

RICK D. BANKS

Attorney at Law

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Thank you for coming this far in considering the purchase of my law firm. Attached below is the December 31, 2020 *Calculation of Value* for my practice, which shows the value at \$650,000. To be sure, I am not seeking nearly that much for my practice. I have reached the point in my life where I am financially secure and ready to transition to retirement, and am more concerned about the longevity of my practice than making money from it.

My Staff: I have two paralegals and one office assistant who are some of the best in the business. My paralegal/office manager, has been with me over 21 years. She is one of the most capable, dedicated and honest individuals an employer could hope for. She has been a certified paralegal for over 20 years. Not only does she perform the paralegal tasks on almost one-half of my cases, but she also handles all of the administrative tasks in the office. I would match the quality of my staff to that of any others in this field. I know that a new owner will appreciate having such competent and loyal staff.

My Office: There is also room in my suite of offices to add additional attorneys/staff in the two open offices in the suite. The lease is currently on a month-to-month basis, but favorable terms could be reached for a longer term lease.

My practice is primarily family law and mediation. However, I also do a number of estate planning projects, which are usually paid in cash. Also keep in mind that there are many perquisites that are available to an owner.

Offer: With that being said, I would consider selling my practice for \$200,000. This would include a 4 - 6 month transition period. This is a turnkey practice, which includes all of the office furnishings, computers, servers, etc. A very reasonable payment plan can be worked out so as to make it financially viable for a new owner.

If you are currently living and working in one of the large metropolitan areas in Southern California, the Fresno/Clovis area of the Central San Joaquin Valley offers a much better, safer and enjoyable lifestyle, yet with a fast-growing population to provide plenty of future growth for the practice (if that's what you are looking to do.) While 90% of my cases are in Fresno county, I also have clients from Madera, Merced, Kings and Tulare counties, with the farthest court house being only 50 minutes drive time from my office.


If, after you having seen all of this, you are still interested, please DO NOT call my office to discuss this matter. Instead call my cell phone at (559) 776-5009.

Thank you,

Rick D. Banks

Rick D. Banks - Attorney At Law
Calculation of Value
December 31, 2020

V



	<u>Reference</u>	<u>Total Value</u>
Net Tangible Assets	<i>V-1</i>	\$ 20,705
Assigned Goodwill	<i>V-2</i>	<u>634,000</u>
Combined Business Value		<u>\$ 654,705</u>
Assigned Value, Owned Shares (Rounded)		<u><u>\$ 650,000</u></u>

Rick D. Banks - Attorney at Law
Balance Sheet
For Year Ended December 31, 2020

V-1



	<u>Ref./Notes</u>	<u>Per Balance Sheet</u>	<u>Adjustments</u>	<u>As Adjusted</u>
Assets:				
Cash:				
Checking - B of A	1	5,256	(85)	5,171
Checking - Chase	1	1,973	(1,973)	-
Chceking - Chase	1	46,676	(46,676)	-
Trust - Chase		95,486	-	95,486
Accounts Receivable	2	-	-	-
Fixed Assets:				
Furniture and Fixtures	3	8,643	(4,322)	4,322
Leasehold Improvements	3	4,000	(2,000)	2,000
Office Equipment	3	13,685	(6,843)	6,843
Vehicles	3	5,000	(5,000)	-
Accumulated Depreciation		(18,073)	18,073	-
Security Deposits		2,541	-	2,541
Supplies and Equipment	4	-	5,000	5,000
Total Assets		<u>\$ 165,187</u>	<u>\$ (43,825)</u>	<u>\$ 121,362</u>
Liabilities and Shareholders' Equity:				
Accounts Payable	5	\$ -	N/A	\$ -
Credit Cards Payable	5	9,923	(9,923)	-
Other Current Liabilities:				
AP - Other	5	10,000	(10,000)	-
Payroll Tax Liabilities		5,171	-	5,171
SBA Loan - PPP	6	30,962	(30,962)	-
Client Trust Account		95,486	-	95,486
Total Liabilities		<u>151,542</u>	<u>(50,885)</u>	<u>100,657</u>
Net Tangible Assets:				<u>\$ 20,705</u>

V

Notes:

- 1)** Assume Rick is keeping all the cash except to cover payroll liabilities.
- 2)** To be discussed with Rick.
- 3)** Adjusted to 50% of original acquisition costs.
- 4)** Adjustment to account for supplies on hand and equipment that has been expensed over the years.
- 5)** Asssume business will transfer to buyer without debt.
- 6)** Assume forgiveness of PPP Loan.

