

Cost Segregation Study

Beyond Wellness, LLC

Chiropractic Acupuncture
44330 Premier Plaza, Unit 110
Ashburn, Virginia



BEDFORD
Cost Segregation | Energy | R&D

Project Number CS200035

Certification

The undersigned project engineer certifies that she has performed the site inspection of the subject property and has completed this report.

Bedford Cost Segregation, LLC certifies the following:

- That it has no present or future contemplated interest in the property.
- Neither our employment nor our compensation in connection with this report is in any way contingent on the conclusions.
- This report sets forth all assumptions and limiting conditions affecting the analysis, values and conclusions contained within this report.
- No person other than the undersigned, or those acknowledged in this report, developed the analysis, values or conclusions contained herein.

The conclusions and recommendations presented in this report are based on: the review of the records made available to our project engineer; interviews of available property management personnel; our project engineer's walk-through observations during the site visit; and our experience with similar properties.

This engagement was performed under the supervision of a Certified Member of the American Society of Cost Segregation Professionals (www.ascsp.org). This national society is focused on continuing education, certification, and minimum quality standards to assist taxpayers and their professional advisors, with making informed decisions on the selection of a qualified cost segregation provider.

To the best of our knowledge and belief, the statements of facts contained in this report are true and correct.

Prepared by:



AnneMarie Regnier
Project Manager
Date: February 11, 2020

Technical Review by:



Gregory N. Roberts P.Eng., CCSP
Director of Technical Services
Date: February 19, 2020

Tax Review by:



H. Martyn B. Voorhis, III
Tax Associate
Date: February 19, 2020

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Executive Summary

Bedford Cost Segregation, LLC (Bedford) has completed a Cost Segregation Study for the property located at 44330 Premier Plaza, Unit 110, Ashburn, Virginia on behalf of Beyond Wellness, LLC.

In conducting this analysis, Bedford has completed a site visit, interviewed property owners, on-site personnel and other parties familiar with the property, reviewed documentation provided by the client, and conducted an in-depth analysis of all assets associated with the property. Bedford has applied its understanding of the Internal Revenue Code, Regulations, Revenue Rulings, Revenue Procedures, and Tax Court Cases to identify and assign costs and appropriate recovery periods to all property assets.

Details of this analysis are contained in the attached tables, and the following table represents a summary of the asset recovery period classifications.

Dr. Eugene Su Office Condo
Cost Segregation Summary - Total Project

Property Class	Class Life	Original Classification		Post CSS Classification	
Personal Property	MACRS 5-Year	**$ 0**	0.0%	**$ 31,532**	9.3%
Land Improvements	MACRS 15-Year	**$ 0**	0.0%	**$ 36,469**	10.8%
Real Property	MACRS 39-Year SL	**$ 338,999**	100.0%	**$ 270,999**	79.9%
Total Depreciable		**$ 338,999**	100.0%	**$ 338,999**	100.0%

Property Summary

Location:	44330 Premier Plaza, Unit 110, Ashburn, Virginia
Site/Lot size:	3.31 Acres
Number of buildings:	1 Condo Suite
Gross Building Area:	2200 Square Feet
Primary Use of Property:	Professional Services
Placed in Service:	January 11, 2007
Total Depreciable Basis:	$338,999
Site Visit Conducted by:	AnneMarie Regnier
Site Visit Conducted on:	February 22, 2020

Property Overview

The subject property of this report is the acquired property consisting of one 2200 SF Medical Office Suite in Ashburn, Virginia.

Basis

The property was acquired and placed in service by the client who has reported the depreciable basis to be $338,999.

The building is owner-occupied, and the taxpayer is operating in Guideline Class 57.0, Distributive Trades and Services as noted in Rev. Proc. 87-56, Table B-2 for all assets not specifically identified in Table B-1.

Property Description and Classification

Section 1250 Nonresidential Real Property

The subject property consisted a condo suite within one of the three, two-story brick veneer buildings with steel frame construction on a conventional concrete foundation. The roof is a metal framed structure with a metal deck and a membrane roof. The windows are thermal glass in an aluminum frame. The exterior doors are hollow metal or storefront style. The interior doors are wood. The ceiling is primarily acoustical tile and the walls are metal stud framed and covered with drywall.

Building plumbing consists of all services, piping and fixtures, supply, drains, and vents.

All the services including the electric are buried up to the building perimeter. HVAC consists of roof top units. Lighting consists of recessed round and recessed two foot by four foot fixtures.

Land Improvements and Section 1245 Property

The following section of the report describes those specific assets identified by Bedford personnel that have recovery periods shorter than 39-Year and includes Section 1250 property defined in Asset Class 00.3 of Table B-1 in Rev. Proc. 87-56, and Section 1245 property.

Land Improvements – Asset Class 00.3

The land improvements include common ownership interest in the parking lot, concrete sidewalks, and concrete curbing. There is landscaping around the building including plantings, mulched beds, and decorative rock. Special features include concrete pads for equipment, short monument sign, and site lighting posts and concrete bases.

Section 1245 Tangible Personal Property

In the interior space, there is a sink the staff break room, upper and lower cabinets, and laminate countertop. Throughout the suite, there are many dedicated electrical and data wall receptacles serving equipment and appliances. There is carpet flooring, wood base trim, and a large wall mirror. There are window horizontal blinds. There is a built in desk in the reception area.

Documents Reviewed and Contacts

The following documentation was provided to Bedford by the client.

Supporting Cost-Related Information:

- Depreciation Schedule
- Closing Statements
- Client Summary

Property Plans and Documents

- Site Plan
- Architectural Floor Plan

Contacts

In the process of conducting client interviews, the on-site walk-through and follow-up telephone calls, the following personnel were interviewed:

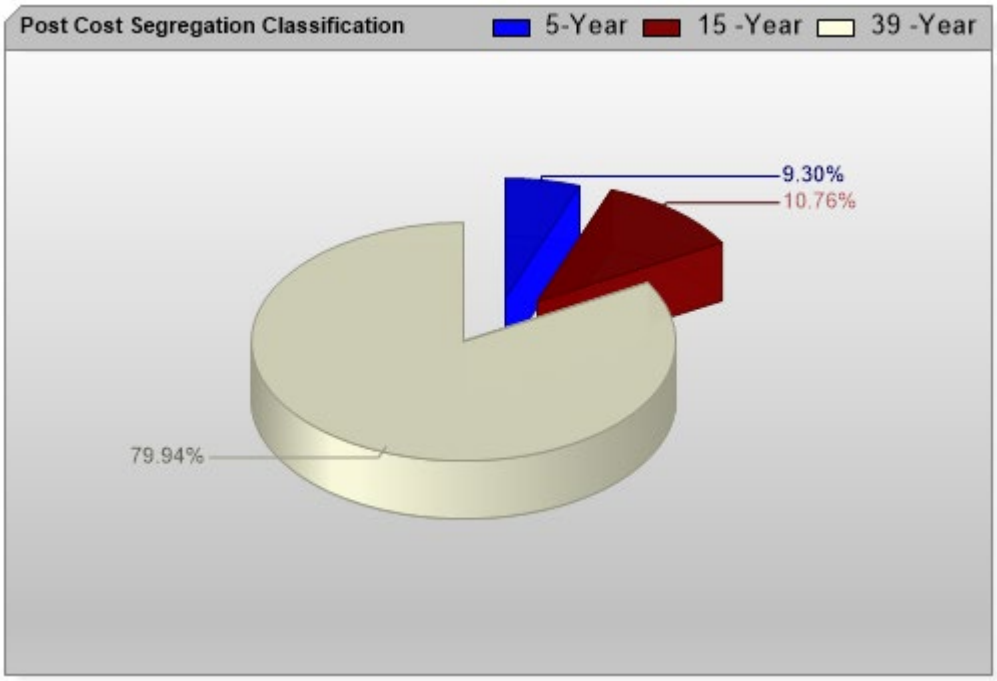
Name	Company	Phone Number
Dr. Eugene Su	Beyond Wellness LLC	703.975.3278
Mr. Don Rasmussen	Quartermaster Tax Management, LLC	704.490.4111

Cost Segregation Study Summary

Pursuant to our findings documented herein, Bedford has determined the correct MACRS classification as shown below.

Dr. Eugene Su Office Condo
Cost Segregation Summary - Total Project

Property Class	Class Life	Original Classification		Post CSS Classification	
Personal Property	MACRS 5-Year	$ 0	0.0%	$ 31,532	9.3%
Land Improvements	MACRS 15-Year	$ 0	0.0%	$ 36,469	10.8%
Real Property	MACRS 39-Year SL	$ 338,999	100.0%	$ 270,999	79.9%
Total Depreciable		$ 338,999	100.0%	$ 338,999	100.0%



Cost Summary by CSI Division

The costs associated with the assets identified in the following tables are further grouped by CSI Division. The Construction Specifications Institute (CSI) has broken out the major components of a construction project into 16 major divisions, which are widely used in the construction industry. This report adheres to the original 16-Division definition. These are shown in the CSI Summary tables on the following page, with the corresponding descriptions.

Property Summary Tables

Project Summary by CSI Division

CSI Division	CSI Division Description	Fully Allocated Cost		Percent
02	Sitework	$	42,048	12.4 %
03	Concrete	$	15,525	4.6 %
04	Masonry	$	41,726	12.3 %
05	Metals	$	42,158	12.4 %
06	Lumber, Wood	$	2,831	0.8 %
07	Thermal Protection	$	8,754	2.6 %
08	Doors & Windows	$	24,667	7.3 %
09	Finishes	$	33,500	9.9 %
10	Specialties	$	1,348	0.4 %
13	Specialty Construction	$	874	0.3 %
15	Plumbing & HVAC	$	65,528	19.3 %
16	Electrical	$	60,040	17.7 %
	Depreciable Total	$	338,999	100%

Condo Suite

Asset Summary by Subgroup & Class Life

CLASS LIFE MACRS 5-YEAR 200% DB

Item No	CSI Division	UoP #	Service Date	Sub Group	Asset/Component Description	Fully Allocated Cost
16	10	11	01/11/2007	A	Commercial mailbox, 5"H x 6"W x15"D, aluminum, front load	$ 94
19	02	10	01/11/2007	A	Site lighting, fiberglass pole, 20' high, mounted to concrete base	$ 734
20	02	10	01/11/2007	A	Site lighting, fiberglass pole arm brackets, 3 arm	$ 250
23	13	10	01/11/2007	A	Plastic letters 9"	$ 178
43	06	10	01/11/2007	A	Closet rod and shelf, 12" wide, 3' long	$ 113
44	06	10	01/11/2007	A	Laminate countertop, 24" wide, with backsplash	$ 348
45	06	10	01/11/2007	A	Built In Reception Desk, Wood Laminate	$ 406
46	06	10	01/11/2007	A	Wood base cabinets, avg quality	$ 393
47	06	10	01/11/2007	A	Wood wall cabinets, avg quality	$ 1,571
51	08	10	01/11/2007	A	Horizontal blinds, 1"aluminum slats	$ 3,120
55	09	10	01/11/2007	A	Carpet sponge rubber pad, min	$ 1,669
56	09	10	01/11/2007	A	Carpet, 28 oz. Olefin, medium to heavy traffic	$ 4,048
57	10	10	01/11/2007	A	Wall-mounted mirror	$ 846
58	10	10	01/11/2007	A	Residential equipment- microwave oven	$ 408
66	15	10	01/11/2007	A	Break room sink, ss, countertop, double bowl	$ 3,458
76	16	10	01/11/2007	A	1 Pole- 15-50 Amp Circuit Breaker, for Equipment	$ 795
77	16	10	01/11/2007	A	Wall pack, 175 Watt metal halide	$ 612
78	16	10	01/11/2007	A	Dedicated Duplex Receptacle, 20' EMT conduit and wire	$ 3,698
79	16	10	01/11/2007	A	Dedicated GFI Duplex Receptacle, 20' EMT conduit and wire	$ 317

