

MILLER GROSSBARD & ASSOCIATES



**BUSINESS ADVISORS / CERTIFIED PUBLIC ACCOUNTANTS
CERTIFIED VALUATION ANALYSTS
A PROFESSIONAL CORPORATION**

A MEMBER OF



A WORLDWIDE NETWORK OF INDEPENDENT FIRMS

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Executive Summary

CLIENT FOCUS

Your goals are our single focus.

By keeping our clients' objectives in the forefront, Miller Grossbard & Associates maintain the highest level of professional expertise and integrity.

Our dedication is . . .

To be a successful, leading provider of high quality professional services, adding significantly to your business performance.

PARTNERS IN TRUST

You will derive maximum benefit from our services through a close and enduring relationship we think of as a "business partnership." This "partnership" forms the foundation for an unparalleled level of service. It allows Miller Grossbard & Associates to become the catalyst in your decision making process. Together, then, we address our mutual objectives.

By "partnering" with Miller Grossbard & Associates you gain a team of dedicated professionals skilled in accounting, taxation, and consultation. The following characteristics highlight our brand of exceptional service:

- Creative solutions to difficult situations
- Utilizing technology to increase efficiency
- Prompt responses to client requests
- Improvement in operating performance and profitability
- Timely financial reports and completion of projects
- Ingenuity in research and evaluation of different accounting and tax positions

*As your "business partner" . . . **We care.***



Corporate Profile

COMMITMENT TO EXCELLENCE

Operating from principles of teamwork, strategy, and commitment, Miller Grossbard & Associates has enjoyed a reputation of highest respect in the Houston area. Our clients compliment us for high quality work and cost efficient service. Being a multi-talented consulting, accounting, and tax firm, Miller Grossbard & Associates provides services to the small and middle-sized client — the privately held, closely-managed business with revenues below \$250 million.

Our distinguished professionals are the real source of our competitive advantage. We value the skills, strengths, and perspectives of our diverse team. Since inception, our firm fosters a participatory relationship among the team members as well as with our clients. This give and take relationship enables all parties to be involved in a process that advances the client's business objectives.

Our firm has made a commitment to quality by joining the Private Companies Practice Section of the American Institute of Certified Public Accountants' Division for Firms. We are proud to be among those who have voluntarily made this commitment to quality by meeting these standards.

Our commitment is . . .

To provide professional advisors who have the knowledge, experience, know-how, perspective, and creativity to resolve your business issues.

A COMPANY WITH VISION

"Building Relationships That Equal Success" is our vision statement. Every word of this statement has particular meaning to us.

Building: Optimizing assets — this is about effort and commitment. Our task is to provide unexcelled value to our clients.

Relationships: Valuing multiple viewpoints — in this way we master the details leading to effective long-term engagements.

Equal: Interdependent destiny — sharing knowledge and ideas to solve client challenges.

Success: Understanding and then delivering exactly what the client wants.

We are here to lead, to be the best at what we do . . . nothing less.



SECTION THREE

Scope of Service

MILLER GROSSBARD & ASSOCIATES SERVICES

Miller Grossbard & Associates is large enough to provide depth of experience and, at the same time, small enough to present customized solutions, to interact with top management in a personal manner, and to maintain an entrepreneurial spirit.

Miller Grossbard & Associates provides an extensive array of services to clients in a variety of industries, which testifies to our broad range of services. Our client list includes: manufacturers, retailers, wholesalers, real estate and service organizations, as well as professional organizations. Because of the broad scope of client issues, the firm is comprised of the following “Service Departments” which are a compilation of distinct areas of expertise:

- Audit and Accounting
- Tax Services
- Litigation Support
- Business Valuation
- Business Advisory and Consulting
- Cost Segregation Studies
- Family Office Services

To survive and grow, especially in today’s competitive global marketplace, you must attend to every area and aspect of business. Our “business partnership” responsiveness, attention, and creativity support you through the complexity of the information age.

***Miller Grossbard & Associates provides the solutions which . . .
prepare you for the future and
position you for the long term.***



AUDIT AND ACCOUNTING SERVICES

You will profit from the constructive ideas and recommendations generated through our diversified team. Our experienced accounting group institutes a system of checks and balances critical to your business. Timely delivered accounting and financial reports provide the essential data for critical decisions. With our input on these decisions, you will improve your control over operations while streamlining procedures that will maximize your profitability.

