

**Income & Expense Statement Yearly**

Pentium Place  
12,000 Sq. Ft Office Building

September 28, 2009  
Investit Decisions  
Real Estate Investment Yearly

|                                       | Year 1         | Year 2         | Year 3         | Year 4         | Year 5         | Year 6         | Year 7         | Year 8         | Year 9         | Year 10        | Year 11        |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>REVENUE</b>                        |                |                |                |                |                |                |                |                |                |                |                |
| Base Rent                             | 179,856        | 179,856        | 180,000        | 180,000        | 180,000        | 208,680        | 208,680        | 208,680        | 208,680        | 208,680        | 241,920        |
| Recoverable Expenses                  | 48,000         | 49,440         | 50,880         | 52,440         | 54,000         | 55,680         | 57,360         | 59,040         | 60,840         | 62,640         | 64,560         |
| Parking                               | 10,800         | 11,124         | 11,459         | 11,801         | 12,157         | 12,521         | 12,895         | 13,284         | 13,680         | 14,090         | 14,515         |
| <b>Potential Gross Income</b>         | <b>238,656</b> | <b>240,420</b> | <b>242,339</b> | <b>244,241</b> | <b>246,157</b> | <b>276,881</b> | <b>278,935</b> | <b>281,004</b> | <b>283,200</b> | <b>285,410</b> | <b>320,995</b> |
| Less: Vacancy & Credit Loss Allowance | 11,933         | 12,021         | 12,117         | 12,212         | 12,308         | 13,844         | 13,947         | 14,050         | 14,160         | 14,271         | 16,050         |
| <b>Effective Gross Income</b>         | <b>226,723</b> | <b>228,399</b> | <b>230,222</b> | <b>232,029</b> | <b>233,849</b> | <b>263,037</b> | <b>264,988</b> | <b>266,954</b> | <b>269,040</b> | <b>271,140</b> | <b>304,945</b> |
| <b>Operating Expenses</b>             |                |                |                |                |                |                |                |                |                |                |                |
| Property Taxes                        | 30,000         | 30,900         | 31,827         | 32,782         | 33,765         | 34,778         | 35,822         | 36,896         | 38,003         | 39,143         | 40,317         |
| Insurance                             | 10,000         | 10,400         | 10,816         | 11,249         | 11,699         | 12,167         | 12,653         | 13,159         | 13,686         | 14,233         | 14,802         |
| Maintenance                           | 12,000         | 12,480         | 12,984         | 13,500         | 14,040         | 14,604         | 15,180         | 15,792         | 16,428         | 17,076         | 17,760         |
| Utilities                             | 16,800         | 17,304         | 17,820         | 18,360         | 18,912         | 19,476         | 20,064         | 20,664         | 21,276         | 21,924         | 22,572         |
| Property Management                   | 11,336         | 11,420         | 11,511         | 11,601         | 11,692         | 13,152         | 13,249         | 13,348         | 13,452         | 13,557         | 15,247         |
|                                       | 80,136         | 82,504         | 84,958         | 87,492         | 90,108         | 94,177         | 96,968         | 99,859         | 102,845        | 105,933        | 110,698        |
| <b>Net Operating Income</b>           | <b>146,587</b> | <b>145,895</b> | <b>145,264</b> | <b>144,536</b> | <b>143,741</b> | <b>168,860</b> | <b>168,020</b> | <b>167,095</b> | <b>166,195</b> | <b>165,207</b> | <b>194,247</b> |