Rick D. Banks - Attorney at Law
Calculation of Goodwill - Excess Earnings
December 31, 2020

V-2

	Notes/Ref	Per Schedule C				Total
		2020	2019	2018	2017	
Gross Revenue	I/V-6	\$ -	\$ 632,964	\$ 601,771	\$ 686,126	\$ 1,920,861
Taxable Net Income	I/V-6	#REF!	\$ 198,594	\$ 209,923	\$ 297,755	#REF!
Adjustments:						
Fair Value of Owner's Compensation						
Actual		N/A	N/A	N/A	N/A	-
Pro-forma		N/A	N/A	N/A	N/A	-
Pro-forma - Payroll Taxes, Etc.		N/A	N/A	N/A	N/A	-
Perquisites	2	12,000	12,000	12,000	12,000	48,000
Depreciation:						
Actual	V-6	-	5,357	4,845	7,871	18,073
Pro-forma	V-3	(912)	(5,042)	(4,788)	(5,783)	(16,525)
Meals and Entertainment (50%)	V-6	-	2,702	(2,824)	(3,182)	(3,304)
Owner's Discretionary Earnings		#REF!	\$ 213,611	\$ 219,156	\$ 308,661	#REF!
Assigned Weights		-	1.00	1.00	-	2.00
Adjusted Earnings, pre-tax		#REF!	\$ 213,611	\$ 219,156	\$ -	\$ 432,767
Weighted Average						\$ 216,384
Less: Reasonable Return on Net Tangible Assets, Prime Rate plus 2%						
		6.75% V-1	\$ 20,705			(1,398)
Less: Income Tax	Estimate		0.3			(64,496)
Net Excess Earnings, after tax						\$ 150,490
Capitalization Multiple/Rate						23.73%
Determined Value of Goodwill						\$ 634,226
Rounded						\$ 634,000

Notes:

- 1) Amounts as shown on the 2019 Schedule C.
- 2) Valuator's estimate, \$1,000 per month.
- 3) Adjustment to account for one-half not deducted on Schedule C.

Rick D. Banks - Attorney at Law
Depreciation Pro-Forma
For the Years Ended December 31st

V-3

	2020	2019	2018	2017
<i>1</i>				\$ 5,261
<i>2</i>	\$ 522	\$ 522	\$ 522	522
<i>1</i>			4,121	
<i>2</i>	145	145	145	
<i>1</i>		4,130		
<i>2</i>	245	245		
	\$ 912	\$ 5,042	\$ 4,788	\$ 5,783
	<i>V-2</i>	<i>V-2</i>	<i>V-2</i>	<i>V-2</i>

Note:

- 1*) Regular depreciation.
- 2*) Utilized 5 year straight-line depreciation for assets depreciated via Section 179.

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Capitalization Rate Build-Up Method
December 31, 2020

V-4

<u>Risk-free rate of return</u> - Duff and Phelps Normalized Rate	1	+	2.50%
<u>Equity Risk Premium</u> Duff and Phelps Normalized Rate	1	+	5.50%
<u>Size Premium</u>	1	+	11.29%
<u>Industry Risk Premium</u>	1	+	-5.00%
<u>Company Specific Risk Factors:</u>			
1 Competitive environment; lowest cost "winners"	2	+	2.00%
2 Capital constraints, lack of liquidity	2	+	2.00%
3 Key person reliance; "shallow bench"	2	+	2.00%
4 Lack of marketing and advertising sophistication	2	+	2.00%
5 Absence of documented long-term Business Plan	2	+	1.00%
<u>Contra-Risk Factors, Positive Attributes:</u>			
A Established business, good reputation, no litigation, etc.	2	-	-1.00%
After-Tax Net Cash Flow Discount Rate		=	22.29%
Less: Long-term sustainable growth rate	3	-	-3.00%
After-Tax Net Cash Flow Capitalization Rate for Next Year		=	19.29%
Divide: Adjustment to current year (one plus growth rate)		÷	1.03
After-Tax Net Cash Flow Capitalization Rate for Current Year		=	18.73%
Cash to Earnings Factor		+	-
After-Tax Net Cash Flow Capitalization Rate for Current Year	a	=	18.73%
Intangible Earnings Factor	4	+	5.00%
Intangible After-Tax Capitalization Rate	b	=	23.73% V-2
Tax Effect [1 - tax rate (30%)]	c	÷	70.00%
Pre-Tax Net Income Capitalization Rate for the Current Year	(a/c)	=	26.75%
Pre-Tax Net Intangible Capitalization Rate for the Current Year	(b/c)	=	33.90%