Condo Suite

Asset Summary by Subgroup & Class Life

CLASS LIFE MACRS 5-YEAR 200% DB

Item No	CSI Division	UoP #	Service Date	Sub Group	Asset/Component Description		Fully Allocated Cost
80	16	10	01/11/2007	A	TV receptacle, 20' of RG59U coax cable, F type connector	$	258
81	16	10	01/11/2007	A	Telephone System Installation	$	7,441
82	16	10	01/11/2007	A	Closed circuit TV, one station camera & monitor	$	275
83	16	10	01/11/2007	A	Closed circuit TV, additional cameras	$	498
					TOTAL MACRS 5-YEAR	$	31,532

Condo Suite

Asset Summary by Subgroup & Class Life

CLASS LIFE MACRS 15-YEAR 150% DB

Item No	CSI Division	UoP #	Service Date	Sub Group	Asset/Component Description		Fully Allocated Cost
2	02	11	01/11/2007	A	HDPE Corrugated Sewage Pipe , 6" diameter,	$	570
3	02	11	01/11/2007	A	Pipe trench backfill and compacting	$	128
4	02	11	01/11/2007	A	PVC DWV pipe , Sch 40, 8" diameter	$	494
5	02	11	01/11/2007	A	Manhole/catch basin, precast concrete, 4' ID riser, 4' deep	$	377
6	02	11	01/11/2007	A	Asphalt paving, heavy duty ,12" gravel base, 3" binder, 2" wear course	$	16,555
7	02	11	01/11/2007	A	Concrete paving, 6" thick, reinforced	$	623
8	02	11	01/11/2007	A	Concrete curb and gutter, 6" high curb, 6" thick gutter, 24" wide, cast-in-place	$	5,342
9	02	11	01/11/2007	A	Concrete sidewalk, 4" thick, 4" gravel base	$	2,888
10	02	11	01/11/2007	A	Pavement markings, parking stall lines	$	95
11	02	11	01/11/2007	A	Pavement markings, handicap symbol	$	23
12	02	11	01/11/2007	A	Lawn seeding with turf mix	$	2,817
13	02	11	01/11/2007	A	Bush- 2'-5' tall	$	61
14	02	11	01/11/2007	A	Medium tree- 3-1/2" to 5-1/2"	$	218
15	02	11	01/11/2007	A	Fire hydrant, 4-1/2" valve size, two way, 10' offset, 4' deep	$	1,275
17	02	11	01/11/2007	A	Sprinkler system, pop up, 10' radius	$	3,964
18	02	11	01/11/2007	A	Concrete base for light post, with excavation & backfill	$	341
21	13	11	01/11/2007	A	Concrete base for pole-mounted sign, incl excavation & backfill	$	637
22	13	11	01/11/2007	A	Steel sign post, 8", concrete foundation	$	59
					TOTAL MACRS 15-YEAR	$	36,469

Condo Suite

Asset Summary by Subgroup & Class Life

CLASS LIFE MACRS 39-YEAR Straight Line

Item No	CSI Division	UoP #	Service Date	Sub Group	Asset/Component Description	Fully Allocated Cost
1	02	3	01/11/2007	A	Water Service, Ductile iron pipe, cement lined, 4" diameter	$ 1,298
24	02	1	01/11/2007	A	Excavation & backfill, sand or gravel, 4' deep, remove excess	$ 3,342
25	02	1	01/11/2007	A	Foundation Drain, Exterior, 4" PVC	$ 650
26	03	1	01/11/2007	A	Strip and Spread footings, cast in place concrete	$ 4,874
27	03	1	01/11/2007	A	Slab on grade, 6" thick, non industrial, reinforced	$ 10,121
28	03	1	01/11/2007	A	Foundation wall, CIP, 4' wall height, 8" thick	$ 530
29	05	1	01/11/2007	A	Steel column, W10, 150 KIPS, 49 PLF	$ 8,072
30	07	1	01/11/2007	A	Fireproofing, 2 layers gypsum board W8 steel column	$ 1,889
31	05	1	01/11/2007	A	Floor, concrete & metal deck, open web bar joist, on bearing wall, 25' span	$ 18,776
32	05	1	01/11/2007	A	Stairs, CIP concrete, w/o landing, 12 risers	$ 1,642
33	04	1	01/11/2007	A	Exterior, brick veneer wall, metal stud back-up	$ 41,726
34	05	1	01/11/2007	A	Roof, metal deck, steel joists, beams, on columns	$ 13,668
35	07	1	01/11/2007	A	Roofing, asphalt & gravel, base sheet, asphalt felt, mopped	$ 4,430
36	07	1	01/11/2007	A	Insulation, blown-in cellulose, R13	$ 914
37	07	1	01/11/2007	A	Roof flashing, aluminum with fabric backing, 2 sides, .004"	$ 951
38	07	1	01/11/2007	A	Foundation damp proofing, 4' high	$ 569
39	09	1	01/11/2007	A	Drywall partition- 1/2" gypsum board, wood stud, tape and finish 2 sides	$ 7,662
40	09	1	01/11/2007	A	Paint Interior partitions, spray 2 coats	$ 3,491

Condo Suite

Asset Summary by Subgroup & Class Life

CLASS LIFE MACRS 39-YEAR Straight Line

Item No	CSI Division	UoP #	Service Date	Sub Group	Asset/Component Description	Fully Allocated Cost
41	09	1	01/11/2007	A	Acoustic Ceilings, fiberglass board on suspended T-Grid	$ 10,370
42	15	3	01/11/2007	A	Roof drain system	$ 1,277
48	08	1	01/11/2007	A	Windows, aluminum, sliding, standard glass, 5' x 3'	$ 12,130
49	08	1	01/11/2007	A	Closet bifold door, wood frame	$ 452
50	08	1	01/11/2007	A	Interior door, wood, hollow-core, 3' x 7', wood frame	$ 8,964
52	09	1	01/11/2007	A	Ceramic floor tile, 12" x 12"	$ 6,078
53	09	1	01/11/2007	A	Stainless steel, grab bar, 1-1/4" diameter, 24" long	$ 78
54	09	1	01/11/2007	A	Stainless steel, grab bar, 1-1/4" diameter, 48" long	$ 104
59	15	2	01/11/2007	A	Base-building HVAC system	$ 30,426
60	15	3	01/11/2007	A	10 Gallon water heater, electric	$ 1,168
61	15	3	01/11/2007	A	Base-building plumbing- supply, vent, and waste	$ 7,240
62	15	3	01/11/2007	A	Water closet, vitreous china, floor-mounted, two piece	$ 1,906
63	15	3	01/11/2007	A	Lavatory, wall hung, porcelain enamel	$ 2,558
64	15	3	01/11/2007	A	Water cooler, electric operated, wall hung	$ 2,508
65	15	3	01/11/2007	A	Mop Sink	$ 795
67	15	7	01/11/2007	A	Wet pipe sprinkler systems, steel pipe, light hazard	$ 10,468
68	15	7	01/11/2007	A	Standpipe, wet, 6" diameter, hook up, connection, pumper 6", 1 floor	$ 2,932
69	15	7	01/11/2007	A	Standpipe, wet, 6" diameter, hook up, connection, additional floors	$ 790
70	16	7	01/11/2007	A	Exit sign, LED, single face, ceiling or wall mount	$ 358
71	16	10	01/11/2007	A	Emergency light unit, NiCad battery, twin sealed beam lights- in dining area	$ 1,490

Condo Suite

Asset Summary by Subgroup & Class Life

CLASS LIFE MACRS 39-YEAR Straight Line

Item No	CSI Division	UoP #	Service Date	Sub Group	Asset/Component Description		Fully Allocated Cost
72	16	4	01/11/2007	A	Electrical panels and feeders	$	9,837
73	16	4	01/11/2007	A	Light fixtures, receptacles, switches, branch wiring, and mic. Power	$	23,805
74	16	4	01/11/2007	A	Fluorescent light fixture, 2' x 4', grid-mounted, troffer	$	6,045
75	16	7	01/11/2007	A	Communication and alarm system, 100 detectors	$	4,610
					TOTAL MACRS 39-YEAR	$	270,999

Property Detail Tables

Condo Suite

Asset Detail by Subgroup

Item No	Sub Grp.	Class Life	Description	Qty.	UoM	Unit Cost	Source	Loc Adj	Hist Adj	Obs Adj	Basis Adj	Adjusted Asset Cost	Fully Allocated Cost
1	A	39	Water Service, Ductile iron pipe, cement lined, 4" diameter	402	LF	$ 47.50	Means CW	0.87	0.79	0.05	2.11	$ 1,298	$ 1,298
2	A	15	HDPE Corrugated Sewage Pipe , 6" diameter,	402	LF	$ 20.85	Means CW	0.87	0.79	0.05	2.11	$ 570	$ 570
3	A	15	Pipe trench backfill and compacting	804	LF	$ 2.34	Means CW	0.87	0.79	0.05	2.11	$ 128	$ 128
4	A	15	PVC DWV pipe , Sch 40, 8" diameter	413	LF	$ 17.60	Means CW	0.87	0.79	0.05	2.11	$ 494	$ 494
5	A	15	Manhole/catch basin, precast concrete, 4' ID riser, 4' deep	2	EA	$ 2,775.00	Means CW	0.87	0.79	0.05	2.11	$ 377	$ 377
6	A	15	Asphalt paving, heavy duty ,12" gravel base, 3" binder, 2" wear course	70,368	SF	$ 3.46	Means CW	0.87	0.79	0.05	2.11	$ 16,555	$ 16,555
7	A	15	Concrete paving, 6" thick, reinforced	1,643	SF	$ 5.57	Means CW	0.87	0.79	0.05	2.11	$ 623	$ 623
8	A	15	Concrete curb and gutter, 6" high curb, 6" thick gutter, 24" wide, cast-in-place	3,081	LF	$ 25.50	Means CW	0.87	0.79	0.05	2.11	$ 5,342	$ 5,342
9	A	15	Concrete sidewalk, 4" thick, 4" gravel base	7,469	SF	$ 5.69	Means CW	0.87	0.79	0.05	2.11	$ 2,888	$ 2,888
10	A	15	Pavement markings, parking stall lines	164	Stall	$ 8.55	Means CW	0.87	0.79	0.05	2.11	$ 95	$ 95
11	A	15	Pavement markings, handicap symbol	6	EA	$ 57.50	Means CW	0.87	0.79	0.05	2.11	$ 23	$ 23
12	A	15	Lawn seeding with turf mix	41,641	SF	$ 1.00	Means CW	0.87	0.79	0.05	2.11	$ 2,817	$ 2,817
13	A	15	Bush- 2'-5' tall	9	EA	$ 100.00	Means CW	0.87	0.79	0.05	2.11	$ 61	$ 61
14	A	15	Medium tree- 3-1/2" to 5-1/2"	8	EA	$ 400.00	Means CW	0.87	0.79	0.05	2.11	$ 218	$ 218