When an audit, which is the highest level of financial reporting, is called for, we commence with an initial review to develop an integral comprehension of all the issues. We provide an in-depth understanding of not only your business, but also of your industry.

Our firm offers a complete range of traditional accounting and audit functions to meet your growing needs. These services include:

- Year-end audits, reviews, and compilations of financial statements
- Operational and compliance examinations
- Financial statement analysis
- Specialized reports
- Budget development and cash flow statements
- Forecasts and projections
- Due diligence
- Customized evaluation, design, and implementation of financial reporting systems
- Contractual or regulatory compliance assurance
- Performance measurement
- Special purpose financial presentations
- Certification of costs
- Development of internal controls



TAX SERVICES

No component of your business and financial affairs is more intricate and multifaceted than your tax structure. Achieving your long-range financial goals requires extensive knowledge of current tax law, including its interpretation, the definition of optimal tax strategies, and the integration of tax compliance with proactive tax planning.

Because every business decision carries tax implications, you need a team that can evaluate your alternatives, recommend the best options, and advise you how these options can maximize your tax advantage. As experts in the field of taxation, we offer a full range of planning and compliance services to meet your particular needs.

Miller Grossbard and Associates know. . .

it is irrelevant how much you make . . . it is how much you keep that counts.

TAX PLANNING SERVICES

Structuring tax deferral strategies for:

- Business income
- Franchise tax
- Personal taxes on compensation & retirement
- Estate planning
 - division of assets
 - minimizing estate taxes
 - multi-generational planning
 - succession planning
- Maximize after-tax income
- Business entity options
- Transaction analysis
- International planning techniques
 - structuring in-bound transactions
 - offshore entities
 - advanced pricing studies

FEDERAL INCOME TAX COMPLIANCE SERVICES

- Individuals
- Corporations
- Partnerships
- Trusts
- Estates

IRS AUDIT CONSULTATION AND APPEAL REPRESENTATION



LITIGATION SUPPORT SERVICES

Our accounting, engineering, and legal staffs conduct a variety of litigation support services for attorneys, businesses, and individuals. In addition to the legal aspects of a case, there are significant business, financial, tax, and property issues that must be considered. With our financial expertise and understanding of the litigation/controversy arena, we will assist you in better understanding the complex financial matters involved in litigation.

Following are the services we provide:

Business Valuation

- Divorce
- Shareholder disputes
- Tortious interference

Damage Analysis

- Personal injury and/or death
- Commercial/business transaction
- Investment transactions
- Insurance claim analysis

Forensic Accounting

- Asset searches
- Asset tracing
- Reimbursement claims

Settlement Options

- Structured settlement alternatives and tax analysis
- Mediation and/or arbitration negotiations

Trial Assistance

- Expert testimony
- Witness evaluation
- Evidence evaluation and examination questions
- Interrogatory and document request preparation



BUSINESS VALUATION SERVICES

There are a number of situations in the course of your business that require an objective valuation of the worth of your company, such as selling the company, funding corporate growth, merging with another firm, divorce, or estate and financial planning, to name a few. When you experience any one of these situations, Miller Grossbard & Associates can provide an independent, comprehensive evaluation.

Valuing a business, especially one that is closely held, is a complex process. An objective analysis of the current worth of your closely held company stock and other business assets requires a full understanding of the business and its industry. There are no easy shortcuts or generally applicable rules-of-thumb for pricing your business. In addition, the values of an interest vary to a large extent based on its marketability and the percentage of the seller's ownership.

Performing a business valuation requires seasoned, knowledgeable professionals who will take a comprehensive approach to this process. Miller Grossbard & Associates understand the unique business, management, and tax needs that you face. Our shareholders are Certified Valuation Analysts trained to offer sound valuation techniques, combined with objectivity and current business knowledge. As a result, you are assured of a reliable, objective, independent valuation due to our wide range of experience, talents, and professional accreditation.

In some cases, valuation is essential for planning; in other instances, it fulfills the supportability requirement of certain laws, regulation, or judicial proceedings. Defensible opinions of business value are used for the following purposes:

- Estate tax
- Sale, merger or acquisition
- Litigation
- Dissolution of marriage
- Dissolution of partnership
- ESOP/ESOT
- Sale or purchase of a business or part of business
- Recapitalization
- Financing
- Involuntary liquidation or bankruptcy
- Estate and gift planning
- Minority interest
- Condemnation



BUSINESS ADVISORY AND CONSULTING SERVICES

In this rapidly changing business climate, your business can rely on Miller Grossbard & Associates for an additional wide range of issues, such as goal-setting support and strategic business planning. With our practical, common sense, “business partnership” approach, all relevant areas of your business will be addressed. You will gain practical solutions to sophisticated management problems through an exceptional blend of management, supervisory, operational, and technical expertise that we provide.