Notes:

- 1)** As per Duff & Phelps, Cost of Capital Navigator.
- 2)** Valuators Estimate
- 3)** Valuators estimate based on historical inflation.
- 4)** Valuator assigned a 5% intangible capitalization factor to arrive at a post-tax intangible capitalization rate of 23.73%.

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Balance Sheet
For Years Ended December 31

V-5



	From Balance Sheet							
	2020		2019		2018		2017	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Assets:								
Cash	\$ 149,391	90.44%	\$ -	#REF!	\$ -	#REF!	\$ -	#REF!
Accounts Receivable	-	0.00%	-	#REF!	-	#REF!	-	#REF!
Buildings and Other Depreciable Assets	31,328	18.97%	-	#REF!	-	#REF!	-	#REF!
Accumulated Depreciation	(18,073)	-10.94%	-	#REF!	-	#REF!	-	#REF!
Net Fixed Assets	13,255	8.02%	-	#REF!	-	#REF!	-	#REF!
Note Receivable-Ordaz Andrade	-	0.00%	-	#REF!	-	#REF!	-	#REF!
Security Deposits	2,541	1.54%	-	#REF!	-	#REF!	-	#REF!
Total Assets	\$ 165,186	100.00%	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Liabilities and Shareholders' Equity:								
Accounts Payable	\$ -	0.00%	\$ -	#REF!	\$ -	#REF!	\$ -	#REF!
Credit Cards Payable	9,923	6.01%	-	0.00%	-	#REF!	-	#REF!
Other Liability	10,000	6.05%	-	0.00%	-	#REF!	-	#REF!
Client Trust Account	95,486	57.81%	-	0.00%	-	#REF!	-	#REF!
Payroll Tax Liabilities	5,171	3.13%	-	#REF!	-	#REF!	-	#REF!
SBA Loan - PPP	30,962	18.74%	-	#REF!	-	#REF!	-	#REF!
Workers Comp Payable	-	0.00%	-	0.00%	-	#REF!	-	#REF!
Bank Overdraft	-	0.00%	-	0.00%	-	#REF!	-	#REF!
Notes Payable, Long-Term	-	0.00%	-	#REF!	-	#REF!	-	#REF!
Loan from Anita and Alan	-	0.00%	-	#REF!	-	#REF!	-	#REF!
Capital Stock	-	0.00%	-	#REF!	-	#REF!	-	#REF!
Retained Earnings	13,644	8.26%	-	#REF!	-	#REF!	-	#REF!
Total Shareholders' Equity	13,644	8.26%	-	#REF!	-	#REF!	-	#REF!
Total Liabilities and Equity	\$ 165,186	100.00%	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!

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Profit and Loss
For Years Ended December 31