Condo Suite

Asset Detail by Subgroup

Item No	Sub Grp.	Class Life	Description	Qty.	UoM	Unit Cost	Source	Loc Adj	Hist Adj	Obs Adj	Basis Adj	Adjusted Asset Cost	Fully Allocated Cost
15	A	15	Fire hydrant, 4-1/2" valve size, two way, 10' offset, 4' deep	2	EA	$ 9,375.00	Means CW	0.87	0.79	0.05	2.11	$ 1,275	$ 1,275
16	A	5	Commercial mailbox, 5"H x 6"W x15"D, aluminum, front load	1	EA	$ 65.50	Means BC	0.87	0.79	1.00	2.11	$ 94	$ 94
17	A	15	Sprinkler system, pop up, 10' radius	41,641	SF	$ 1.40	Means CW	0.87	0.79	0.05	2.11	$ 3,964	$ 3,964
18	A	15	Concrete base for light post, with excavation & backfill	8	EA	$ 627.39	Means CW	0.87	0.79	0.05	2.11	$ 341	$ 341
19	A	5	Site lighting, fiberglass pole, 20' high, mounted to concrete base	8	EA	$ 1,350.00	Means CW	0.87	0.79	0.05	2.11	$ 734	$ 734
20	A	5	Site lighting, fiberglass pole arm brackets, 3 arm	8	EA	$ 460.00	Means CW	0.87	0.79	0.05	2.11	$ 250	$ 250
21	A	15	Concrete base for pole-mounted sign, incl excavation & backfill	8	EA	$ 1,171.16	Means SW	0.87	0.79	0.05	2.11	$ 637	$ 637
22	A	15	Steel signpost, 8", concrete foundation	8	VLF	$ 107.74	Means CW	0.87	0.79	0.05	2.11	$ 59	$ 59
23	A	5	Plastic letters 9"	23	EA	$ 5.41	Means CW	0.87	0.79	1.00	2.11	$ 178	$ 178
24	A	39	Excavation & backfill, sand or gravel, 4' deep, remove excess	23,185	SF	$ 2.12	Means CW	0.87	0.79	0.05	2.11	$ 3,342	$ 3,342
25	A	39	Foundation Drain, Exterior, 4" PVC	1,208	LF	$ 7.91	Means CW	0.87	0.79	0.05	2.11	$ 650	$ 650
26	A	39	Strip and Spread footings, cast in place concrete	46,370	SF	$ 1.55	Means CW	0.87	0.79	0.05	2.11	$ 4,874	$ 4,874
27	A	39	Slab on grade, 6" thick, non industrial, reinforced	23,185	SF	$ 6.42	Means CW	0.87	0.79	0.05	2.11	$ 10,121	$ 10,121
28	A	39	Foundation wall, CIP, 4' wall height, 8" thick	1,208	LF	$ 6.45	Means CW	0.87	0.79	0.05	2.11	$ 530	$ 530

Condo Suite

Asset Detail by Subgroup

Item No	Sub Grp.	Class Life	Description	Qty.	UoM	Unit Cost	Source	Loc Adj	Hist Adj	Obs Adj	Basis Adj	Adjusted Asset Cost	Fully Allocated Cost
29	A	39	Steel column, W10, 150 KIPS, 49 PLF	1,420	VLF	$ 83.60	Means CW	0.87	0.79	0.05	2.11	$ 8,072	$ 8,072
30	A	39	Fireproofing, 2 layers gypsum board W8 steel column	920	VLF	$ 30.20	Means CW	0.87	0.79	0.05	2.11	$ 1,889	$ 1,889
31	A	39	Floor, concrete & metal deck, open web bar joist, on bearing wall, 25' span	23,185	SF	$ 11.91	Means CW	0.87	0.79	0.05	2.11	$ 18,776	$ 18,776
32	A	39	Stairs, CIP concrete, w/o landing, 12 risers	6	EA	$ 4,025.00	Means CW	0.87	0.79	0.05	2.11	$ 1,642	$ 1,642
33	A	39	Exterior, brick veneer wall, metal stud back-up	24,160	SF	$ 25.40	Means CW	0.87	0.79	0.05	2.11	$ 41,726	$ 41,726
34	A	39	Roof, metal deck, steel joists, beams, on columns	23,185	SF	$ 8.67	Means CW	0.87	0.79	0.05	2.11	$ 13,668	$ 13,668
35	A	39	Roofing, asphalt & gravel, base sheet, asphalt felt, mopped	23,185	SF	$ 2.81	Means CW	0.87	0.79	0.05	2.11	$ 4,430	$ 4,430
36	A	39	Insulation, blown-in cellulose, R13	23,185	SF	$ 0.58	Means CW	0.87	0.79	0.05	2.11	$ 914	$ 914
37	A	39	Roof flashing, aluminum with fabric backing, 2 sides, .004"	2,416	LF	$ 5.79	Means CW	0.87	0.79	0.05	2.11	$ 951	$ 951
38	A	39	Foundation damp proofing, 4' high	1,208	LF	$ 6.93	Means CW	0.87	0.79	0.05	2.11	$ 569	$ 569
39	A	39	Drywall partition- 1/2" gypsum board, wood stud, tape and finish 2 sides	20,867	SFW	$ 5.40	Means CW	0.87	0.79	0.05	2.11	$ 7,662	$ 7,662
40	A	39	Paint Interior partitions, spray 2 coats	5,296	SFW	$ 0.46	Means CW	0.87	0.79	1.00	2.11	$ 3,491	$ 3,491
41	A	39	Acoustic Ceilings, fiberglass board on suspended T-Grid	1,800	SF	$ 4.02	Means CW	0.87	0.79	1.00	2.11	$ 10,370	$ 10,370
42	A	39	Roof drain system	23,185	SF	$ 0.81	Means CW	0.87	0.79	0.05	2.11	$ 1,277	$ 1,277

Condo Suite

Asset Detail by Subgroup

Item No	Sub Grp.	Class Life	Description	Qty.	UoM	Unit Cost	Source	Loc Adj	Hist Adj	Obs Adj	Basis Adj	Adjusted Asset Cost	Fully Allocated Cost
43	A	5	Closet rod and shelf, 12" wide, 3' long	6	LF	$ 13.16	Means CW	0.87	0.79	1.00	2.11	$ 113	$ 113
44	A	5	Laminate countertop, 24" wide, with backsplash	6	LF	$ 40.50	Means CW	0.87	0.79	1.00	2.11	$ 348	$ 348
45	A	5	Built In Reception Desk, Wood Laminate	7	LF	$ 40.50	Means CW	0.87	0.79	1.00	2.11	$ 406	$ 406
46	A	5	Wood base cabinets, avg quality	1	LF	$ 274.00	Means CW	0.87	0.79	1.00	2.11	$ 393	$ 393
47	A	5	Wood wall cabinets, avg quality	4	LF	$ 274.00	Means CW	0.87	0.79	1.00	2.11	$ 1,571	$ 1,571
48	A	39	Windows, aluminum, sliding, standard glass, 5' x 3'	16	EA	$ 529.00	Means CW	0.87	0.79	1.00	2.11	$ 12,130	$ 12,130
49	A	39	Closet bifold door, wood frame	1	EA	$ 315.47	Means CW	0.87	0.79	1.00	2.11	$ 452	$ 452
50	A	39	Interior door, wood, hollow-core, 3' x 7', wood frame	9	EA	$ 695.00	Means CW	0.87	0.79	1.00	2.11	$ 8,964	$ 8,964
51	A	5	Horizontal blinds, 1"aluminum slats	288	SF	$ 7.56	Means CW	0.87	0.79	1.00	2.11	$ 3,120	$ 3,120
52	A	39	Ceramic floor tile, 12" x 12"	461	SF	$ 9.20	Means CW	0.87	0.79	1.00	2.11	$ 6,078	$ 6,078
53	A	39	Stainless steel, grab bar, 1-1/4" diameter, 24" long	1	EA	$ 54.50	Means CW	0.87	0.79	1.00	2.11	$ 78	$ 78
54	A	39	Stainless steel, grab bar, 1-1/4" diameter, 48" long	1	EA	$ 72.50	Means CW	0.87	0.79	1.00	2.11	$ 104	$ 104
55	A	5	Carpet sponge rubber pad, min	1,278	SF	$ 0.91	Means CW	0.87	0.79	1.00	2.11	$ 1,669	$ 1,669
56	A	5	Carpet, 28 oz. Olefin, medium to heavy traffic	1,278	SF	$ 2.21	Means CW	0.87	0.79	1.00	2.11	$ 4,048	$ 4,048
57	A	5	Wall-mounted mirror	20	SF	$ 29.50	Means CW	0.87	0.79	1.00	2.11	$ 846	$ 846
58	A	5	Residential equipment- microwave oven	1	EA	$ 285.00	Means BC	0.87	0.79	1.00	2.11	$ 408	$ 408
59	A	39	Base-building HVAC system	46,370	SF	$ 9.65	Means CW	0.87	0.79	0.05	2.11	$ 30,426	$ 30,426