**Income & Expense Statement Yearly Snapshot**  
Pentium Place  
12,000 Sq. Ft Office Building

September 28, 2009  
Investit Decisions  
Real Estate Investment Yearly

|                                       | Year 1         | Year 2         | Year 3         | Year 4         | Year 5         | Year 6         | Year 7         | Year 8         | Year 9         | Year 10        | Year 11        |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>REVENUE</b>                        |                |                |                |                |                |                |                |                |                |                |                |
| <b>Potential Gross Income</b>         | <b>238,656</b> | <b>240,420</b> | <b>242,339</b> | <b>244,241</b> | <b>246,157</b> | <b>276,881</b> | <b>278,935</b> | <b>281,004</b> | <b>283,200</b> | <b>285,410</b> | <b>320,995</b> |
| Less: Vacancy & Credit Loss Allowance | 11,933         | 12,021         | 12,117         | 12,212         | 12,308         | 13,844         | 13,947         | 14,050         | 14,160         | 14,271         | 16,050         |
| <b>Effective Gross Income</b>         | <b>226,723</b> | <b>228,399</b> | <b>230,222</b> | <b>232,029</b> | <b>233,849</b> | <b>263,037</b> | <b>264,988</b> | <b>266,954</b> | <b>269,040</b> | <b>271,140</b> | <b>304,945</b> |
| Operating Expenses                    | 80,136         | 82,504         | 84,958         | 87,492         | 90,108         | 94,177         | 96,968         | 99,859         | 102,845        | 105,933        | 110,698        |
| <b>Net Operating Income</b>           | <b>146,587</b> | <b>145,895</b> | <b>145,264</b> | <b>144,536</b> | <b>143,741</b> | <b>168,860</b> | <b>168,020</b> | <b>167,095</b> | <b>166,195</b> | <b>165,207</b> | <b>194,247</b> |

**Operating Cash Flow Yearly**  
Pentium Place  
12,000 Sq. Ft Office Building

September 28, 2009  
Investit Decisions  
Real Estate Investment Yearly

|                                    | Year 1         | Year 2         | Year 3         | Year 4         | Year 5         | Year 6         | Year 7         | Year 8         | Year 9         | Year 10        |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>CASH FLOW BEFORE TAX</b>        |                |                |                |                |                |                |                |                |                |                |
| <b>Potential Gross Income</b>      | <b>238,656</b> | <b>240,420</b> | <b>242,339</b> | <b>244,241</b> | <b>246,157</b> | <b>276,881</b> | <b>278,935</b> | <b>281,004</b> | <b>283,200</b> | <b>285,410</b> |
| Less: Vacancy & Credit Loss Allow. | 11,933         | 12,021         | 12,117         | 12,212         | 12,308         | 13,844         | 13,947         | 14,050         | 14,160         | 14,271         |
| <b>Effective Gross Income</b>      | <b>226,723</b> | <b>228,399</b> | <b>230,222</b> | <b>232,029</b> | <b>233,849</b> | <b>263,037</b> | <b>264,988</b> | <b>266,954</b> | <b>269,040</b> | <b>271,140</b> |
| Operating Expenses                 | 80,136         | 82,504         | 84,958         | 87,492         | 90,108         | 94,177         | 96,968         | 99,859         | 102,845        | 105,933        |
| <b>Net Operating Income</b>        | <b>146,587</b> | <b>145,895</b> | <b>145,264</b> | <b>144,536</b> | <b>143,741</b> | <b>168,860</b> | <b>168,020</b> | <b>167,095</b> | <b>166,195</b> | <b>165,207</b> |
| Less: Principal Payments           | 14,758         | 15,809         | 16,935         | 18,141         | 19,433         | 20,817         | 22,300         | 23,888         | 25,590         | 27,413         |
| Interest payments                  | 65,090         | 64,038         | 62,912         | 61,706         | 60,414         | 59,030         | 57,547         | 55,959         | 54,257         | 52,435         |
| <b>CASH FLOW BEFORE TAX</b>        | <b>66,740</b>  | <b>66,048</b>  | <b>65,416</b>  | <b>64,689</b>  | <b>63,893</b>  | <b>89,013</b>  | <b>88,173</b>  | <b>87,248</b>  | <b>86,348</b>  | <b>85,359</b>  |
| Less: Income Tax at 33.00%         | 20,294         | 14,077         | 14,757         | 15,412         | 16,053         | 25,257         | 25,908         | 26,549         | 27,219         | 27,883         |
| <b>CASH FLOW AFTER TAX</b>         | <b>46,445</b>  | <b>51,971</b>  | <b>50,659</b>  | <b>49,277</b>  | <b>47,841</b>  | <b>63,756</b>  | <b>62,264</b>  | <b>60,698</b>  | <b>59,129</b>  | <b>57,476</b>  |
| <b>INCOME TAX CALCULATIONS</b>     |                |                |                |                |                |                |                |                |                |                |
| Net Operating Income               | 146,587        | 145,895        | 145,264        | 144,536        | 143,741        | 168,860        | 168,020        | 167,095        | 166,195        | 165,207        |
| Less: Interest Payments            | 65,090         | 64,038         | 62,912         | 61,706         | 60,414         | 59,030         | 57,547         | 55,959         | 54,257         | 52,435         |
| Depreciation & Amortization        | 20,000         | 39,200         | 37,632         | 36,127         | 34,682         | 33,294         | 31,963         | 30,684         | 29,457         | 28,278         |
| <b>Taxable Income</b>              | <b>61,497</b>  | <b>42,657</b>  | <b>44,719</b>  | <b>46,703</b>  | <b>48,645</b>  | <b>76,536</b>  | <b>78,510</b>  | <b>80,452</b>  | <b>82,481</b>  | <b>84,494</b>  |
| <b>Income Tax at 33.00%</b>        | <b>20,294</b>  | <b>14,077</b>  | <b>14,757</b>  | <b>15,412</b>  | <b>16,053</b>  | <b>25,257</b>  | <b>25,908</b>  | <b>26,549</b>  | <b>27,219</b>  | <b>27,883</b>  |