V-6



Notes	Per Schedule C							
	2020		2019		2018		2017	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Income:								
Gross Receipts of Sales	\$ -	#DIV/0!	\$ 632,964	99.84%	\$ 601,771	99.54%	\$ 686,126	99.62%
Other Income:								
Miscellaneous	-	#DIV/0!	1,021	0.16%	2,798	0.46%	2,604	0.38%
Gross Profit	#REF!	#REF!	633,985	100.00%	604,569	100.00%	688,730	100.00%
Expenses:								
Advertising	-		41,979	6.62%	60,218	9.96%	64,300	9.34%
Car and Truck Expenses	-	#DIV/0!	6,592	1.04%	7,539	1.25%	7,245	1.05%
Contract Labor	-		-	0.00%	445	0.07%	-	
Depreciation	-	#DIV/0!	5,357	0.84%	4,845	0.80%	7,871	1.14%
Employee Benefit Programs	-	#DIV/0!	10,686	1.69%	9,377	1.55%	9,443	1.37%
Insurance, Other Than Health	-	#DIV/0!	14,919	2.35%	12,091	2.00%	10,151	1.47%
Mortgage, Other	-	#DIV/0!	448	0.07%	620	0.10%	477	0.07%
Legal and Professional	-	#DIV/0!	5,126	0.81%	4,955	0.82%	5,027	0.73%
Office Expense	-	#DIV/0!	21,521	3.39%	25,532	4.22%	18,131	2.63%
Pension and Profit-Sharing Plans	-	#DIV/0!	1,547	0.24%	-	0.00%	5,500	0.80%
Rent:								
Vehicles	-		1,052	0.17%	2,326	0.38%	1,067	0.15%
Other Business Property	-		34,950	5.51%	21,686	3.59%	10,784	1.57%
Repairs and Maintenance	-		13,591	2.14%	13,308	2.20%	16,799	2.44%
Taxes and Licenses	-		11,916	1.88%	11,663	1.93%	11,739	1.70%
Travel	-		17,098	2.70%	9,541	1.58%	13,767	2.00%
Meals and Entertainment	-		2,702	0.43%	2,824	0.47%	3,182	0.46%
Utilities	-		10,378	1.64%	8,603	1.42%	3,987	0.58%
Wages	-		123,032	19.41%	117,622	19.46%	117,591	17.07%
Other Expenses	V-7	#DIV/0!	112,497	17.74%	81,451	13.47%	83,914	12.18%
Total Expenses	-	#DIV/0!	435,391	68.68%	394,646	65.28%	390,975	56.77%
Ordinary Business Income	#REF!	#REF!	\$ 198,594	31.32%	\$ 209,923	34.72%	\$ 297,755	43.23%
			V-2		V-2		V-2	

Rick D. Banks - Attorney at Law
Other Deductions
For Years Ended December 31st

V-7

	2020		2019		2018		2017	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Other Deductions:								
Banks Charges	\$ -	#REF!	\$ 12,267	1.93%	\$ 9,773	1.62%	\$ 8,446	1.23%
Client Costs	-	#REF!	42,486	6.70%	34,903	5.77%	32,064	4.66%
Continuing Education	-	#REF!	2,793	0.44%	750	0.12%	1,967	0.29%
Dues and Subscriptions	-	#REF!	2,242	0.35%	3,093	0.51%	2,621	0.38%
Internet Service	-	#REF!	18,104	2.86%	7,716	1.28%	15,437	2.24%
Postage	-	#REF!	1,790	0.28%	1,971	0.33%	1,877	0.27%
Professional Meetings	-	#REF!	-	0.00%	-	0.00%	427	0.06%
Reference Materials	-	#REF!	15,729	2.48%	12,683	2.10%	11,997	1.74%
Miscellaneous	-	#REF!	1,802	0.28%	1,866	0.31%	1,878	0.27%
Storage	-	#REF!	684	0.11%	579	0.10%	725	0.11%
Telephone	-	#REF!	7,193	1.13%	5,626	0.93%	5,477	0.80%
Promotion	-	#REF!	-	0.00%	-	0.00%	298	0.04%
Website	-	#REF!	7,407	1.17%	2,491	0.41%	700	0.10%
Total Other Deductions	\$ -	#REF!	\$ 112,497	17.74%	\$ 81,451	13.47%	\$ 83,914	12.18%
	V-6		V-6		V-6		V-6	

Rick D. Banks - Attorney at Law
Valuation Rules of Thumb

V-8

% of Annual Fee Revenue

Annual Sales, 2019	V-8	\$ 632,964
Rules of Thumb Multiples		<u>95.00%</u>
Value Assigned		<u>\$ 601,316</u>
		V

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

Net Income, 2019	V-8	\$ 198,594
Add: Interest	V-8	448
Add: Taxes	2	-
Add: Depreciation	V-8	5,357
Add: Amortization	V-8	<u>-</u>
		204,399
Rules of Thumb Multiple		<u>3.5</u>
Value Assigned		<u>\$ 715,397</u>
		V

Notes:

- 1)** Multiples taken from the Business Reference Guide found on the AICPA website.
- 2)** From 2019 financial statements.