Our advisory services optimize your business systems to improve your productivity and profit margins year after year. Your continuous improvement is the key to long-range success. With our “business partnership” relationship we forecast industry potential and target new market areas. Our consultants will evaluate the business climate of new locations before you invest in distant operations.

Miller Grossbard & Associates offers its business advisory staff as your “virtual CFO.” Because our professionals are uniquely qualified to address issues usually handled by the CFO, your management team becomes free to focus on the activities that will grow the business and improve profitability. With experience that cuts across many industries and brings an innovative perspective to common business problems, we can assist with or assume the following CFO duties:

- Financing alternatives
- Debt restructuring
- Operating and capital budgeting
- Cash forecasting and management
- Project and revenue forecasting
- Insurance and risk management
- Contract reviews and negotiations
- Software evaluations
- Profit enhancement studies
- Fraud and internal control consulting

Our service offerings are extensive and flexible. After helping you develop a strategy, we can follow up with a combination of financial, management, and technical services tailored to your specific requirements.



BUSINESS ADVISORY AND CONSULTING SERVICES (continued)

Additional advisory service offerings are:

Strategic Planning

- Acquisitions or mergers
- New markets and products
- Divestiture or sale
- Business plans, budgeting, and forecasting

Investment Banking

- Business valuation
- Due diligence
- Cultivation of corporate buyers
- Identification of acquisition candidates
- Negotiation of acquisition or merger
- Reverse merger into public shell

Marketing Services

- Pricing studies
- Customer surveys
- Consultation services
- Marketing audits, marketing plans, implementation, collateral materials
- Marketing and sales training
- Communications/media training

Operations

- Purchasing strategies
- Inventory optimization
- Organizational evaluations
- Productivity studies
- Technology enhancements
- Management recruiting



COST SEGREGATION STUDIES

Real estate cost segregation generates increased cash flow by reducing your federal income tax. This is accomplished by identifying shorter-lived assets qualifying for 5, 7 or 15-year write-off periods. These costs are typically embedded in a building's total construction or acquisition costs currently being depreciated over 27 or 39 years.

Miller Grossbard & Associates' engineering-based Cost Segregation Studies identify the cost that should be characterized as tangible personal property or land improvements. Such studies allow more rapid depreciation of real estate investments and provide a present value benefit from increased tax deductions in the early years of ownership. The amount of the benefit depends upon the taxpayer's tax rate and the difference between the taxpayer's return on capital and cost of capital.

Cost Segregation Studies can be conducted for:

- newly constructed facilities
- purchased facilities
- existing buildings undergoing renovation, restoration or expansion
- major tenant leasehold improvements
- retroactive cost segregation - post-1986 real estate construction, building acquisitions or improvements where no cost segregation study was performed (even though the statute of limitations may be closed on the property construction/acquisition year)

From our experience, we have seen Cost Segregation Studies identify shorter lived assets. These assets as a percentage of the investment in the building and improvements usually fall in the following ranges:

- | | |
|----------------------------|------------|
| • Office buildings | 5% to 15% |
| • Strip centers | 5% to 15% |
| • Apartment buildings | 10% to 20% |
| • Senior living facilities | 15% to 25% |
| • Specialty retail | 15% to 30% |
| • Manufacturing | 20% to 60% |
| • R&D facilities | 30% to 60% |



COST SEGREGATION STUDIES (continued)

For an owner who intends to hold real estate for the long-term, the present value of the increased depreciation is significant. For the short-term investor, a Cost Segregation Study should enhance cash flow in the early years of ownership by virtue of more rapid tax depreciation, thereby reducing the investor's cumulative investment.

Almost every business can benefit from a Cost Segregation Study. Based on our experience in conducting Cost Segregation Studies, our engineering staff can objectively estimate whether such an analysis will be advantageous for your business.