Condo Suite

Asset Detail by Subgroup

Item No	Sub Grp.	Class Life	Description	Qty.	UoM	Unit Cost	Source	Loc Adj	Hist Adj	Obs Adj	Basis Adj	Adjusted Asset Cost	Fully Allocated Cost
60	A	39	10 Gallon water heater, electric	1	EA	$ 815.00	Means CW	0.87	0.79	1.00	2.11	$ 1,168	$ 1,168
61	A	39	Base-building plumbing- supply, vent, and waste	2,200	EA	$ 2.30	Means CW	0.87	0.79	1.00	2.11	$ 7,240	$ 7,240
62	A	39	Water closet, vitreous china, floor-mounted, two piece	1	EA	$ 1,330.00	Means CW	0.87	0.79	1.00	2.11	$ 1,906	$ 1,906
63	A	39	Lavatory, wall hung, porcelain enamel	1	EA	$ 1,785.00	Means CW	0.87	0.79	1.00	2.11	$ 2,558	$ 2,558
64	A	39	Water cooler, electric operated, wall hung	1	EA	$ 1,750.00	Means CW	0.87	0.79	1.00	2.11	$ 2,508	$ 2,508
65	A	39	Mop Sink	1	EA	$ 555.00	Means P	0.87	0.79	1.00	2.11	$ 795	$ 795
66	A	5	Break room sink, ss, countertop, double bowl	1	EA	$ 2,413.14	Means CW	0.87	0.79	1.00	2.11	$ 3,458	$ 3,458
67	A	39	Wet pipe sprinkler systems, steel pipe, light hazard	46,370	SF	$ 3.32	Means CW	0.87	0.79	0.05	2.11	$ 10,468	$ 10,468
68	A	39	Standpipe, wet, 6" diameter, hook up, connection, pumper 6", 1 floor	3	EA	$ 14,375.00	Means CW	0.87	0.79	0.05	2.11	$ 2,932	$ 2,932
69	A	39	Standpipe, wet, 6" diameter, hook up, connection, additional floors	3	EA	$ 3,875.00	Means CW	0.87	0.79	0.05	2.11	$ 790	$ 790
70	A	39	Exit sign, LED, single face, ceiling or wall mount	2	EA	$ 125.00	Means CW	0.87	0.79	1.00	2.11	$ 358	$ 358
71	A	39	Emergency light unit, NiCad battery, twin sealed beam lights- in dining area	2	EA	$ 520.00	Means CW	0.87	0.79	1.00	2.11	$ 1,490	$ 1,490
72	A	39	Electrical panels and feeders	46,370	SF	$ 3.12	Means CW	0.87	0.79	0.05	2.11	$ 9,837	$ 9,837
73	A	39	Light fixtures, receptacles, switches, branch wiring, and mic. Power	46,370	SF	$ 7.55	Means CW	0.87	0.79	0.05	2.11	$ 23,805	$ 23,805

Condo Suite

Asset Detail by Subgroup

Item No	Sub Grp.	Class Life	Description	Qty.	UoM	Unit Cost	Source	Loc Adj	Hist Adj	Obs Adj	Basis Adj	Adjusted Asset Cost	Fully Allocated Cost
74	A	39	Fluorescent light fixture, 2' x 4', grid-mounted, troffer	19	EA	$ 222.00	Means E	0.87	0.79	1.00	2.11	$ 6,045	$ 6,045
75	A	39	Communication and alarm system, 100 detectors	1	EA	$ 67,800.00	Means E	0.87	0.79	0.05	2.11	$ 4,610	$ 4,610
76	A	5	1 Pole- 15-50 Amp Circuit Breaker, for Equipment	6	EA	$ 92.50	Means E	0.87	0.79	1.00	2.11	$ 795	$ 795
77	A	5	Wall pack, 175 Watt metal halide	24	EA	$ 375.00	Means E	0.87	0.79	0.05	2.11	$ 612	$ 612
78	A	5	Dedicated Duplex Receptacle, 20' EMT conduit and wire	12	EA	$ 215.00	Means CW	0.87	0.79	1.00	2.11	$ 3,698	$ 3,698
79	A	5	Dedicated GFI Duplex Receptacle, 20' EMT conduit and wire	1	EA	$ 221.20	Means CW	0.87	0.79	1.00	2.11	$ 317	$ 317
80	A	5	TV receptacle, 20' of RG59U coax cable, F type connector	2	EA	$ 90.10	Means CW	0.87	0.79	1.00	2.11	$ 258	$ 258
81	A	5	Telephone System Installation	46,370	SF	$ 2.36	Means I	0.87	0.79	0.05	2.11	$ 7,441	$ 7,441
82	A	5	Closed circuit TV, one station camera & monitor	3	EA	$ 1,350.00	Means CW	0.87	0.79	0.05	2.11	$ 275	$ 275
83	A	5	Closed circuit TV, additional cameras	12	EA	$ 610.00	Means CW	0.87	0.79	0.05	2.11	$ 498	$ 498
			TOTAL Condo Suite									$ 338,999	$ 338,999

Tax & Regulatory References

Property Description	Property Type	Tax Justification
Land Costs	Non-Depreciable/Other	IRC 1221
Acoustical Ceilings, Building Carpentry Building Construction, Mechanical, Electrical Building HVAC, Plumbing, Windows, Doors Building Frames, Hardware, Drywall, Paint Ceramic tiles, Fire Protection, Roofing Building Enclosures, Stairs, Foundations Building Masonry, Structural Steel	Section 1250 27.5 / 39 Year, IRC 1250(c), Reg. 1.48-1(e)	
Curbing, Sidewalks, Paving, Site Drainage Hydrant Loops, Grading, Irrigation, Waste Piping Lawns, Plantings, Landscape Lighting	Section 1250 15-Year, Rev. Proc. 87-56, Asset Class 00.3	
Site Lighting, FF&E, Communications Systems Break room equipment power and plumbing Carpet, vinyl and engineered flooring Computer and data equipment cooling system Decorative lighting, cabinetry and millwork Business equipment power and plumbing Process equipment power and plumbing Protective specialties, PA systems, Signs Wall coverings, UPS equipment Moveable partitions, Sole justification test, Movability test	Section 1245 5 / 7-Year *	PPL Corp.&Subs v Comm, 2010 Rev Proc 87-56, Asset Cls 00.11 Rev. Rul 66-299 Morrison v. Commissioner,1986 HCA v. Commissioner,1997 Rev. Rul 69-412 TI v. Commissioner, 1992 Whiteco v. Commissioner, 1975 Rev Proc 87-56, Asset Cls 57.0 Central Citrus.Co v Commissioner,1972 King Radio v. United States, 1973 Piggly Wiggly Southern, Inc. v. Commissioner

* Note that the descriptions on the left may be covered by one or more of the citations on the right.

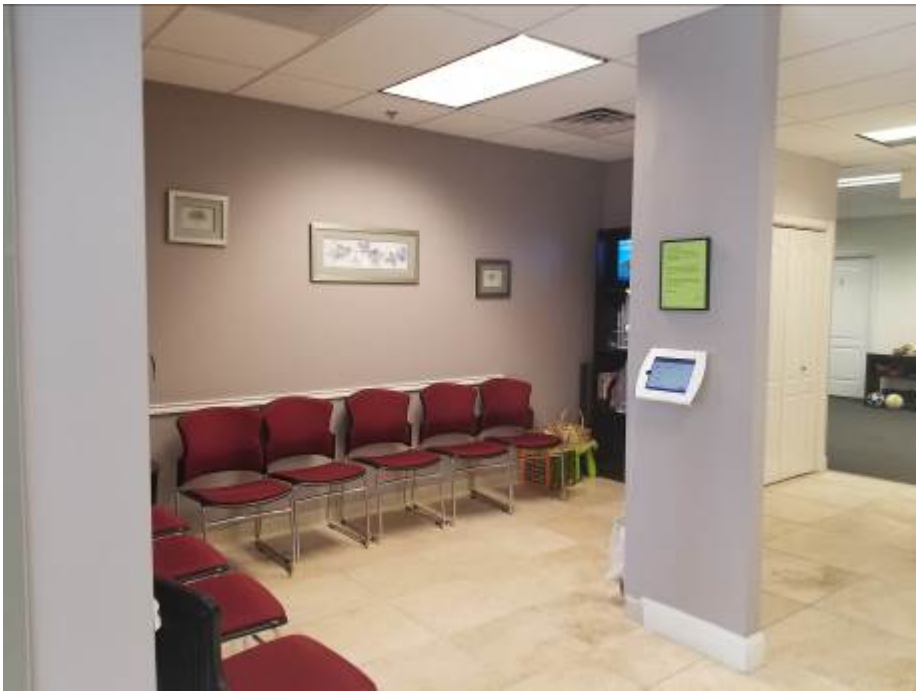
Cost Source References

Client	Client Supplied Cost/Invoice
CO	Change Order
DEP	Depreciation Schedule
G702	AIA Application and Certification for Payment
G703	AIA G702 Continuation Page / Schedule of Values
GC	General Contractor
GL	General Ledger
INV	Invoice
Means A	RS Means Assemblies Cost Data
Means BC	RS Means Building Construction Cost Data
Means CW	RS Means CD ROM
Means E	RS Means Electrical Cost Data
Means I	RS Means Interior Cost Data
Means P	RS Means Plumbing Cost Data
Means RR	RS Means Repair and Remodeling Cost Data
Means SF	RS Means Square Foot Cost Data
Means SW	RS Means Site Work and Landscape Cost Data
Owner	Owner Cost
PMTRQ	Payment Request
PO	Purchase Order
PSA	Purchase and Sales Agreement
SCH	Schedule of Fixed Assets

Unit of Measure Definitions

BF	Board Feet
CLF	Hundred Linear Feet
CF	Cubic Feet
CY	Cubic Yard
EA	Each
LB	Pounds
LF	Linear Foot / Linear Feet
LFR	Linear Feet of Riser
LS	Lump Sum
MSF	Thousand Square Feet
SF	Square Foot
SFW	Square Feet of Wall
SQ	Square (100 Square Feet)
SY	Square Yard
TN	Ton
TO	Total

Property Photographs



Waiting Room: Wood Base Trim, Television Connection, Tablet Connection



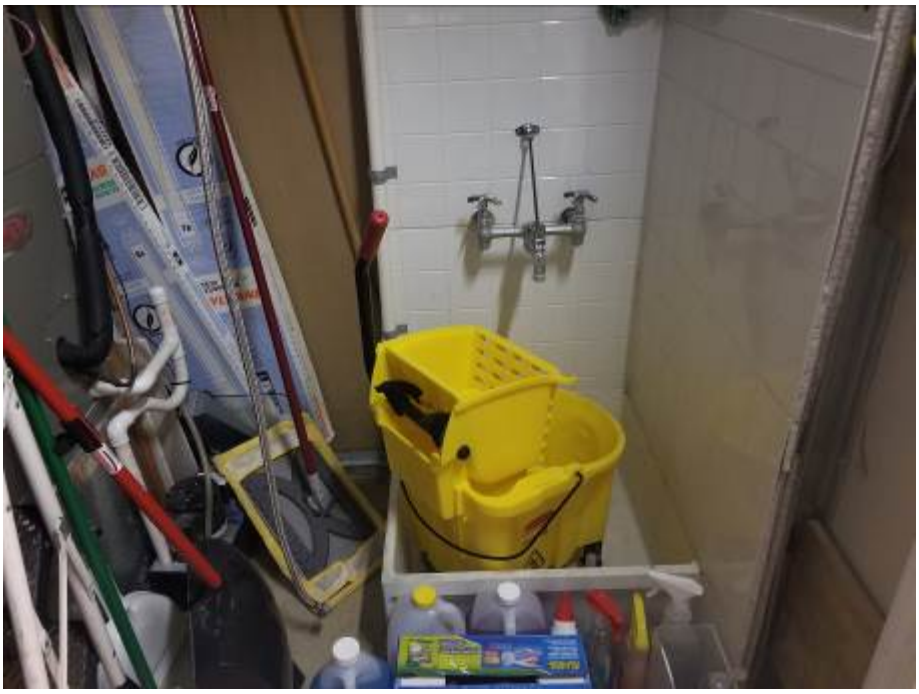
Corridor: Television Connection, Wood Base Trim



