

Buy v Lease Comparison (Before Tax)

Cedar Plaza
Buy v Lease Analysis

September 23, 2009
Investit Decisions
Buy v Lease

Year	Investment	BUY			Sale Proceeds (Before Tax)	Net Cash Flow (Before Tax)	LEASE	BUY v LEASE
		Financing Borrow	Paid Back	Operating Cash Flow (Before Tax)			Leasing Expenses (Before Tax)	Cash Flow Difference (Before Tax)
Year 1 Jan-Year 1 Dec	\$ (850,000)	\$ 700,000	-	\$ (88,083)	-	\$ (238,083)	\$ (73,320)	\$ (164,763)
Year 2 Jan-Year 2 Dec	-	-	-	(88,713)	-	(88,713)	(73,990)	(14,723)
Year 3 Jan-Year 3 Dec	-	-	-	(89,373)	-	(89,373)	(74,694)	(14,679)
Year 4 Jan-Year 4 Dec	-	-	-	(90,033)	-	(90,033)	(75,400)	(14,632)
Year 5 Jan-Year 5 Dec	-	-	-	(90,723)	-	(90,723)	(76,113)	(14,610)
Year 6 Jan-Year 6 Dec	-	-	-	(91,413)	-	(91,413)	(85,018)	(6,394)
Year 7 Jan-Year 7 Dec	-	-	-	(92,163)	-	(92,163)	(85,768)	(6,395)
Year 8 Jan-Year 8 Dec	-	-	-	(92,913)	-	(92,913)	(86,584)	(6,329)
Year 9 Jan-Year 9 Dec	-	-	-	(93,693)	-	(93,693)	(87,402)	(6,291)
Year 10 Jan-Year 10 Dec	-	-	(473,326)	(94,473)	1,132,058	564,260	(88,256)	652,516
					Total	\$ (402,844)	\$ (806,544)	\$ 403,701
					Net Present Value (NPV) at 13.00%	\$ (446,820)	\$ (427,107)	\$ (19,712)

BUY v LEASE Financial Returns (Before Tax)

Internal Rate of Return (IRR)	11.77%
Net Present Value (NPV) at 13.00%	(\$ 19,712)
Modified Internal Rate of Return (MIRR)	11.34%
Short Term Financing Rate (Before Tax)	8.000%
Short Term Reinvestment Rate (Before Tax)	3.000%

Conclusion.

If the Net Present Value (NPV) is positive consider buying.
If the Net Present Value (NPV) is negative consider Leasing.

Consider Buying if the Total Purchase Price is approximately \$ 830,288 or less.

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Year	Investment	BUY			Operating Cash Flow (After Tax)	Sale Proceeds (After Tax)	Net Cash Flow (After Tax)	LEASE	BUY v LEASE
		Financing Borrow	Paid Back					Leasing Expenses (After Tax)	Cash Flow Difference (After Tax)
Year 1 Jan-Year 1 Dec	\$ (850,000)	\$ 700,000	-	\$ (53,153)	-	\$ (203,153)	\$ (42,526)	\$ (160,627)	
Year 2 Jan-Year 2 Dec	-	-	-	(49,594)	-	(49,594)	(42,914)	(6,680)	
Year 3 Jan-Year 3 Dec	-	-	-	(50,888)	-	(50,888)	(43,322)	(7,566)	
Year 4 Jan-Year 4 Dec	-	-	-	(52,211)	-	(52,211)	(43,732)	(8,479)	
Year 5 Jan-Year 5 Dec	-	-	-	(53,582)	-	(53,582)	(44,145)	(9,436)	
Year 6 Jan-Year 6 Dec	-	-	-	(54,988)	-	(54,988)	(49,311)	(5,678)	
Year 7 Jan-Year 7 Dec	-	-	-	(56,469)	-	(56,469)	(49,745)	(6,724)	
Year 8 Jan-Year 8 Dec	-	-	-	(57,994)	-	(57,994)	(50,218)	(7,775)	
Year 9 Jan-Year 9 Dec	-	-	-	(59,585)	-	(59,585)	(50,693)	(8,892)	
Year 10 Jan-Year 10 Dec	-	-	(473,326)	(61,230)	998,602	464,046	(51,189)	515,235	
					Total	\$ (174,417)	\$ (467,796)	\$ 293,379	
					Net Present Value (NPV) at 7.54%	\$ (268,096)	\$ (315,833)	\$ 47,737	

BUY v LEASE Financial Returns (After Tax)

Internal Rate of Return (IRR)	10.13%
Net Present Value (NPV) at 7.54%	\$ 47,737
Modified Internal Rate of Return (MIRR)	9.50%
Short Term Financing Rate (After Tax)	4.640%
Short Term Reinvestment Rate (After Tax)	1.740%

Conclusion.

If the Net Present Value (NPV) is positive consider buying.

If the Net Present Value (NPV) is negative consider Leasing.

Consider Buying if the Total Purchase Price is approximately \$ 897,737 or less.