



## **Calculating Ownership Percentages for Beneficial Ownership Information Reporting (BOIR).**

BOIR requires reporting companies to report individuals who own 25% or more of an entity. This ownership can be **direct or indirect**. Direct ownership can easily be determined by looking at the equity structure of the entity. Indirect ownership requires several calculations to determine.

### **Direct Ownership**

To calculate the direct ownership of an individual we use Birch Tree, LLC as the reporting company:

1. Generate a balance sheet for the reporting company.
2. Calculate direct ownership percentages by dividing an individual owner's equity contributions by the total amount of contributions.

We can see Cherry Tree, LLC and Fredrick Johnson meet the reporting threshold of 25%. We also have insight that Dewey & Vera Goode is an owner/partner in Cherry, LLC. Below are steps for calculating Dewey & Vera Goode's indirect ownership through Cherry, LLC.

Birch Tree, LLC		
Contributions:	Balance	Direct Ownership %
Paid-In Capital/Dewey & Vera Goode	260,000.00	15.20%
Paid-In Capital/Cherry Tree, LLC	450,000.00	26.32%
Paid-In Capital/ Fredrick Johnson	1,000,000.00	58.48%
Total Contributions:	1,710,000.00	

### **Indirect Ownership**

To calculate the indirect ownership of an individual, we use the same reporting company:

1. Generate a balance sheet for the legal entity that partly owns the reporting company.

In our example, Cherry Tree, LLC is a legal company that owns 26.3% of the reporting company, Birch Tree, LLC. We need to calculate how much of the 26.3% belongs to Dewey & Vera Goode and add it to their direct ownership of 15.2%

2. Calculate direct ownership percentage by dividing an individual owner's equity contributions by the total amount of contributions in the legal company.

We can see that all the partners in Cherry, LLC meet the minimum threshold of 25%. Dewey & Vera Goode have an interest of 35%.

Cherry Tree, LLC				Total Direct
Contributions:		Balance	Direct Ownership %	Ownership %
	Inherited Basis/Dewey & Vera Goode	99,659.03	13.97%	
	Paid-In Capital/Dewey & Vera Goode	150,000.00	21.03%	35.00%
	Inherited Basis/Gary Goode	28,327.88	3.97%	
	Paid-In Capital/Gary Goode	150,000.00	21.03%	25.00%
	Inherited Basis/Ben Goode	135,324.60	18.97%	
	Paid-In Capital/Ben Goode	150,000.00	21.03%	40.00%
	Total Contributions:	713,311.51		

3. Multiply the owner's interest percentage in the legal entity with the dollar amount that represents the legal entity's contributions in the underlying reporting entity. The result is the owner's indirect interest in dollars.

In our example, Cherry Tree, LLC contributed a total of \$450,000. Multiply that amount by 35% to get \$157,500, after rounding to the nearest penny. This represents contributions made by Cherry Tree, LLC on behalf of Dewey & Vera Goode.

4. Add the owner's indirect interest in dollars to the owner's direct interest in dollars. In our example, this is  $\$157,500 + \$260,000 = \$417,500$ .
5. Divide the sum of direct and indirect interest by the total dollar amount of all contributions. In our example, this is  $\$417,500 / 1,710,000 = 24.4\%$ .

Dewey & Vera Goode do **not** meet the minimum 25% threshold. Based on ownership percentage alone they do **not** need to be reported under the BOIR regulations. However, they may still need to be reported if they exercise substantial control over a reporting company. You may want to consult with legal counsel to apply this concept to your specific situation.

**Question:** Why not multiply the owner's interest percentage in the legal entity with the percentage that represents the legal entity's contributions in the reporting entity? Because using the two percentages skips the rounding adjustment made in Step 3.

**Forest Developer's Note:** Developers of the Forest Platform clearly recognize the need to add reports to the system that calculate these indirect ownership percentages for all beneficiaries. If there is sufficient interest from Forest clients, we will add this to the plans for a future release.