

Adams Family Enterprises

A Case Study of the Family and the Business It Owns

(Updated October 2016)

Tony Adams, Sr., age 63, was born in Los Angeles, California. He was the only child in a middle class family. After high school, Tony married his high school sweetheart, Angela, and after two years of odd jobs, he joined the Los Angeles Police Department at age 20. The day of his swearing in, Tony Jr. was born. Tony and Angela would eventually have 2 more children, a daughter and another son. After four years with the Department, Tony Sr. felt it was his duty to serve his country so, with Angela's blessing, he enlisted in the Marine Corps. He saw combat in Vietnam as a radio signalman. He was wounded and mustered out, returning to Los Angeles in 1975. Unable to rejoin the Police Department because of his war injuries, he capitalized on his military experience and his police contacts and began servicing the LAPD's mobile radio equipment, both in-car and at various dispatch centers.

From the beginning, Tony Sr. built a reputation with the police departments in the southern California area as a responsible, hard-working and knowledgeable individual who knew police work and who provided great service for a reasonable price. In the 1980's, Adams Family Enterprises was incorporated and his first employee was his Marine Corps buddy, George Bradford. Gradually, the company began to act as a manufacturer's rep for radios and radio systems. Its advertising focused on police organizations and Tony Sr. and George were welcome guests at police departments all over the southwestern United States.

In 1994, Rose Adams, Tony and Angela's daughter, married the very bright and computer savvy Al Gray. Tony Sr. and George Bradford decided he would be a great addition to the business and hired him. That same year, Tony Jr. joined the company on a part time basis while attending college with a history major and a computer science minor.

Al Gray's knowledge in computer technology in communications helped the company move smoothly into consulting, designing and implementing large and small communication systems for both police and fire departments. The number of competitors began to grow but Adams Enterprise's reputation and contacts kept the company going. Although a steady flow of business kept coming in the door, the company was only growing at a small rate through the late 1990s and 2000s.

In 2013, the youngest child Michael Adams (who would prefer work as an actor rather than in the family business), introduced the family to three of his friends with whom he went to school. Tom, Hank and Heather were young, carefree and very bright, computer geeks. They had dabbled in computer game design but had no desire to work for any of the gaming software companies - even though with their talent they thought they could have commanded enormous salaries. They showed the family an interactive game they had created which did not require the use of a

Playstation or Xbox, just a simple CD drive (plus a lot of memory on the PC) which featured realistic auto chases and decision making scenarios involving crimes in progress or about to happen.

Within two months, the three were the "Games Division" of Adams Family Enterprises, headed by son-in-law Al Gray, who was now VP of the Games Division. In another two months their video game was ready to be demonstrated to some good friends of the Adams', the producers of the TV favorite "COPPERS." Two months later, the game was licensed by the TV production company and on December 20th of last year, the game hit the market.

Tom, Hank and Heather's financial arrangement gave them each a 5% share of the gross from "COPPERS – The Game" and an additional 5% each against a \$100,000 guaranteed salary for 5 years. This year's gross sales are projected to hit \$2,000,000. Five-year projections, starting in January of this coming year, are for the Games Division to bring in an annual net before taxes of around \$1,250,000 after Tom, Hank and Heather's pay.

On a social note, Michael Adams and Heather have set a wedding date of January of the coming year.

Short List of Adams Family Characters

Tony Adams, Sr.	Family Patriarch, President of Adams Family Enterprises, Inc.
Angela Adams	Married to Tony Sr.
Tony Adams, Jr.	Tony and Angela's oldest son. VP of Sales at Adams Family Enterprises
Rose Adams	Tony and Angela's daughter. Married to Al Gray.
Al Gray	Married to Rose Adams, VP – Game Division of Adams Family Enterprises
Michael Adams	Tony and Angela's youngest son. Not in family business. Engaged to Heather.
George Bradford	Friend of Tony Sr., VP – General Manager of Adams Family Enterprises and first employee of the company.
Tom, Hank and Heather	Friends of Michael Adams. Games Division of Adams Family Enterprises. Engaged to Michael Adams.