Security Camera, Blinds, Built In Reception Desk



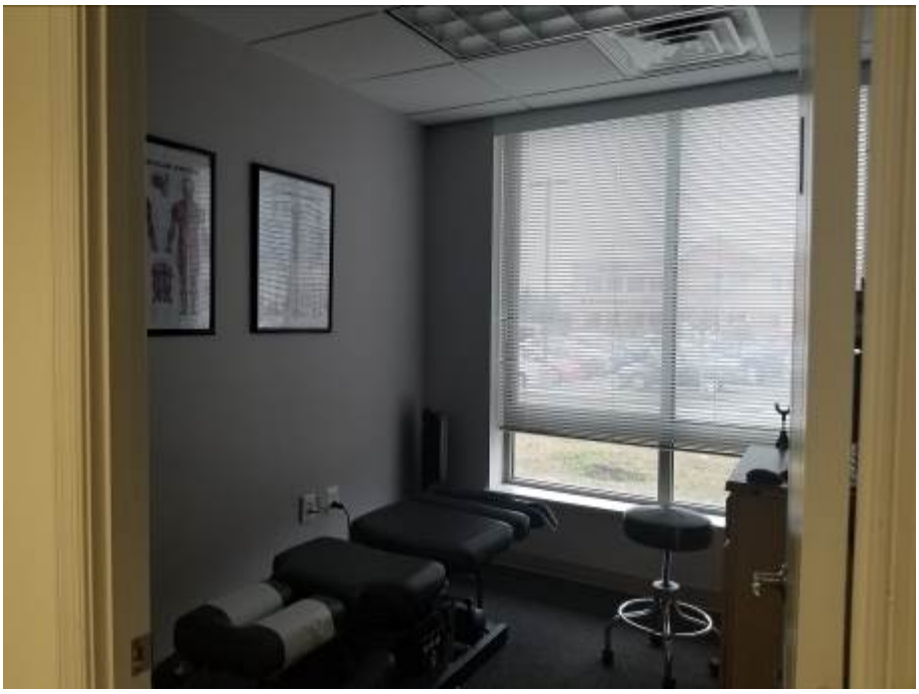
Break Room Sink, Cabinetry, Appliance Connections



Janitor Sink



Closet Shelf with Clothes Bar



Treatment Room: Blinds, Carpet, Trim, Electrical Connection



Physical Therapy Room: Carpet: Base Trim, Wall Mirror, Monitor



Side Walks, Landscaping, Parking Lot Pavement, Concrete Curbs



Fire Hydrant, Landscaping, Site Lighti Poles and Concrete Bases

Cost Segregation Study and Methodology Overview

The purpose of this study is to properly separate all assets into real and personal property, assign them appropriate recovery periods in accordance with applicable Internal Revenue Service (IRS) Revenue Rulings, Revenue Procedures, Regulations, Internal Revenue Code sections, and case law in effect at the time of this report.

The analysis was conducted utilizing the Detailed Engineering Approach from actual cost records and the Detailed Engineering Cost Estimate Approach – the most accurate methods as outlined in the Cost Segregation Audit Techniques Guide published by the IRS.

The client was interviewed in order that Bedford clearly understands the scope of the project and has identified all of the assets to be included. The client-supplied cost information (as noted earlier in the report) was used to determine the depreciable cost basis pertaining to any, and all, in-service dates.

Any assets that are specifically excluded from the study are noted in this report.

A thorough inspection of the property was conducted by Bedford personnel, to verify, evaluate and classify all assets of the property as defined in the work scope. During the on-site walk-through, additional interviews were conducted with the property manager and/or maintenance personnel to gain further insight on the property.

Any plans provided by the client (as noted earlier) were reviewed by Bedford personnel, who verified that these drawings were representative of the current property condition. These plans were used to determine physical dimensions and quantities represented in this report. If the plans were not made available, contemporaneous notes and physical measurements made by the project engineer are the basis for property descriptions and reported quantities.

During the site visit, photographs of the land improvements, building exteriors, interior finishes and furnishings were taken. These photographs are part of the project records, with selected photographs included in the report. The Bedford representative generated hand-written field notes describing these assets, including detail of individual items or specific assemblies of related items, to facilitate the completion of the report.

Bedford prepared detailed spreadsheets that list and assign costs to building components, building services, finishes and other installations. If provided by the client, actual costs were used. Where actual costs were not provided, or use was not appropriate, costs were estimated based on quantitative take-offs for all materials and their associated unit costs. Quantities were determined from plans (where provided) or were calculated from physical measurements taken during the site visit, while costs come from an engineering estimate.

Individual costs are typically modified to account for geographical location and year of acquisition or service. Additionally, matching the total calculated project cost to the actual depreciable basis may result in the application of a scale factor to estimated costs. This results in the use of the following four factors:

- Location Factor – Reflects specific geographic region of the property.
- Historical Adjustment Factor – Makes adjustment based on year of service.
- Obsolescence Adjustment Factor – Makes an adjustment to an individual asset based on its current ability to be used for its intended purpose.
- Basis Adjustment Factor – Reconciles the calculated total to the depreciable basis.

The use of these four factors determines the Adjusted Asset Cost for specific assets. The Fully Allocated Cost is determined by proportionally applying all of the indirect costs to each individual asset.

Legal Justification for Cost Segregation

BACKGROUND DISCUSSION ON DEPRECIATION

CAPITAL RECOVERY SYSTEM

The Tax Reform Act of 1986 (TRA 86) requires that taxpayers use a modified accelerated cost recovery system (MACRS) of depreciation for most tangible depreciable property placed in service after December 31, 1986. The deduction for depreciation of MACRS property is determined by applying the applicable property class[1], the applicable recovery period, and the applicable convention.

In addition to the MACRS method of depreciation, the taxpayer is required to apply the principles set forth in Rev. Proc. 87-56. The Revenue Procedure states that in order to depreciate property accurately, a taxpayer must first identify the asset depreciation range (ADR) class in order to establish an ADR midpoint life (Rev. Proc. 87-56). Then, the appropriate ADR midpoint life should be cross-referenced against the eight recovery property classes as outlined in the TRA 86 so that an accurate method of depreciation is established.

The following details the Capital Recovery System as it incorporates both the MACRS and ADR methods of depreciation:

PROPERTY CLASSES

3-Year Property

In general, three-Year property includes property with an ADR class life of four years or less.

5-Year Property

Five-Year property generally includes property with an ADR class life of more than four and less than ten years. Specifically added to this class are the following:

Cars
Light general-purpose trucks
Qualified technological equipment
Computer-based telephone central office switching equipment
Research and experimental property
Semiconductor manufacturing equipment
Geothermal, ocean thermal, solar, and wind energy properties

[1] Each particular property is placed into a specific category or "class" that states the applicable method of depreciation. Property is classified according to the activity in which it is primarily used.

7-Year Property

Seven-Year property includes property with an ADR class life of 10 years or more but less than 16 years. Such property also includes any railroad track and property that does not have a class life and is not otherwise classified.

10-Year Property

Generally, 10-Year property is property with an ADR class life of 16 years or more and less than 20 years, single-purpose agricultural or horticultural structures and any tree or vine-bearing fruit or nuts.

15-Year Property

Included within 15-Year property is property with an ADR class life of 20 years or more but less than 25 years. Such property includes municipal wastewater treatment plants and telephone distribution plants and other comparable equipment used for the two-way exchange of voice and data communications.

Comparable equipment is equipment used by non-telephone companies for two-way exchange of voice and data communications. Such equipment does not include cable television equipment used primarily for one-way communication.

20-Year Property

Twenty-Year recovery property includes property with an ADR class life of 25 years or more, other than Internal Revenue Code Section 1250 Real Property with an ADR midpoint life of 27.5 years or more. Municipal sewers are included within this class.

27.5-Year Residential Rental Property

Residential Rental Property includes buildings or structures with respect to which 80% or more of the gross rental income is rental income from dwelling units. If any portion of the building or structure is occupied by the taxpayer, the gross rental income from the property includes the rental value of the unit occupied by the taxpayer.

A dwelling unit is a house or apartment used to provide living accommodations. It does not include a unit in a hotel, motel, inn, or other establishment in which more than 50% of the units are used on a transient basis.

The conference committee's report on the TRA 86 indicates that such property includes manufactured homes that are residential rental property and elevators and escalators.

39-Year Nonresidential Real Property

Nonresidential Real Property is Internal Revenue Code Section 1250 Real Property that is not (1) Residential Rental Property or (2) property with a class life of less than 27.5 years. The conference committee report indicates that this class includes (1) elevators, (2) escalators, and (3) property either that has no ADR class life or whose class life is 27.5 years or more. The recovery period and method the taxpayer selects must be used for the building as a whole, including all structural components that are real property (e.g., wiring, plumbing, etc.). Component depreciation no longer may be used. The distinction between a structural component of a building, which is Section 1250 property, and an item of property that is Section 1245 property remains the same as under prior law (Staff of the Joint Comm. on Taxation, General Explanation of the Economic Recovery Tax Act of 1981, at 85 (J. Comm. Print 1981)).

ADR CLASS LIVES AND MIDPOINTS

The ADR system for class life was reestablished by the TRA 86. TRA 86 refines the ADR system as it previously existed for assets placed in service after 1970 and before 1981. Midpoints of each ADR class were established which provide the basis to be cross-referenced with the MACRS appropriate recovery period.

TRA 86 Lives	ADR Cross-Reference
3 years	ADR midpoint is 4 years or less
5 years	ADR midpoint is greater than 4 years but less than 10 years
7 years	ADR midpoint is 10 years or more but less than 16 years
10 years	ADR midpoint is 16 years or more but less than 20 years
15 years	ADR midpoint is 20 years or more but less than 25 years
20 years	ADR midpoint is 25 years or more
27.5 years	Residential Rental Property
39 years	Nonresidential Real Property

The ADR system is based upon broad industry classes of assets. Property is classified according to the activity in which it is primarily used. This is the case even though the primary activity may be immaterial in relation to all of the taxpayer's activities.

MACRS RECOVERY PERIODS AND METHODS

Under the MACRS rules, the cost of most tangible depreciable property placed in service after 1986 is recovered using the appropriate property classification, the appropriate recovery method, and the appropriate convention. As discussed earlier, the appropriate property classification is based on the activity for which the asset is used. The recovery method and convention method are based on the following:

MACRS RECOVERY METHOD

Property Class	Recovery Method
3-year	200% declining balance
5-year	200% declining balance
7-year	200% declining balance
10-year	200% declining balance
15-year	150% declining balance
20-year	150% declining balance
27.5-year	Straight-line
39-Year	Straight-line

The recovery method for property used in a farming business is 150% declining balance. When using the accelerated methods, the taxpayer may switch to the straight-line method at a time that maximizes the deduction. The taxpayer may elect to depreciate the property under the straight-line method in lieu of using the appropriate method. This election applies to all property in the MACRS class that is placed in service during the tax year.