FAMILY OFFICE SERVICES

Our team of professionals is experienced in developing customized financial plans, and will work carefully with you and your family to meet current goals, foresee future changes, and ultimately, accomplish your personal and financial lifetime objectives. Our Family Office Services experts offer confidential management of these elements, helping plan your legacy, including:

- Bill Paying
- Day to day cash flow management
- Budgeting
- Bookkeeping for ease in tax reporting
- Education savings
- Retirement planning
- Trust and Estate planning
- Control and succession issues
- Intergenerational wealth planning
- Altruistic services
- Preparation of monthly financial statements
- Project management
- Coordinating with your other professional advisors as directed



Key Personnel



Russell J. Miller - Managing Shareholder

PROFESSIONAL PROFILE

As the managing shareholder, Russell J. Miller has planned and implemented strategic growth and tax reduction strategies for literally hundreds of fast growing, closely-held companies. His success is a direct result of his unique ability to evaluate complex situations, formulate creative alternatives and implement successful solutions.

Major project experience includes engagements in the fields of tax and estate planning, business valuations, strategic planning and merger/acquisitions transactions.

PREVIOUS PROFESSIONAL EXPERIENCE

Shareholder, Mann Frankfort Stein & Lipp, P.C., Houston, Texas
Shareholder, Russell J. Miller & Co., P.C., Houston, Texas
Shareholder, Spain Ham & Company, P.C., Houston, Texas
Management Training Group, First International Bank, Houston, Texas

PROFESSIONAL EDUCATION AND AFFILIATIONS

University of Texas at Austin, *B.B.A., Accounting*
Certified Public Accountant
Certified Valuation Analyst
Accredited in Business Valuation (AICPA)
American Institute of Certified Public Accountants (AICPA)
Texas Society of Certified Public Accountants (TSCPA)
Series 65 Investment Advisor – Group 1 Insurance
Houston Chapter of Certified Public Accountants
National Association of Certified Valuation Analysts (NACVA)
The Executive Committee Advisory Member
HPD Soul Patrol – Former Board Member
Child Advocates (CASA) – Former Court Volunteer
Cystic Fibrosis Foundation – Former Gulf Coast
Chapter Committee Member





Paul D. Grossbard - Shareholder

PROFESSIONAL PROFILE

Paul D. Grossbard is Operations Shareholder in the firm of Miller Grossbard & Associates, P.C. with professional expertise in sophisticated tax planning and compliance, and management consulting in the areas of financial structuring, organizational structuring, strategic planning, and budgeting.

Major project experience includes: real estate, distribution, manufacturing, service industries, restaurants, and a variety of others

Paul is actively involved in due diligence projects, merger/acquisition transactions, entity structuring and restructuring for tax minimization, cost segregation and new business start-ups.

Paul has also been actively involved in business valuations, lost profits/damage analysis, bankruptcy, and various family law matters. Assistance with legal counsel in planning and strategizing for examination of witnesses and trial has been a facet of these engagements.

PREVIOUS PROFESSIONAL EXPERIENCE

Senior Manager, Mann Frankfort Stein & Lipp, P.C., Houston, Texas
 Owner, Paul D. Grossbard, CPA & Business Advisors, Norman, Oklahoma
 Partner, Williams & Grossbard, CPAs, Norman, Oklahoma
 Manager, Robert L. Williams, Jr., CPA, P.C., Norman, Oklahoma
 Staff Accountant, Arco Oil and Gas Company, Dallas, Texas

PROFESSIONAL EDUCATION AND AFFILIATIONS

University of Oklahoma, *B.B.A., Accounting*
 Certified Public Accountant
 Certified Valuation Analyst
 Accredited in Business Valuation (AICPA)
 American Institute of Certified Public Accountants (AICPA)
 Texas Society of Certified Public Accountants (TSCPA)
 Houston Chapter of Certified Public Accountants
 National Association of Certified Valuation Analysts (NACVA)





David Zell - Director of Consulting Services

PROFESSIONAL PROFILE

David Zell is the Director of Consulting Services with the firm of Miller Grossbard & Associates, P.C. with professional expertise in reducing client operating costs, solving business problems with technology, identifying inventory reductions, developing purchasing strategies that effect lower prices, revising organizational structures, reassigning staff responsibilities, developing corporate computer models, negotiating contracts and leases, lowering the cost of capital, and enhancing revenue.

Major project experience includes: developing strategic and business plans; computer modeling; equipment and software evaluations; drafting proposals and sales contracts; personnel assessments; due diligence; negotiating with banks, leasing companies and government agencies; mergers and acquisitions.