Adams
Family Tree



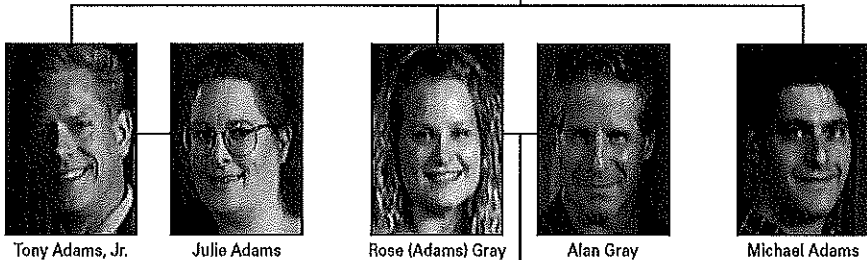
Julia Murray



Angela Adams



Tony Adams, Sr.



Tony Adams, Jr.



Julie Adams



Rose (Adams) Gray



Alan Gray



Michael Adams



Emma Gray

ANGELA AND TONY ADAMS, SR.

ITEMIZED INVESTMENTS

CURRENT YEAR

REAL ESTATE	DATE OF PURCHASE	COST BASIS	CURRENT VALUE	OWNERSHIP
PRIMARY RESIDENCE	1970	\$ 39,000	\$ 250,000	JOINT
ADAM'S ENT. RENTAL PROPERTY	1979	\$ 50,000	500,000 (1)	TONY SR.
			\$ 750,000	
 CASH				
CHECKING			\$ 10,000	JOINT
SAVINGS			50,000	JOINT
LIFE INSURANCE CASH VALUE			70,500	TONY SR.
ACCOUNT RECEIVABLE			100,000	TONY SR.
			\$ 230,500	
 MUTUAL FUNDS				
MUNI BOND FUND			\$ 150,000	JOINT
BALANCED FUND			150,000	JOINT
GROWTH FUND			485,000	
			\$ 785,000	
 RETIREMENT PLAN				
DB PENSION			\$ 285,000	
GUARANTEED INTEREST FD			285,000	TONY SR.
			\$ 285,000	
 BUSINESS				
ADAM'S ENTERPRISE *(never formally valued)			\$ 3,300,000	TONY SR.
			\$ 3,300,000	
 PERSONAL PROPERTY				
			\$ 100,000	JOINT
			\$ 100,000	
			\$ 5,450,500 (2)	
 <u>INCOME & EXPENSES</u>				
INCOME				
SALARY			\$ 185,000	
DISTRIBUTIONS			185,000	
RENTAL INCOME			12,000	
			\$ 382,000	
 EXPENSES				
FIXED LIVING			\$ 295,000	
DISCRETIONARY			60,000	
			\$ 355,000	
			\$ 27,000	

(1) ANNUAL INCOME \$12,000

(2) ZERO LIABILITIES

**The Adams Family
CPA Letter**

Adams Family Enterprises, Inc.

Accountant's Letter

&

Financial Statements

December 31 of Last Year

**To the Board of Directors
Adams Family Enterprises, Inc.**

We have compiled the accompanying Balance Sheet of the Adams Family Enterprises, Inc. as of December 31 of last year, and the related Statement of Income for the 12 months then ended, in accordance with the Statement of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited in presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or other form of assurance on them.

CPA Associates

Adams Family Enterprises, Inc.
Balance Sheet
December 31 of Last Year

ASSETS

General Assets:

• Cash	\$	310,000
• Accounts Receivable		300,000
• Inventories		150,000
• Income Tax Refunds Receivable		10,000
• Prepaid Expenses & Other Current Assets		<u>32,000</u>
○ Total Current Assets	\$	802,000

Fixed Assets:

• Property & Equipment, Net of Depreciation	\$	<u>200,000</u>
○ Total Fixed Assets	\$	200,000

Other Assets:

• Investments	\$	<u>8,000</u>
○ Total Other Assets	\$	8,000

Total Assets: \$ 1,010,000

LIABILITIES & STOCKHOLDER'S EQUITY

Current Liabilities:

• Accounts Payable	\$	250,000
• Accrued Expenses & Other Current Liabilities		<u>120,000</u>
○ Total Current Liabilities	\$	370,000

Long Term Liabilities:

