

Annual Property Operating Data

Property Name 1953 Goldsmith
 Location Area 6
 Type of Property 6 plex
 Size of Property 6,600 (Sq. Ft./Units)

Purchase Price 298,250
 Plus Acquisition cost 1,200
 Plus Loan Points 3,300
 Less Mortgages 238,600
 Equals Initial Investment 64,150

Purpose of analysis Analysis

Assessed/Appraised Values
 Land 20 20%
 Improvements 80 80%
 Personal Property _____
 Total 100 100%

	Balance	Periodic Pmt	Pmts/Yr	Interest	Amort Period	Loan Term
1st	\$238,600	\$1,799	12	7.0%	20	20
2nd			12			

Adjusted Basis as of 3-Jun-05 \$299,450

ALL FIGURES ARE ANNUAL	\$/SQ FT or \$/Unit	% of GOI		COMMENTS/FOOTNOTES
1 POTENTIAL RENTAL INCOME	<u>14.00</u>		<u>40,020</u>	Unit 1 \$475
2 Plus: Other Income (affected by vacancy)			<u>480.00</u>	Unit 2 \$475
3 Less: Vacancy & Cr. Losses	(5.0% of <u>40,020</u>)		<u>2,001</u>	Unit 3 \$560
4 EFFECTIVE RENTAL INCOME			<u>38,499</u>	Unit 4 \$600
5 Plus: Other Income (not affected by vacancy)				Unit 5 \$600
6 GROSS OPERATING INCOME			<u>38,499</u>	Unit 6 \$625
OPERATING EXPENSES:				
7 Real Estate Taxes			<u>3,000</u>	
8 Personal Property Taxes				
9 Property Insurance			<u>1,200</u>	
10 Off Site Management				
11 Payroll				
12 Expenses/Benefits				
13 Taxes/Worker's Compensation				
14 Repairs and Maintenance			<u>3,000</u>	
Utilities:				
15 LG & E			<u>1,650</u>	
16 Water			<u>1,800</u>	
17 Garbage			<u>420</u>	
18 Cable			<u>1,380</u>	
19 Accounting and Legal				
20 Licenses/Permits				
21 Advertising				
22 Supplies			<u>500</u>	
23 Miscellaneous Contract Services:				
24				
25 Lawn Care			<u>600</u>	
27				
28				
29 TOTAL OPERATING EXPENSES			<u>13,550</u>	
30 NET OPERATING INCOME			<u>24,949</u>	
31 Less: Annual Debt Service			<u>21,584</u>	
32 Less: Funded Reserves				
33 Less: Leasing Commissions				
34 Less: Capital Additions				
35 CASH FLOW BEFORE TAXES			<u>\$3,365</u>	

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Prepared by: _____

Cash Flow Analysis Worksheet

Property Name _____
 Prepared For _____
 Prepared By _____
 Date Prepared _____ 3-Jun-05 _____

Purchase Price _____ 298,250 _____
 Plus Ascuisition Costs _____ 1,200 _____
 Plus Loan Points _____
 Less Mortgages _____ 232,000 _____
 Equals Initial Investm _____ 59,200 _____

Mortgage Data			Cost Recovery Data		
	1st Mortgage	2nd Mortgage		Improvements	Personal Property
Amount	238,600		Value	239,560	
Interest Rate	7.0%		C. R. Method	SL	
Amortization Period	20	-	Useful Life	39	
Loan Term	20	-	In Service Date	January-00	
Payments/Year	12	12	Date of Sale	December-04	
Periodic Payment	1,798.69	-	Recapture		
Annual Debt Service	21,584	-	Investment Tax		
Points			Credit (\$\$ or %)		

Taxable Income

Year : 2005 2006 2007 2008 2009

1 Potential Rental Income	40,020	41,221	42,457	43,731	45,043
2 +Other Income affected by vacancy	480	492	492	492	492
3 -Vacancy & Credit Losses	2,025	2,086	2,147	2,211	2,277
4 =Effective Rental Income	38,475	39,627	40,802	42,012	43,258
5 +Other Income not affected by vacancy					
6 =Gross Operating Income	38,475	39,627	40,802	42,012	43,258
7 -Operating Expenses	13,550	13,821	14,097	14,379	14,667
8 =NET OPERATING INCOME	24,925	25,806	26,704	27,632	28,591
9 -Interest - 1st Mortgage	16,065	15,666	15,238	14,780	14,288
10 -Interest - 2nd Mortgage					
11 -Cost Recovery - Improvements	5,886	6,142	6,142	6,142	5,886
12 -Cost Recovery - Personal Property					
13 -Amortization of Loan Points					
14 -Leasing Commissions					
15 =Real Estate Taxable Income	3,136	4,167	5,493	6,880	8,579
16 Tax Liability (Savings) at 36.0%	1,129	1,500	1,977	2,477	3,089

Cash Flow

17 NET OPERATING INCOME (Line 8)	24,925	25,806	26,704	27,632	28,591
18 -Annual Debt Service	21,584	21,584	21,584	21,584	21,584
19 -Reserves for Replacements					
20 -					
21 =CASH FLOW BEFORE TAXES	3,341	4,222	5,120	6,048	7,007
22 -Tax Liability(Savings) (Line 16)	1,129	1,500	1,977	2,477	3,089
23 +Investment Tax Credit					
24 =CASH FLOW AFTER TAXES	\$2,212	\$2,722	\$3,143	\$3,571	\$3,918

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Alternative Cash Sales Worksheet