PREVIOUS PROFESSIONAL EXPERIENCE

Vice-President, Health Finance Group, Inc., Houston, Texas
 Vice-President of Operations, Hysan Corporation, Chicago, Illinois
 Director of Special Projects, Wedge Energy Group, Inc., Houston, Texas
 Operations Manager, Sanjac Graphics, Inc., Houston, Texas
 Chief Executive Officer, Imle Steel Company, Houston, Texas
 Senior Planning Analyst, The Superior Oil Company, Houston, Texas
 Senior Engineer, Exxon Corporation, Denver, Colorado
 Head Contracts Analyst, Exxon Coal Company, Houston, Texas
 Risk Management Analyst, Petroleum Casualty Company, Houston, Texas
 Systems Analyst, Eastern Air Lines, Miami, Florida
 Systems Engineer, International Business Machines Corp., Little Rock, Arkansas

PROFESSIONAL EDUCATION AND AFFILIATIONS

University of Notre Dame, *B.S., Electrical Engineering, cum laude*
 Wharton School, University of Pennsylvania, *M.B.A.*
 South Texas College of Law, *J.D.*
 University of Houston, *M.A., Accountancy*
 State Bar of Texas
 Certified Public Accountant
 Certified Valuation Analyst
 Accredited in Business Valuation (AICPA)
 American Institute of Certified Public Accountants (AICPA)
 Texas Society of Certified Public Accountants (TSCPA)
 Houston Chapter of Certified Public Accountants
 National Association of Certified Valuation Analysts (NACVA)





Kathryn V. Sanders – Principal

PROFESSIONAL PROFILE

Kathryn V. Sanders is a Principal in the firm of Miller Grossbard & Associates, P.C., with professional expertise in taxation and financial reporting for closely-held enterprises.

Her experience consists of preparation and review of tax returns for a vast range of companies, including major construction projects, real estate holdings, manufacturers, resellers, wholesalers, and service providers.

Kathryn's expertise in both public and private sectors brings value-added service capabilities to a project engagement.

PREVIOUS PROFESSIONAL EXPERIENCE

Senior Controller and Director of Audit and Taxation, Alliance Residential Management, Houston, Texas

Owner, Kathryn V. Sanders, CPA, Houston, Texas

Assistant Vice-President and Controller, Greystar (Greystone) Management Services, Houston, Texas

PROFESSIONAL EDUCATION AND AFFILIATIONS

Baylor University, *B.B.A., Accounting*

Certified Public Accountant

American Institute of Certified Public Accountants (AICPA)

Texas Society of Certified Public Accountants (TSCPA)

Houston Chapter of Certified Public Accountants

OUR TEAM

Miller Grossbard & Associates has a dedicated team of professionals with differing backgrounds in consulting, tax planning, and accounting systems and procedures. These individuals will be assembled for engagements in a manner that best suits your particular goals and needs.

FIRM AFFILIATION – A GLOBAL REACH

Miller Grossbard & Associates is a member of Alliot Group, one of the world's leading independent multi-disciplinary networks of accounting, taxation, legal, information technology, human resources, corporate finance and outsourcing professionals. Founded in 1979, Alliot Group has over 210 offices, and more than 4,000 members of staff located in more than 60 countries.

Alliot Group's commitment to quality control ensures that members maintain the highest possible standards of partner led service to clients throughout the world. With Miller Grossbard & Associates' alliance with Alliot Group, we will direct your expansion into global markets, successfully navigating through tax issues, government regulations, and other crucial decision making.



Case Histories

MANUFACTURING COMPANY

“With my company experiencing surprising growth over the past few years, my staff became challenged by unexpected tax issues. Needing experts that could handle non-routine matters, I turned to Miller Grossbard & Associates for solutions.

Each time, these advisors successfully resolved the issues while I remained focused on operations of the business.”
– Company President

Eighteen days before the end of the manufacturing company’s fiscal year close, Miller Grossbard & Associates gained a new client and that had immediate concerns. The company had not deposited its estimated taxes, was undergoing a sales tax audit, and had an ongoing dispute with a former associate regarding his employment status.

The immediate need was to identify the company’s current income so that year-end tax planning could be performed. Unfortunately, the financial statements required substantial adjustments. The accrual basis taxpayer kept its books on a de facto cash basis. Capital transactions had been expensed, and depreciation had not been booked. Interest income was unknown because it lay in an off-balance sheet account. With the clock ticking, the only solution was to send in Miller Grossbard’s rapid response team.