• Notes Payables-shareholders	\$	100,000
• Other Long Term Debt		<u>30,000</u>
○ Total Long Term Liabilities	\$	130,000

Total Liabilities: \$ 500,000

Stockholder's Equity:

• Capital Stock	\$	10,000
• Retained Earnings		<u>2,000,000</u>
○ Total Stockholder's Equity	\$	2,010,000

Total Liabilities & Stockholder's Equity \$ 2,510,000

Adams Family Enterprises, Inc.
Statement of Revenues and Expenses
For the year ended last December 31

	CONSOLIDATED	RADIO DIVISION	GAME DIVISION
Revenues:			
• Sales of Radio Products	\$ 15,000,000	\$15,000,000	\$ -----
• Consulting & Service Rev.	\$ 6,000,000	\$ 6,000,000	\$ -----
• Sales of Game Products	<u>\$ 2,000,000</u>	<u>\$ -----</u>	<u>\$ 2,000,000</u>
○ Total Revenue	\$ 23,000,000	\$21,000,000	\$ 2,000,000
Cost of Goods Sold:			
• Radio Products	\$ 10,500,000	\$10,500,000	\$ -----
• Radio Labor & Parts	\$ 2,100,000	\$ 2,100,000	\$ -----
• Game Products (1)	<u>\$ 1,000,000</u>	<u>\$ -----</u>	<u>\$ 1,000,000</u>
○ Total C of G Sold	\$ 13,600,000	\$12,600,000	\$ 1,000,000
Gross Revenue:	\$ 9,400,000	\$ 8,400,000	\$ 1,000,000
Expenses:			
• Selling Expenses	\$ 2,664,000	\$ 2,100,000	\$ 564,000
• Gen & Admin Expenses	\$ 2,950,000	\$ 2,780,000	\$ 170,000
• Depreciation & Amortization	\$ 200,000	\$ 90,000	\$ 110,000
• Salaries and Wages	\$ 1,039,000	\$ 659,000	\$ 380,000 ⁽¹⁾
• Officer's Compensation	<u>\$ 185,000</u>	<u>\$ 185,000</u>	<u>\$ 000,000</u>
○ Total Expenses	\$ 7,038,000	\$ 5,814,000	\$ 1,224,000
Net Income:	\$ 2,362,000	\$ 2,586,000	\$ (224,000)
Income Taxes – Tony Sr:	\$ 935,352		

Footnotes:

(1) Includes 15% of Gross for Tom, Hank, Heather compensation

Adams Family Enterprises, Inc.
Employee Census
 Fiscal Year Ending 12/31/Last Year

<u>Name</u>	<u>Job Assignment</u>	<u>DOB</u>	<u>DOH</u>	<u>Compensation</u>
Tony Adams, Sr.	President (100% sh)	10/14/1952	1/1/1979	\$ 185,000
Tony Adams, Jr.	VP - Sales	7/21/1973	7/1/1995	\$ 150,000
Al Gray	Sales/Service Mgr	11/20/1975	3/1/1989	\$ 130,000
Geo. Bradford	VP - Gen. Mgr	12/21/1960	10/1/1983	\$ 135,000
Ed Ganz	Sales/Service Mgr	9/14/1975	3/20/1993	\$ 65,000
Tammy Turner	Office	4/2/1991	5/15/2012	\$ 22,000
Mary Henderson	Off. Mgr/Bkpr	11/12/1969	2/18/1990	\$ 60,000
Frank Valley	Installer/Sales	8/23/1986	12/1/2005	\$ 52,000
Honey Lemon	Installer/Sales	11/11/1981	6/16/2010	\$ 46,000
Pete McCartney	Repairs	4/8/1984	7/20/2013	\$ 36,000
Greg Harrison	Office	7/23/1990	10/1/2010	\$ 24,000
Robert Starr	Appren. Installer	4/15/1991	4/1/2014	\$ 23,000
Mary Jagger	Appren. Repairs	10/9/1995	2/19/2012	\$ 25,000
Miguel Fallstein	Sales	4/28/1993	11/8/2008	\$ 48,000
Elvis John	Office	8/12/1985	5/30/2001	\$ 23,000

Tom, Hank and Heather - All born in 1992 - DOH for all 7/1/year before last
Last year's total compensation for each was \$50,000