MACRS CONVENTIONS

Averaging conventions apply to depreciation computations made under the regular MACRS method, the straight-line MACRS method, and the alternative depreciation system. The recovery period begins on the date on which property is placed in service under one of the following conventions:

Half-Year Convention

Under the half-year convention, applicable to property other than residential rental property and nonresidential real property, property is deemed to have been placed in service or disposed of in the middle of the year. Thus, one-half of a year's depreciation is allowed for the year in which the property is placed in service, is disposed of, or is otherwise retired from service. In the case of a tax year of less than 12 months, property is treated as being in service for half the number of months in such tax year.

Mid-Month Convention

A mid-month convention applies to residential rental property and nonresidential real property, including low-income housing. Property is deemed to have been placed in service or disposed of during the middle of the month. The deduction is based on the number of months the property was in service. Thus, one-half of a month's recovery is allowed for the month the property is placed in service and for the month it is disposed of prior to the end of the recovery period.

Mid-Quarter Convention

A mid-quarter convention applies to all property, other than nonresidential real property and residential rental property, if more than 40% of the aggregate basis of such property is placed in service during the last three months of the tax year. Under the mid-quarter convention, all property placed in service during any quarter of the tax year is treated as placed in service at the mid-point of such quarter.

The Omnibus Budget Reconciliation Act of 1993 includes a longer recovery period for depreciating nonresidential real property. Effective generally for property placed in service on or after May 13, 1993, the Act increases the depreciation period from 31.5 to 39 years, although transition rules apply to property placed in service before 1994. Under the transition provisions, the longer depreciation period does not apply to property under construction before May 13, 1993, or under a binding contract to purchase, entered into before that date.

COST SEGREGATION

Background

In order to calculate depreciation for Federal income tax purposes, taxpayers must use the correct method, correct convention, and proper recovery period for each asset owned. Assets, whether acquired or constructed, often consist of numerous types with different recovery periods. Thus, property must be separated into individual components or asset groups having the same recovery periods and placed-in-service dates in order to compute depreciation.

When the actual cost of each individual component is available, this is simple. However, when one cost for the property is all that is available, or the detail costs are otherwise unavailable, cost estimating techniques may be required to “segregate” or classify costs to individual components of property (e.g., land improvements, buildings, equipment, furniture and fixtures, etc.). This type of analysis is generally called a Cost Segregation Study. Taxpayers have been increasingly turning to these studies to correct mistakes in asset classification and to claim the proper depreciation they are allowed under the law.

There are significant tax benefits derived from utilizing shorter recovery periods and accelerated depreciation methods for computing depreciation deductions. The most common situation is the classification or reclassification of building costs to tangible personal property. A building, §1250 property, is generally 39-Year or 27.5-Year property eligible for straight-line depreciation. Equipment, furniture and fixtures, §1245 property, are tangible personal property. Tangible personal property has a shorter recovery period (e.g., 5 or 7 years) and is eligible for accelerated depreciation (e.g., double declining balance). Thus, a faster depreciation write-off can be obtained by correctly classifying property costs to §1245 property, or by correctly reclassifying §1250 property costs to §1245 property.

In addition to identifying specific components that qualify as §1245 property, Cost Segregation Studies may appropriately treat portions of building components as §1245 property. For example, a study may conclude that 45% of a building's electrical system directly supports §1245 property, such as specialized kitchen equipment. Based on that conclusion, the study will then treat 45% of the electrical system as §1245 property. This has been upheld in numerous court cases and is explained in detail in the sections below.

Classification of Assets

Applying the changes in the Tax Reform Act of 1986, earlier Tax Court cases, Internal Revenue Code, Regulations, and Revenue Procedures, the *Hospital Corporation of America and Subsidiaries v. Commissioner* case illustrates proper segregation of asset costs and the permissible changes regarding depreciation. In this case, the Tax Court determined that case law relating to the determination of tangible vs. real property as decided in the Investment Tax Credit cases was still good law as quoted below (*Hospital Corp. of America & Subsidiaries v. Commissioner,* 109 T. C. 21 (1997), acq. in part and nonacq. in part, 1999-2 C.B. xvi).

"Depreciation: Investment tax credit: ACRS: MACRS: Recovery classes: Recovery periods. Taxpayers (Ps) own, operate, and manage hospitals and related businesses. For taxable years ended 1985 through 1987 Ps claimed depreciation deductions based on 5-year recovery periods for certain properties they placed in service during those years, which properties Ps claim constitute tangible personal property. Respondent determined that the properties constitute structural components of the buildings to which they relate and that the properties therefore must be depreciated over the same recovery periods as those buildings. *Held:* For purposes of assigning appropriate recovery classes or recovery periods to the properties to determine allowable depreciation deductions pursuant to Section 168, I.R.C., tests developed under prior law for purposes of the investment tax credit are applicable to decide whether the property constitutes tangible personal property. *Held further:* The prohibition contained in Section 168, I.R.C. against the use of the component method of depreciation does not preclude the use of an analysis based on *Scott Paper Co. v. Commissioner*, 74 T.C. 137 (1980), and its progeny, and Section 1.48-1(1), Income Tax Regulations, and accordingly such authorities are applied to assign appropriate recovery classes or recovery periods to the properties in issue."

The foregoing statutory and regulatory provisions support a conclusion that Congress intended that the same tests be used to ascertain whether property constitutes §1245 property or §1250 property for purposes of MACRS as are applied for purposes of determining whether property qualifies for ITC. See also *Schrum v. Commissioner*, 33 F.3d 426, 437 (4th Cir. 1994), affg. in part and vacating and remanding in part on another issue T.C. Memo. 1993-124, where the Court of Appeals observed: "That the classes of §38 property and §1245 property are, for present purposes, coextensive, is confirmed by Treasury Regulation Section 1.1245-3(b) (1), which, in defining §1245 property, makes several references to Treasury Regulation §1.48-1(c)" (Fn. ref.

omitted). The IRS acquiesced to the use of ITC rules for distinguishing §1245 property from §1250 property.

ASSET CATEGORIES

SPECIAL ELECTRICAL COMPONENTS

Primary and Secondary Electrical Distribution Systems

The primary and secondary electrical distribution systems normally include the main panels, main motor control centers, transformers, the secondary distribution panels, and related wiring and conduit. Bedford has calculated the portion of the electrical load conveyed by the primary and secondary electrical distribution systems to equipment and to the portion conveyed to items related to the operation and maintenance of the client's building.

Bedford contends that the portion of the primary and secondary electrical distribution systems which carry electrical loads to particular items of business equipment constitutes §1245 property within the meaning of §1.48-1(c) and Regulations §1.1245-3(b), because that portion of the electrical distribution systems does not relate to the operation or maintenance of a building. The Tax Court in its decision in *Morrison* (*Morrison, Inc. v. Commissioner,* T.C. Memo. 1986-129, aff'd, 891 F.2d 857 (11th Cir. 1990)), as affirmed by the Court of Appeals for the Eleventh Circuit, provides authority for Bedford's position that the primary and secondary electrical distribution systems are not structural components to the extent of the load percentages that Bedford calculated as carried to equipment. The Tax Court's holding in *Morrison* follows their holding in *Scott Paper Co. (Scott Paper Co. v. Commissioner*, 74 T.C. 137, 186-187 (1980)), that the portion of the taxpayer's primary electrical distribution system which did not relate to the overall operation or maintenance of buildings constituted tangible personal property under §48(a)(1)(A) and therefore was eligible for ITC.

In *Morrison,* the Tax Court explained its rationale for finding a portion of the primary and secondary electrical system in *Scott Paper Co.* eligible property for ITC as follows:

"In *Scott Paper Co.*, we concluded that the components of the taxpayer's primary electric system which supplied the electric needs of process machinery rather than contributing to the overall operation or maintenance of buildings, was not an inherently permanent structure and the taxpayers were entitled to the investment tax credit on these components. In reaching this conclusion we placed great emphasis on the language in Section 1.48-1(e)(2), Income Tax Regulations, which defines "structural components" by listing examples and including as the last line of the regulation "and other components relating to the operation or maintenance of a building." In *Scott Paper Co., supra* at 183, we characterized that phrase as follows: a descriptive phrase intended to present the basic test used for identifying structural components. The preceding elements are examples of items that meet the test as a general rule. Items which occur in an unusual circumstance and do not relate to the operation or

maintenance of a building should not be structural components despite being listed in Section 1.48-1(e)(2), Income Tax Regulations".

The Tax Court also quoted the Technical Explanations of the Revenue Act of 1962 that explained the language that was incorporated in the regulation as follows:

"The term "structural components" of a building includes such parts of the building as central air-conditioning and heating systems, plumbing, and electric wiring and lighting fixtures, *relating to the operation [or] maintenance of the building*. [H. Rept. 1447, 87th Cong., 2d Sess. (1962), 1962-3 C.B. 503, 516; S. Rept. 1881, 87th Cong., 2d Sess. (1962), 1962-3 C.B. 843, 859.]"

In accordance, the Tax Court concluded that property fails to qualify for the credit if it relates to the overall operation or maintenance of a building rather than being used to aid in the employment of a particular function or particular piece of property (*Central Citrus Co. v. Commissioner,* 58 T.C. 365, 374 (1972)).

Branch Electrical Wiring, Connections and Special Electrical Equipment

The branch electrical wiring and connections relate to several items of equipment and are contained in many different units including controls, battery packs, and battery chargers for the emergency power generation systems; illuminated emergency entrance signs and illuminated front entrance signs; kitchen equipment; equipment located in laboratory and maintenance shop areas; air conditioners located in computer rooms; all of the electrical receptacles that are used to provide localized electrical service for specific items of equipment. The above are hereinafter referred to as branch electrical systems.

Bedford contends that the branch electrical systems are §1245 class property pursuant to the reasoning of *Scott Paper Co. v. Commissioner*, 74 T.C. 137 (1980), and its progeny, as well as Rev. Rul. 66-299, 1966-2 C.B. 14

In *Scott Paper Co. v. Commissioner*, 74 T.C. at 182-183, the Tax Court noted that even though Section 1.48-1(e) (2), Income Tax Regulations, lists items such as "wiring and lighting fixtures" in describing structural components, to constitute a structural component of a building, the item nonetheless must relate to the operation or maintenance of the building. Subsequently, in *Morrison, Inc. v. Commissioner*, T.C. Memo. 1986-129, the Tax Court found that much of the electrical distribution systems constituted personal property.