After grappling with the unknown for two weeks, the financial statements fairly represented the taxable income for the year. With only four days left to devise and to implement a year-end tax plan, calls went out to the owner and his attorney. The recommended transactions were explained, and the necessary documentation was completed. Potential interest and penalties were averted, and taxes were deferred.

The sales tax audit was similarly difficult. It had been underway for almost a year. The previous CPA had resigned. The state auditor was losing patience and had issued a deficiency letter. The manufacturing company, not knowing what to do, deposited thirty boxes of various records at the door of Miller Grossbard. Realizing that another challenge was before our firm, Miller Grossbard’s rapid response team acted again.

Boxes were inventoried to identify relevant information. Forty-two months of individual sales invoices were reviewed to determine those requiring exemption certificates. With the fax machine humming for three days, many missing certificates were received. Records were organized for the state auditor and presented for the state’s review. With the aid of a capable sales tax attorney, the six-figure tax deficiency was reduced to less than \$10,000. Another tax problem had been averted.

The associate claiming to be an employee presented the usual risk of IRS assessments for unpaid social security, Medicare, and unemployment taxes, as well as failure to withhold income, social security, and Medicare taxes. The issue required an investigation of the facts and the drafting of a response to the IRS inquiry. The answer from the Service was unexpected. The Service, as allowed by law, declined to become involved in the dispute. The third issue was closed.

Since this engagement, Miller Grossbard has assisted in a reorganization, substantially reducing the state and federal tax burden. We have developed operating budgets and advised on the upgrading of accounting software and the local area network.



PACKAGING COMPANY

“My young company, although composed of loyal employees, needed assistance in developing new operating procedures that would facilitate further growth. I wanted a consultant who could see the necessary changes and communicate them to my staff and me.

After retaining Miller Grossbard & Associates to conduct a needs analysis, I was able to implement the needed changes on my own.”
– Chief Executive Officer

Miller Grossbard reviewed the organizational and procedural needs of a chemical packager. The young company had become known for its quick response to product inquiries. Now, it was the acquisition target of its primary vendor. The packager wondered if it could strengthen the overtures of its chemical supplier.

The consulting arm of Miller Grossbard met with the owner to discuss the company’s situation. The packager had a bright future if it could strengthen its organization and fend off the predatory behavior of its chemical supplier. Finding another supplier was not a solution since they, too, were more interested in acquisitions than supplying small packagers.

After interviewing key employees to learn how corporate responsibilities were delegated, plant facilities were toured, and financial statements were studied. The company’s balance sheet was strong, but manual production processes were used. The computer network and accounting system were primitive. Checking back orders meant retrieving sales orders from a file cabinet. A part-time employee made collection calls, yet accounts over 60 days were 17 percent of total receivables.

The company had added large customer accounts, but was concerned whether more accounts could be absorbed.

Following an initial investigation, Miller Grossbard addressed these multiple issues in a report. Of immediate interest were managing the accounts receivable and improving management information. More distant issues included automating the packaging process, obtaining industry certification, and enhancing sales and marketing.

Miller Grossbard acted on the accounts receivable issue by writing a procedure describing the collection process and the making of calls. Elevating the stature of the collection process justified making the receivables clerk a full time employee.

Information technology offers a wide range of solutions for a variety of budgets. Miller Grossbard suggested a system to coordinate estimating, purchasing, inventory control, and back-order management. As in-house familiarity with computer networks increased, adding Internet connections would enhance market research and allow electronic ordering by customers.

The company’s dilemma was how to accommodate more large orders without an enormous capital commitment. Miller Grossbard suggested first identifying suitable equipment to increase plant capacity followed by a capabilities assurance evaluation. Since this investigation would not offer an immediate solution, the interim answer was manual labor that could adjust with the fluctuating demand from the small sales base.



“My client, a foreign company in pursuit of U.S. acquisitions, was grappling with a term sheet that would appeal to the seller while remaining within the buyer’s financial capability. Miller Grossbard & Associates, after listening to the demands of the seller, assisted in structuring an offer that would satisfy the requirements of both sides. MGA’s involvement was critical to the successful closing of a win-win acquisition.”
– Buyer’s Attorney

FOREIGN HOLDING COMPANY

A foreign businessman approached Miller Grossbard & Associates for assistance in forming a U.S. network of service companies, establishing a domestic and an offshore ownership structure, and shaping the offers for buying targeted companies. The goal of the foreign owner was to minimize the near-term investment required to meet his objectives. To accomplish this meant reducing the tax burden on the organization and creating offers with significant contingent price components. These were all immediate needs.