**Net Cash Flow (Before Tax)**  
Pentium Place  
12,000 Sq. Ft Office Building

September 28, 2009  
Investit Decisions  
Real Estate Investment Yearly

| Year                    | Investment     | Financing  |           | Operating<br>Cash Flow<br>(Before Tax) | Sale<br>Proceeds<br>(Before Tax) | Net<br>Cash Flow<br>(Before Tax) |
|-------------------------|----------------|------------|-----------|--|----------------------------------|----------------------------------|
|                         |                | Borrow     | Paid Back |  |                                  |                                  |
| Year 1 Jan-Year 1 Dec   | \$ (1,648,000) | \$ 950,000 | -         | \$ 66,740                              | -                                | \$ (631,260)                     |
| Year 2 Jan-Year 2 Dec   | -              | -          | -         | 66,048                                 | -                                | 66,048                           |
| Year 3 Jan-Year 3 Dec   | -              | -          | -         | 65,416                                 | -                                | 65,416                           |
| Year 4 Jan-Year 4 Dec   | -              | -          | -         | 64,689                                 | -                                | 64,689                           |
| Year 5 Jan-Year 5 Dec   | -              | -          | -         | 63,893                                 | -                                | 63,893                           |
| Year 6 Jan-Year 6 Dec   | -              | -          | -         | 89,013                                 | -                                | 89,013                           |
| Year 7 Jan-Year 7 Dec   | -              | -          | -         | 88,173                                 | -                                | 88,173                           |
| Year 8 Jan-Year 8 Dec   | -              | -          | -         | 87,248                                 | -                                | 87,248                           |
| Year 9 Jan-Year 9 Dec   | -              | -          | -         | 86,348                                 | -                                | 86,348                           |
| Year 10 Jan-Year 10 Dec | -              | -          | (744,915) | 85,359                                 | 2,233,842                        | 1,574,287                        |
|                         |                |            |           |  | Total                            | \$ 1,553,853                     |

**Financial Returns (Before Tax) with Financing**

|   |            |
|---|------------|
| Internal Rate of Return (IRR)             | 15.78%     |
| Net Present Value (NPV) at 13.00%         | \$ 138,040 |
| Modified Internal Rate of Return (MIRR)   | 12.84%     |
| Short Term Financing Rate (Before Tax)    | 7.500%     |
| Short Term Reinvestment Rate (Before Tax) | 2.500%     |

