		-	-	-
Total Adjustments		**(3,993)**	**(3,993)**	**(3,993)**
Forecast Cash Flow		**116,007**	**113,007**	**115,007**
Multiply by 1 plus the long-term growth rate		1.03	1.03	1.03
Growth-Adjusted Cash Flow		**119,488**	**116,398**	**118,458**
Divided by: Capitalization Rate (r - g) (Table 5.1.C)		17.0%	17.0%	17.0%
Indicated Value of 100% of Equity = FMV-Marketable Minority Basis		**$ 702,869**	**$ 684,692**	**$ 696,810**
+ Pass-Through Entity Adjustment [2]	17%	119,488	116,398	118,458
= FMV-100% Marketable Non-Control Basis, Pass-Through Value		**$ 822,357**	**$ 801,090**	**$ 815,268**
- Discount-Lack of Marketability [3]	19%	(156,248)	(152,207)	(154,901)
FMV-100% Illiquid Non-Control Basis		**$ 666,109**	**$ 648,883**	**$ 660,367**
Weights		33.3%	33.3%	33.3%
Weighted Average		**$ 222,036**	**$ 216,294**	**$ 220,122**

Indicated Fair Market Value of 100% Interest on an Illiquid Non-Control Basis (Rd.) as of December 31, 2016	**$658,000**
Times: Subject Interest	50%
Indicated Fair Market Value of 50% Interest on an Illiquid Non-Control Basis (Rd.) as of December 31, 2016	**$329,000**

Assumptions:

Discount Rate (Table 5.1.C) = *r*	20.0%
Long-Term Growth Rate of Cash Flows = *g* (see report)	3.0%

Notes:

[1] Captial Expenditures should be higher than depreciation due to rising costs. Jay Abrams has developed a formula and table that provides the percentage by which capex exceeds depr. It depends only on the useful life of the equipment and the expected growth rate in costs of the equipment. Assuming a 5 year useful life of the equipment and a 3% expected growth rate in costs of the equipment, which is inflationary only, capital expenditures exceed depreciation by 9.2%. We present the chart in Table 5.1.A
Source: Jay Abrams, "Forecasting Cash Flow: Mathematics of the Payout Ratio", Business Valuation Review, June 2003, Table 2, Pg 75.

[2] Erickson, Merle and Shiing-wu Wang, “The Effect of Organization form on Acquisition Price,” Working Paper, July 2002. To download a copy, go to the authors’ websites or obtain it from the Social Science Research Network. The article shows an 11% to 17% pass-through premium.

[3] This is the average DLOM (rounded) for a $750,000 to $2 million firm. See chart in Table 5.1.D.

Table 5.1.A

How Capital Expenditures Exceeds Depreciation [1]

Avg Annual Growth in Equipment Prices	**Avg Equip Life (Yrs)**						
	3	**5**	7	10	15	20	25
1%	2.0%	3.0%	4.0%	5.6%	8.2%	10.8%	13.5%
2%	4.0%	6.1%	8.2%	11.3%	16.7%	22.3%	28.1%
3%	6.1%	**9.2%**	12.4%	17.2%	25.6%	34.4%	43.6%
4%	8.1%	12.3%	16.6%	23.3%	34.9%	47.2%	60.0%
5%	10.2%	15.5%	21.0%	29.5%	44.5%	60.5%	77.4%
6%	12.2%	18.7%	25.4%	35.9%	54.4%	74.4%	95.6%
7%	14.3%	21.9%	29.9%	42.4%	64.7%	88.8%	114.5%
8%	16.4%	25.2%	34.5%	49.0%	75.2%	103.7%	134.2%
9%	18.5%	28.5%	39.1%	55.8%	86.1%	119.1%	154.5%
10%	20.6%	31.9%	43.8%	62.7%	97.2%	134.9%	175.4%

[1] CE_{t+1} - $Depr_t$ = k * $Depr_t$, and k is the factor in the table above.
Source: Jay B. Abrams, "Forecasting Cash Flow: Mathematics of the Payout Ratio", Business Valuation Review, June 2003. See Table 2, Page 75 in his article.

Table 5.1.B
Cash Flow Calculations

Avg Depreciation as % of Sales	Table 4.1.C	1.7%
Sales in 2016	Table 4.2	2,615,657
Estimated Depreciation		**43,504**

Avg Amortization as % of Sales	Table 4.1.C	0.0%
Sales in 2016	Table 4.2	2,615,657
Estimated Amortization		**0**

Avg Net Working Capital as % of Sales	Table 4.1.C	0.0%
Sales in 2016	Table 4.2	2,615,657
Times Estimated Growth Rate	Table 5.1	3.0%
Increase in Sales		78,470
Estimated Growth In Working Capital		**0**

Avg Long Term Debt as % of Sales	Table 4.1.C	19.6%
Sales in 2016	Table 4.2	2,615,657
Times Estimated Growth Rate	Table 5.1	0.0%
Increase in Sales		0
Estimated Growth In Long Term Debt		**0**

Table 5.1.C
Cost of Equity Capital (Using Build-Up Method)

Risk Free Rate [1]	2.8%
Equity Premium (Long-term) [2]	6.9%
Size Premium for Small Stocks [3]	5.6%
Company Specific Risk Premium [4]	5.0%
Discount Rate	20.3%
Discount Rate-Rounded	**20%**

Less: Long-Term Growth Rate	3.0%
Capitalization Rate	**17.0%**

Company Specific Risk Component	**Risk Factor**
Industry Premium	1.0%
Financial position of the company	1.0%
Level of diversification	1.0%
Depth of management	1.0%
Competition	1.0%
Barrier to funds	0.0%
Expected growth or decline of the business	0.0%
Total Company Specific Risk Component	**5.0%**

[1] The 20-Year Treasury Coupon Bond Yield-constant maturity as of 12/30/16.
[2] Duff & Phelps, 2016 Valuation Handbook Guide to Cost of Capital.
[3] Duff & Phelps, 2016 Valuation Handbook Guide to Cost of Capital.
Size Premium for Decile 10, Market Cap below $209 million.
[4] Based on professional judgment.

Table 5.1.D

Discount for Lack of Marketability
By Avg Firm Size [1]

FMV	DLOM
25,000	10.8%
75,000	11.0%
125,000	11.1%
175,000	11.2%
225,000	11.6%
375,000	13.6%
500,000	15.6%
750,000	19.9%
2,000,000	18.0%
5,000,000	15.8%
10,000,000	15.5%

[1] Source: *How to Value Your Business and Increase Its Potential,* ©2005, Jay B. Abrams, McGraw-Hill, ISBN #: 0-07-139520-2, Table 8.1, p. 137.