The first challenge was to understand the foreign situation so that an offshore structure could be devised that would minimize domestic taxation, be compatible with the existing foreign ownership, and not incur unnecessary foreign taxes. After receiving information about the foreign organization and its plan for expansion into the United States, Miller Grossbard identified several tax traps and proposed alternatives that would avoid or defer potential U.S. income taxes.

As work progressed on the design of the foreign ownership, a structure began to develop for the domestic network of service companies. After considering the needs of the operating organization, a combination of partnerships and corporations was proposed in conjunction with a domestic holding company. The objective of this structure was to allow the decentralizing of management and to permit essential individuals to participate in ownership. The proposed organization also considered the capital requirements and the tax burden that would result.

The recommendations for the U.S. organization and the foreign ownership structure were both adopted.

The last part of the assignment was more intricate. Miller Grossbard investigated proposals and counteroffers before developing a strategy that would be acceptable to both buyer and seller. Because of our knowledge of federal and state tax systems and our understanding of the time value of money, Miller Grossbard was able to construct an offer that would accommodate both buyer and seller. We looked for trade-offs between cash to the seller today and deferred compensation at a lower tax rate in the future. The analysis included considerations of definite versus contingent payments, income versus capital gain, state income taxes, FICA and Medicare taxes, as well as the time value of money. Given the multitude of variables, the challenge was merely to find the combination that yielded a result suitable to both parties.



“As a state-licensed operation, the Board of Directors was questioning the strength of its internal accounting controls. Miller Grossbard & Associates recommended procedural changes that relieved our concerns and gave us peace of mind.”
– **Company Director**

HEALTH CARE COMPANY

The Board of Directors of a health care company, with strong policies and procedures already in place, requested an internal controls review of purchasing, accounts payable, and cash disbursements.

The review began with the interview of board members, managers, and other key employees. This information provided insight into the health care company’s procedures and allowed Miller Grossbard to flow chart the process from the initiation of a purchase order through to the signing of the payment. Afterwards, a compliance check was performed to verify that actual practice conformed to management’s approved procedures. This exercise highlighted certain issues related to internal controls, the segregation of duties, and training.

The health care company acknowledged that although its accounting staff was highly organized, it was small. This had resulted in a compromise of the proper segregation of duties as well as certain internal controls. In addition, the board members who signed checks were unaware of the proper safeguards for handling support documentation.

Miller Grossbard & Associates recommended procedural enhancements to the system, document changes to strengthen internal controls, and the formalization of board member training.

The client accepted all of the recommendations and implemented the changes.



“Facing an issue outside my expertise, I interviewed several CPAs and tax attorneys that had been recommended to me. I feel that by selecting Miller Grossbard & Associates, I made the correct decision. Thank you MGA for a job well done.”
– Chief Operating Officer

IRS ISSUE RESOLUTION

Miller Grossbard & Associates gained a new client in a somewhat unusual way. It seems that a tax attorney designed a reorganization for one of his clients. The purpose of the change was to shield the owner from liability while minimizing the tax burden. Part of the client’s operations was placed in a newly formed company, which was to make an S Corporation election for tax purposes. The client’s CPA, who was heavily involved in the reorganization planning, failed to submit the S election to the IRS before the deadline.

Without the S election, the new entity would be taxed as a C Corporation. The IRS denied the S election because of its untimely filing and assessed more than \$200,000 in taxes. The client’s CPA was unsuccessful in changing the IRS’ position regarding the tax liability.

The client decided that it was time to find a tax professional who could convince the IRS to alter its position. The client interviewed several firms and checked references. Miller Grossbard was selected.

Intensive interviews were conducted by Miller Grossbard to learn the facts of the situation. Conferences were held with the client, the tax attorney who had initiated the restructure, and the client’s CPA. After learning the details of the restructuring and the intent of the parties, Miller Grossbard prepared a Private Letter Ruling, which was submitted to the IRS. Following months of discussions with the Washington office to resolve the issues, the IRS granted relief and dismissed the tax assessment.



Firm Information

LOCATION

2204 Louisiana Street, Second Floor
Houston, Texas 77002-8626
(On the corner of Louisiana and Webster)

TELEPHONE AND FAX

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WEB SITE

www.millergrossbard.com

AFFILIATIONS



A WORLDWIDE NETWORK OF INDEPENDENT FIRMS