**Financial Returns (Before Tax) without Financing**

|   |              |
|---|--------------|
| Internal Rate of Return (IRR)             | 11.40%       |
| Net Present Value (NPV) at 13.00%         | (\$ 159,246) |
| Modified Internal Rate of Return (MIRR)   | 9.21%        |
| Short Term Financing Rate (Before Tax)    | 7.500%       |
| Short Term Reinvestment Rate (Before Tax) | 2.500%       |

**Net Cash Flow (After Tax)**  
Pentium Place  
12,000 Sq. Ft Office Building

September 28, 2009  
Investit Decisions  
Real Estate Investment Yearly

| Year                    | Investment     | Financing  |           | Operating<br>Cash Flow<br>(After Tax) | Sale<br>Proceeds<br>(After Tax) | Net<br>Cash Flow<br>(After Tax) |
|-------------------------|----------------|------------|-----------|---------------------------------------|---------------------------------|---------------------------------|
|                         |                | Borrow     | Paid Back |                                       |                                 |                                 |
| Year 1 Jan-Year 1 Dec   | \$ (1,648,000) | \$ 950,000 | -         | \$ 46,445                             | -                               | \$ (651,555)                    |
| Year 2 Jan-Year 2 Dec   | -              | -          | -         | 51,971                                | -                               | 51,971                          |
| Year 3 Jan-Year 3 Dec   | -              | -          | -         | 50,659                                | -                               | 50,659                          |
| Year 4 Jan-Year 4 Dec   | -              | -          | -         | 49,277                                | -                               | 49,277                          |
| Year 5 Jan-Year 5 Dec   | -              | -          | -         | 47,841                                | -                               | 47,841                          |
| Year 6 Jan-Year 6 Dec   | -              | -          | -         | 63,756                                | -                               | 63,756                          |
| Year 7 Jan-Year 7 Dec   | -              | -          | -         | 62,264                                | -                               | 62,264                          |
| Year 8 Jan-Year 8 Dec   | -              | -          | -         | 60,698                                | -                               | 60,698                          |
| Year 9 Jan-Year 9 Dec   | -              | -          | -         | 59,129                                | -                               | 59,129                          |
| Year 10 Jan-Year 10 Dec | -              | -          | (744,915) | 57,476                                | 2,127,808                       | 1,440,369                       |
|                         |                |            |           |                                       | Total                           | \$ 1,234,410                    |

**Financial Returns (After Tax) with Financing**

|  |            |
|--|------------|
| Internal Rate of Return (IRR)            | 12.98%     |
| Net Present Value (NPV) at 8.71%         | \$ 252,114 |
| Modified Internal Rate of Return (MIRR)  | 10.95%     |
| Short Term Financing Rate (After Tax)    | 5.025%     |
| Short Term Reinvestment Rate (After Tax) | 1.675%     |

**Financial Returns (After Tax) without Financing**

|  |           |
|--|-----------|
| Internal Rate of Return (IRR)            | 8.84%     |
| Net Present Value (NPV) at 8.71%         | \$ 14,993 |
| Modified Internal Rate of Return (MIRR)  | 7.41%     |
| Short Term Financing Rate (After Tax)    | 5.025%    |
| Short Term Reinvestment Rate (After Tax) | 1.675%    |