They stated: "Respondent points out that the reasonable adaptability of the electrical distribution system with minimal effort to accommodate another cafeteria, a restaurant or a retail sales establishment such as a furniture store, indicates that the system relates to the overall operation or maintenance of the building rather than relating to the function of specific pieces of kitchen machinery or equipment. Respondent recognizes that his argument is contrary to our holding in *Scott Paper Co., supra.* Following our holding in *Scott Paper Co. v. Commissioner*, 74 T.C. 137, 184 (1980), we focus on the ultimate use of the electrical power in petitioners' cafeterias in order to

determine whether the electrical distribution system constitutes a structural component. An allocation should then be made based on the qualifying and non-qualifying uses of the power."

Similarly, in *Duaine v. Commissioner*, T.C. Memo. 1985-39, the Tax Court analyzed various items of property contained in a fast food restaurant to determine whether they qualified for ITC. They followed the reasoning of *Scott Paper Co. v. Commissioner, supra,* in finding that electrical outlets and conduits that provided localized power sources for the lessee's specialized restaurant equipment constituted personal property.

In Rev. Rul. 66-299, 1966-2 C.B. at 16, the IRS concluded that: special electrical or plumbing connections which are necessary to and are used directly with a specific item of machinery or equipment, or between specific items of individual, machinery or equipment, are not structural components of the building, but are essentially items of machinery or equipment, and qualify as Section 38 property for investment credit purposes.

The Tax Court analyzed that language in *Central Citrus Co. v. Commissioner*, 58 T.C. at 374, and stated, "Such language creates a clear distinction between property used in the general overall operation of a building and that property which is utilized to aid in the employment of a particular function or particular piece of property. We find this particular dichotomy to be both reasonable and sound and in agreement with congressional intent" [Citations omitted]. Accordingly, the Tax Court held in *Central Citrus Co.* that distribution system adapters, contractors, fuses, starters, switches, and relays served specialized functions or specific equipment used in the taxpayer's citrus fruit processing business and therefore qualified for ITC.

The fact that some of the wiring and conduit is contained in the walls and floors of the buildings is not relevant in determining whether those items are personal property. The Tax Court looks to the ultimate use of the electrical power conveyed by the branch electrical systems to decide whether the disputed property items constitute structural components or personal property (*Scott Paper Co. v. Commissioner,* supra; *Morrison, Inc. v. Commissioner*, supra).

Chandeliers, Decorative Wall Lights, Dimmers and Installation

Bedford believes that chandeliers and decor wall lights were installed only for decorative purposes. They did not exist to provide general room illumination as there was ample lighting throughout the building for such purpose. Bedford concludes that the decorative lighting was not intended to, and did not relate to, the operation or maintenance of the building.

In *Morrison,* the Tax Court decided that the chandeliers and decor wall lights used in petitioner's cafeterias were purely decorative fixtures that were designed specifically to complement petitioner's decorative motif in specific cafeterias. They stated, "The chandeliers and decor wall lights in issue used low wattage of 15-Watt bulbs as

compared to 150- or 75-Watt bulbs which were used for the recessed lighting fixtures which are not at issue in this case." As it was stated in Senate Report No. 95-1263, "tangible personal property already eligible for the investment credit includes special lighting" (including lighting to illuminate the exterior of a building or store, but not lighting to illuminate parking areas). The Tax Court went on to further state that the chandeliers, decor wall lights, and dimmers constitute Section 38 property because they constitute "special lighting," are assets accessory to petitioners' business, are readily movable and do not relate to the operation or maintenance of the building. The chandeliers and decor wall lights in issue were not the major source of light in the cafeteria and merely incorporated petitioners' decorative motif and complimented the interior design of its cafeterias.

SPECIAL PLUMBING

Kitchen Drainage

Bedford believes that kitchen drainage constitutes tangible personal property because it was used as an integral part of a cafeteria operation and thus does not relate to the operation or maintenance of the cafeteria buildings.

In *Morrison,* the Tax Court concluded - "In our view petitioners' kitchen drainage system from the point the connecting devices couple to the drainage system is analogous to the electric wiring in *Scott Paper Co. v. Commissioner, supra*. We recognize that structural components are defined in Section 1.48-1(e)(2), Income Tax Regulations, to include specifically "plumbing and plumbing fixtures, such as sinks and bathtubs; electric wiring and lighting fixtures…." Although we give great weight to respondent's regulations, we do not read the words "plumbing and plumbing fixtures" in a vacuum just as we did not read the words "electric wiring" in a vacuum in *Scott Paper Co. v. Commissioner*, We interpret the phrase of Section 1.48-1(e)(2), Income Tax Regulations, which reads "and other components relating to the operation or maintenance of a building" to be a "descriptive phrase intended to present the basic test used for identifying structural components." *(Scott Paper Co. v. Commissioner, 74 T.C. 137 (1980))*. As we stated in *Scott Paper Co. v. Commissioner,* an item or items "which occur in an unusual circumstance and do not relate to the operation or maintenance of a building should not be structural components despite being listed in Section 1.48-1(e)(2), Income Tax Regulations".

As did the Tax Court, Bedford focuses on the client's use of the drains in the building and concludes that they do not relate to the general drainage of waste from the building but rather, drain wastes resulting from client's business activities. Despite the apparent character of the kitchen drainage as a permanent plumbing fixture, we conclude that it actually services the client's equipment and machinery.

DEDICATED MECHANICAL COMPONENTS

Kitchen Heat Recovery Unit

Bedford includes the following discussion as it exemplifies the Tax Court's use of the "sole justification" test and how it is an exception from the inclusion of qualifying property as a structural component. In *Morrison (Morrison, Inc. v. Commissioner*, T.C. Memo. 1986-129, aff'd, 891 F.2d 857 (11th Cir. 1990)) the taxpayers argued that the kitchen heat recovery unit was Section 38 property because it constitutes "machinery the sole justification for the installation of which is the fact that such machinery is required to meet temperature ... requirements, which are essential for the operation of other machinery or the processing of... foodstuffs" (§1.48-1(e)(2), Income Tax Regulations). The taxpayer in this case asserted that the kitchen heat recovery unit was installed solely because of the extensive hot water needs in their kitchens. The taxpayers point out that any hot water supplied by the kitchen heat recovery unit to the remainder of the building was minimal. The Tax Court stated - "Without consideration of the "sole justification" test, the heat recovery system, consisting of circulation pipes and tubing, might easily be mistaken to constitute part of the plumbing system of petitioners' cafeterias and thus constitute a structural component. However, in *Piggly Wiggly Southern, Inc. v. Commissioner*, 84 T.C. 739, 753 (1985), on appeal (11th Cir., Dec. 23, 1985), we held that items that might otherwise constitute structural components of a building are tangible personal property within the meaning of §48(a)(1)(A) if the sole justification for their installation is to assist in the operation of the client's equipment."

The Tax Court concluded that petitioners' sole justification for the installation of the kitchen heat recovery system was that the system was essential to meet the hot water needs of their cafeterias in a cost-effective manner. Thus, the Tax Court found that pursuant to §1.48-1(e)(2), Income Tax Regulations, petitioners' heat recovery unit meets the exception to the term "structural components." §1.48-1(e)(2), Income Tax Regulations, defines structural component to include all components of a heating system including motors, compressors, pipes, ducts, plumbing and plumbing fixtures unless the "sole justification" test is met. The Tax Court found that when systems meet the sole justification test and are thus not structural components, they are considered property in the nature of machinery without regard to their inherent permanence. (*Piggly Wiggly Southern, Inc. v. Commissioner*, 84 T.C. 739 (1985), aff'd, 803 F.2d 1572 (11th Cir. 1986), nonacq., 1988-2 C.B.)

SPECIAL FLOORING & COVERINGS

Carpeting

Carpeting was installed by attaching to the floors using a general-purpose latex adhesive. Bedford asserts that the carpeting was not a structural component of client's building within the meaning of §1.48-1(e) (2), Income Tax Regulations, as the carpeting was easily removed, its removal did not damage the floors, and that, if necessary, the carpeting could have been reinstalled in other locations with new

adhesives. Additionally, Bedford contends that the carpeting was not an integral part of, or a permanent covering for, the client's floors. Bedford further states that §1.48-l(e)(2), Income Tax Regulations, does not list carpeting as a structural component of a building. Accordingly, Bedford contends, the carpeting must be an integral part of, and a permanent covering for, the floors of client's building to constitute a structural component of a building under §1.48-1(e) (2), Income Tax Regulations Bedford further states that the carpeting in all material respects is indistinguishable from the wall-to-wall carpeting installed in guest rooms, office space, bar areas, and dining rooms of a motel described in Rev. Rul. 67-349, 1967-2 C.B. 48. In that Revenue Ruling, the IRS ruled that the carpeting was personal property for purposes of §1.48-1(c), Income Tax Regulations, and not a structural component of a building. The carpeting described in Rev. Rul. 67-349 was fastened with hooks attached to wood strips that were nailed along each wall (Rev. Rul. 67-349, 1967-2 C.B. at 48). The Tax Court concluded that the carpeting involved in the subject category (fastened with adhesives) is not materially different from the carpeting described in Rev. Rul. 64-349, *supra* (*Hospital Corp. of America & Subsidiaries v. Commissioner*, 109 T.C. 21 (1997), acq. in part and nonacq. in part, 1999-2 C.B. xvi). They were also persuaded from the record that the carpeting is not an integral part of the floor and satisfies the criteria for tangible personal property outlined in *Whiteco Indus., Inc. v. Commissioner*, 65 T.C. at 672-673.

Vinyl Wall Coverings

Bedford asserts that the vinyl wall coverings are not structural components of the building but are §1245 class property used in the client's business and that they are depreciable as such (Regulations §1.48-1(e)(2) include an example of a structural component walls and permanent coverings for them). Bedford contends that the vinyl wall coverings are not intended or designed to be either integral parts of, or permanent coverings for, the walls of the client's building, but are decorative coverings for those walls. They are easily removable, and in most instances, due to changes in the decor and heavy wear, the vinyl wall coverings will likely be removed without damage to the walls. Bedford notes that wall coverings typically are not reused in their entirety upon removal but assert that portions could be removed in connection with area repair work and then reattached to the walls. Bedford also notes the adhesives that were used to attach the vinyl wall coverings to the walls, and that method of attachment is expressly recognized as being non-permanent in Senate Report 95-1263, 1978-3 C.B. (Vol. 1) at 415. Bedford further contends that the decorative nature of the vinyl wall coverings and the fact that "glue-sizing" was applied to the sheetrock walls prior to placing the wall coverings on the walls also indicate that they were intended to be temporary. Bedford also asserts that the vinyl wall coverings are similar to the lattice millwork in issue in *Morrison, Inc. v. Commissioner, supra*, because they are "merely decorative ornamentation serving no more than an incidental relationship to the operation or maintenance of the building" and "could easily be removed without permanently damaging the *** walls". *Id.* The Tax Court was persuaded that the above arguments were in fact accurate in *Hospital Corp. of America & Subsidiaries v. Commissioner*. (*Hospital Corp. of Am. & Subs. v. Commissioner*, 109 T. C. 21 (1997), acq. in part and nonacq. in part, 1999-2 C.B. xvi). They indeed stated that the "vinyl wall coverings

involved in the subject category were not intended to be, and were not, a permanent covering for the hospital walls. The walls were prepared with glue sizing to permit easy removal of the vinyl wall coverings without damage to the walls. The vinyl wall coverings were attached with adhesives that also permitted easy removal." The facts above are on point with the decision by the Tax Court in *Hospital Corp. of America*.