Mortgage Balances				
	Year:			
Principal Balance - 1st Mortgage	226,481	220,563	214,217	207,412
Principal Balance - 2nd Mortgage				
TOTAL UNPAID BALANCE	\$226,481	\$220,563	\$214,217	\$207,412

Calculation of Sale Proceeds			
PROJECTED SALES PRICE	<u>\$348,018</u>	<u>\$328,684</u>	<u>\$295,815</u>
	(At 8.5% cap)	(At 9.% cap)	(At 10.% cap)

CALCULATION OF ADJUSTED BASIS:			
1 Basis at Acquisition	<u>\$299,450</u>	<u>\$299,450</u>	<u>\$299,450</u>
2 +Capital Additions			
3 -Cost Recovery (Depreciation) Taken	<u>30,198</u>	<u>30,198</u>	<u>30,198</u>
4 -Basis in Partial Sales			
5 =Adjusted Basis at Sale	<u>269,252</u>	<u>269,252</u>	<u>269,252</u>

CALCULATION OF EXCESS COST RECOVERY			
6 Total Cost Recovery Taken(Line 3)	<u>30,198</u>	<u>30,198</u>	<u>30,198</u>
7 -Straight Line Cost Recovery	<u>30,198</u>	<u>30,198</u>	<u>30,198</u>
8 =Excess Cost Recovery			

CALCULATION OF CAPITAL GAIN ON SALE:			
9 Sale Price	<u>348,018</u>	<u>328,684</u>	<u>295,815</u>
10 -Costs of Sale	<u>20,881</u>	<u>19,721</u>	<u>17,749</u>
11 -Adjusted Basis at Sale (Line 5)	<u>269,252</u>	<u>269,252</u>	<u>269,252</u>
12 -Participation Payments			
13 =Total Gain	<u>57,885</u>	<u>39,711</u>	<u>8,815</u>
14 -Excess Cost Recovery (Line 8)			
15 -Suspended Losses			
16 =Gain or (Loss)	<u>57,885</u>	<u>39,711</u>	<u>8,815</u>
17 -Straight Line Cost Recovery (limited to gain)	<u>30,198</u>	<u>30,198</u>	<u>8,815</u>
18 =Capital Gain from Appreciation	<u>27,687</u>	<u>9,513</u>	

ITEMS TAXED AS ORDINARY INCOME:			
19 Excess Cost Recovery (Line 8)			
20 -Unamortized Loan Points			
21 =Ordinary Taxable Income			

CALCULATION OF SALES PROCEEDS AFTER TAX:			
22 Sale Price	<u>348,018</u>	<u>328,684</u>	<u>295,815</u>
23 -Cost of Sale	<u>20,881</u>	<u>19,721</u>	<u>17,749</u>
24 -Participation Payments			
25 -Mortgage Balance(s)	<u>200,115</u>	<u>200,115</u>	<u>200,115</u>
26 =Sale Proceeds Before Tax	<u>108,847</u>	<u>92,586</u>	<u>77,951</u>
27 -Tax (Savings) : Ordinary Income at 36% (Line 21)			
28 -Tax : Straight Line Recapture at 25% (Line 17)	<u>7,550</u>	<u>7,550</u>	<u>2,204</u>
29 -Tax on Capital Gains at 20% (Line 18)	<u>5,537</u>	<u>1,903</u>	
30 =SALE PROCEEDS AFTER TAX	<u>\$97,953</u>	<u>\$84,944</u>	<u>\$73,893</u>

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INTERNAL RATES OF RETURN

INTERNAL RATES OF RETURN

BEFORE TAX

Alternative 1		Alternative 2		Alternative 3	
n	\$	n	\$	n	\$
0	(64,150)	0	(64,150)	0	(64,150)
1	3,341	1	3,341	1	3,341
2	4,222	2	4,222	2	4,222
3	5,120	3	5,120	3	5,120
4	6,048	4	6,048	4	6,048
5	7,007 + 108,847	5	7,007 + 92,586	5	7,007 + 77,951
IRR= 18.1%		IRR= 14.97%		IRR= 11.82%	

AFTER TAX

Alternative 1		Alternative 2		Alternative 3	
n	\$	n	\$	n	\$
0	(64,150)	0	(64,150)	0	(64,150)
1	2,212	1	2,212	1	2,212
2	2,722	2	2,722	2	2,722
3	3,143	3	3,143	3	3,143
4	3,571	4	3,571	4	3,571
5	3,918 + 97,953	5	3,918 + 84,944	5	3,918 + 73,893
IRR= 13.48%		IRR= 10.65%		IRR= 7.98%	

Cap rate used on Sale = 8.5%

Cap rate on Sale = 9.0%

Cap rate on Sale = 10.0%

Assumptions

Ordinary Income Tax Bracket 36%
 Capital Gain Max Tax Rate 20%
 Tax Rate on Straight Line Recaptur 25%

Month Placed in Service: 1
(from CashFlows Sheet)

Year---->	1	2	3	4	5	6
Vacancy Rates (enter just year 1, or each year)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rent Income Escalators (enter just year 2, or each year)		3.00%	3.00%	3.00%	3.00%	3.00%
Other Income Escalator, with vacancy		2.50%	2.50%	2.50%	2.50%	2.50%
Other Income Escalator, without vacancy		0.00%	0.00%	0.00%	0.00%	0.00%
Expense Escalators (enter just year 2, or each year)		2.00%	2.00%	2.00%	2.00%	2.00%

	Alternative 1	Alternative 2	Alternative 3
Cap rate used in Sale	8.50%	9.00%	10.00%
Expenses of Sale	6.00%	6.00%	6.00%