Vinyl Floor Coverings

Bedford asserts that the vinyl floor coverings and matching cove base are not an integral part of the client's floors, and, consequently, they are not structural components but are §1245 class property depreciable as such pursuant to Senate Report 95-1263. The floor coverings are attached to the concrete floors using general-purpose latex adhesives so that they are not permanently affixed but are easily removed without damage to the underlying floors. The term "structural components" includes floors and any permanent coverings for them (§1.48-1(e)(2), Income Tax Regulations). Senate Report 95-1263, *supra*, 1978-3 C.B. (Vol. 1) at 415, however, identifies as personal property floor coverings which are not an integral part of the floor itself such as floor tile generally installed in a manner to be readily removed (that is it is not cemented, mudded, or otherwise permanently affixed to the building floor but, instead, has adhesives applied which are designed to ease its removal). The Tax Court in the above set of facts applied the *Whiteco* criteria and concluded that the vinyl floor coverings are not inherently permanent (*Hospital Corp. of America & Subsidiaries v. Commissioner, 109* T.C. 21 (1997), acq. in part and nonacq. in part, 1999-2 C.B. xvi). They were persuaded that the floor coverings were not intended to be, and were not, permanent coverings for the buildings' floors. The floor coverings were attached with adhesives to permit easy removal without damage to the concrete floors.

CABINETRY & FINISH CARPENTRY

Partitions

Partitions can be of various types - for instance accordion-style room dividers placed in conference rooms or cafeterias on tracks attached to the ceilings (*Hospital Corp. of Am. & Subs. v. Commissioner*, 109 T. C. 21 (1997), acq. in part and nonacq. in part, 1999-2 C.B. xvi) or they can be cubicle partitions as in *Minot Fed. Sav. & Loan (Minot Fed. Sav. & Loan Association v. United States*, 435 F.2d 1368 (8th Cir. 1970; see also *King Radio Corp. v. United States*, 486 F.2d 1091 (10th Cir. 1973). The room partitions are used to divide areas of large rooms into smaller areas where conferences and luncheons are held. The partitions are manufactured on assembly lines and are available as catalog items from manufacturers. None of the partitions bears any structural load. The partitions are removable. Removal of the partitions does not affect the essential structure of the buildings. In all of the cases cited above the Tax Court decided that the partitions were §1245 property not structural components of the building.

Lattice Millwork

Bedford also believes that lattice millwork is a valid example of decorative millwork that constitutes tangible personal property and does not relate to the operation or maintenance of a building. In *Morrison (Morrison, Inc. v. Commissioner,* T.C. Memo. 1986-129, aff'd, 891 F.2d 857 (11th Cir. 1990)), the taxpayers stated that their lattice millwork is a decorative item that was replaced every 5 years and does not relate to the operation or maintenance of the building. Petitioners contend that the lattice millwork constitutes readily removable tangible personal property.

The Tax Court looked to the Senate Report No. 95-1263 and found, the lattice millwork has "no more than an incidental relationship to the operation or maintenance of a building." "Removable partitions, *** (which are attached to walls or suspended from the ceiling), are considered tangible personal property and not structural components". (Senate Report. 95-1263 (1978), 1978-3 C.B. (Vol. 1) 321, 415). The Tax Court properly concluded that the lattice millwork qualified as personal property (§1245 property) eligible for the investment tax credit. “The lattice millwork is merely decorative ornamentation serving no more than an incidental relationship to the operation or maintenance of the building.” Although the lattice millwork may be used to separate the serving line from the dining portions of the cafeteria physically, it does not serve as a structural support for the ceiling of the cafeteria, it could easily be removed without permanently damaging the underlying ceiling or walls, and its removal would not entail great expense.

Corporate References

Bedford Cost Segregation, LLC was created to meet the needs of public accounting firms and real estate owners nationwide. The organizational structure and ownership of the company affords our clients the peace of mind that Cost Segregation Studies are being provided by an independent consulting firm whose only business is cost segregation. Bedford's engineers are highly seasoned professionals with significant relevant experience in design, construction, and operation of a wide array of facilities ranging from simple warehouse buildings to nuclear power plants.

With corporate headquarters located in Bedford, New Hampshire, the company also maintains regional offices in Alabama, Arizona, Florida, Georgia, Kentucky, North Carolina, and Washington.

Project Team Qualifications

AnneMarie Regnier

AnneMarie is an associate project manager of Bedford Cost Segregation Southeast Region and is based in Wilmington, NC. AnneMarie has completed Cost Segregation reports over the past five years for businesses including car dealerships, warehouse properties, retail buildings, office buildings, medical facilities, multifamily housing, hotels and restaurants.

Education

Computer Aided Design Manufacturing~ 2004
Eastern Michigan University

Professional Affiliations

Member, American Society of Cost Segregation Professionals (ASCSP)

Gregory N. Roberts, P. Eng., CCSP – Director of Technical Services

Greg is a mechanical engineer with more than 28 years of experience as a Senior Facility Engineer and a Senior Engineering Consultant. Prior to his employment with Bedford Cost Segregation, LLC, Greg was the Facility Engineer responsible for the construction and operational management of a $1.2 billion Semiconductor manufacturing facility.

Greg has significant experience in facility contract management and is well versed in component costing and asset classification for real estate properties. His experience ranges from engineering oversight of an EPA Superfund cleanup to design-build activities for manufacturing plants. Greg was previously the President of a State chapter of the Association of Facility Engineers. Greg has completed approximately 600 Cost Segregation Studies throughout the United States.

Within the Bedford organization, Greg is responsible for project assignments to engineers, providing technical assistance to the engineering and sales teams, providing technical oversight on projects, initial and follow-on training of new hires, and following up on business development leads. He also conducts several dozen Cost Segregation Studies each year.

Education

Bachelor's Degree - Mechanical Engineering ~ 1991
Technical University of Nova Scotia

Bachelor's Degree - Applied Mathematics ~ 1987
Dalhousie University

Associates Degree – Electronics ~ 1981
Northrop University at Los Angeles

Professional Affiliations

Association of Professional Engineers of Nova Scotia, P. Eng. ~ 1991 – present

Certified Member, American Society of Cost Segregation Professionals (ASCSP)

Member, American Society of Mechanical Engineers (ASME)

Member, American Institute of Aeronautics and Astronautics (AIAA)

H. Martyn B. Voorhis III – Tax Associate

Martyn has more than 3 years' tax experience. Martyn has a background in Cost Segregation that was gained working within a CPA firm's Cost Segregation team for the first two years of his career. Martyn's experience spans Cost Segregation Studies in numerous industries, from small one-site projects, to large multistate and multisite projects. Prior to his employment with Bedford Cost Segregation, LLC, Martyn worked for 2 years in public accounting on a specialized tax services team, with a focus on Cost Segregation, at a Big 4 accounting firm in Boston, MA.

Education

Master of Science: Accountancy ~ 2016
Bridgewater State University

Bachelor of Science: Accounting and Finance, Concentration: Accounting ~ 2015
Bridgewater State University

Professional Affiliations

Member, American Society of Cost Segregation Professionals (ASCSP)

Statement of General Assumptions and Limiting Conditions

This Cost Segregation Study is subject to the following general assumptions and limiting conditions:

This report has been prepared only for the purpose stated and shall not be used for any other purpose. Neither this report nor any portions thereof (including, without limitation, any conclusions as to value of the entity made by Bedford Cost Segregation, LLC (Bedford), or any individuals starting or associated with this report or the professional associations or organizations with which they are affiliated) may be disseminated to third parties, except the Internal Revenue Service, by any means without the prior written consent and approval of Bedford Cost Segregation, LLC.

Project and cost information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been verified in all cases. No warranty is given as to the accuracy of such information.

Bedford did not calculate or validate the value of the land if included or referenced in this report. No responsibility is assumed for the value of land furnished to us by our client.

In the case of acquired properties with tenants, Bedford has relied solely on the client's assertion that tenant improvements are owned by the client and has not independently researched and validated said assertions. As such, any dis-allowance of depreciation deductions attributable to the discovery of contrary information will not be subject to Bedford' no-cost audit support and the client shall be responsible for defending the position taken.

Neither Bedford nor any individual signing or associated with this report shall be required by any reason of this report to give further consultation, provide testimony, or appear in court or at other legal proceedings unless specific arrangements therefore have been made.

Areas and dimensions of the property were obtained from surveys and/or public records. Maps or sketches if included in this report are only to assist the reader in visualizing the property and Bedford did not verify their accuracy. No independent surveys were conducted unless otherwise contracted by the client under a separate agreement.

In no event shall Bedford be liable for consequential, special, incidental, or punitive losses, damages, or expenses (including without limitation, lost profits, opportunity costs, etc.) even if it has been advised of their possible existence.

The client shall indemnify and hold harmless Bedford and its personnel from and against any claims, liabilities, costs, and expenses including, without limitation, attorneys' fees and the time of Bedford personnel involved, brought against, paid, or incurred by Bedford at any time and in any way arising out of, or relating to, Bedford

services under this report, except to the extent finally determined to have resulted from the gross negligence or willful misconduct of Bedford or its personnel. This provision shall survive the termination of this agreement for any reason.

Circular 230 Disclosure

Bedford believes there is “substantial authority” to support the positions set out in this report. “Substantial authority” is the standard under IRC Section 6662 by which a taxpayer avoids the 20% substantial understatement penalty if its tax position is disallowed. In satisfying the substantial authority standard, the taxpayer must show that its tax position is supported by technical authority found in the Internal Revenue Code, Treasury Regulations, case law, and other primary authoritative sources.

The substantial authority standard does not protect against the substantial understatement penalty in the event that the Internal Revenue Service or a reviewing court determines that a particular transaction or arrangement had a significant purpose of avoiding or evading federal taxes (a “tax shelter”). In the case of a tax shelter, a taxpayer can only avoid these penalties by obtaining an opinion that it is more likely than not (MLTN) that the desired tax treatment will be upheld if challenged by the Internal Revenue Service. You have not requested, and this advice does not present, a conclusion concerning any federal tax issue at a confidence level of, or exceeding, the MLTN standard. It is recommended that you consult your tax professional for a final determination.

The findings and recommendations contained in this report should not be construed as any type of legal opinion or guaranty that any tax position discussed herein will be accepted by the Internal Revenue Service or reviewing court. Accordingly, this opinion was not intended to be relied on, and cannot be relied on, for the purpose of avoiding penalties with respect to any tax issues outside of its scope.