**Present Value Appraisal**  
Pentium Place  
12,000 Sq. Ft Office Building

September 28, 2009  
Investit Decisions  
Real Estate Investment Yearly

| Year                    | Net Operating<br>Income | Present Value<br>Discount Factor<br>at 13.00% | Present Value<br>Net Operating<br>Income | Property<br>Reversion<br>(Sale) | Present Value<br>Discount Factor<br>at 13.00% | Present Value<br>Property<br>Reversion (Sale) | Overall<br>Present Value |
|-------------------------|-------------------------|---|--|---------------------------------|---|---|--------------------------|
| Year 1 Jan-Year 1 Dec   | 146,587                 | 0.88495575                                    | 129,723                                  |                                 |   |   | 129,723                  |
| Year 2 Jan-Year 2 Dec   | 145,895                 | 0.78314668                                    | 114,257                                  |                                 |   |   | 114,257                  |
| Year 3 Jan-Year 3 Dec   | 145,264                 | 0.69305016                                    | 100,675                                  |                                 |   |   | 100,675                  |
| Year 4 Jan-Year 4 Dec   | 144,536                 | 0.61331873                                    | 88,647                                   |                                 |   |   | 88,647                   |
| Year 5 Jan-Year 5 Dec   | 143,741                 | 0.54275994                                    | 78,017                                   |                                 |   |   | 78,017                   |
| Year 6 Jan-Year 6 Dec   | 168,860                 | 0.48031853                                    | 81,107                                   |                                 |   |   | 81,107                   |
| Year 7 Jan-Year 7 Dec   | 168,020                 | 0.42506064                                    | 71,419                                   |                                 |   |   | 71,419                   |
| Year 8 Jan-Year 8 Dec   | 167,095                 | 0.37615986                                    | 62,854                                   |                                 |   |   | 62,854                   |
| Year 9 Jan-Year 9 Dec   | 166,195                 | 0.33288483                                    | 55,324                                   |                                 |   |   | 55,324                   |
| Year 10 Jan-Year 10 Dec | 165,207                 | 0.29458835                                    | 48,668                                   | 2,233,842                       | 0.29458835                                    | 658,064                                       | 706,732                  |
|                         |                         | <b>Present Values</b>                         | <b>830,691</b>                           |                                 |   | <b>658,064</b>                                | <b>1,488,755</b>         |

**CASH FLOW. PRESENT VALUE SUMMARY**

|                                    |                  |                |
|------------------------------------|------------------|----------------|
| Present Value Net Operating Income | 830,691          | 55.80%         |
| Present Value of Reversion (Sale)  | 658,064          | 44.20%         |
| <b>Present Value at 13.00%</b>     | <b>1,488,755</b> | <b>100.00%</b> |

**Note: Present Value is calculated before tax and excludes financing and capital expenditures**

**Revenue Calculations. Yearly**  
Pentium Place  
12,000 Sq. Ft Office Building

September 28, 2009  
Investit Decisions  
Real Estate Investment Yearly

|                      | Year 1         | Year 2         | Year 3         | Year 4         | Year 5         | Year 6         | Year 7         | Year 8         | Year 9         | Year 10        |
|----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>REVENUE</b>       |                |                |                |                |                |                |                |                |                |                |
| Base Rent            | 180,000        | 180,000        | 180,000        | 180,000        | 180,000        | 208,680        | 208,680        | 208,680        | 208,680        | 208,680        |
| Free Rent Adjustment | (144)          | (144)          | -              | -              | -              | -              | -              | -              | -              | -              |
|                      | 179,856        | 179,856        | 180,000        | 180,000        | 180,000        | 208,680        | 208,680        | 208,680        | 208,680        | 208,680        |
| Recoverable Expenses | 48,000         | 49,440         | 50,880         | 52,440         | 54,000         | 55,680         | 57,360         | 59,040         | 60,840         | 62,640         |
| Parking              | 10,800         | 11,124         | 11,459         | 11,801         | 12,157         | 12,521         | 12,895         | 13,284         | 13,680         | 14,090         |
| <b>Total</b>         | <b>238,656</b> | <b>240,420</b> | <b>242,339</b> | <b>244,241</b> | <b>246,157</b> | <b>276,881</b> | <b>278,935</b> | <b>281,004</b> | <b>283,200</b> | <b>285,410</b> |

**Revenue Calculations. Yearly**  
Pentium Place  
12,000 Sq. Ft Office Building

September 28, 2009  
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Real Estate Investment Yearly

**Year 11**

**REVENUE**

|                      |                |
|----------------------|----------------|
| Base Rent            | 241,920        |
| Free Rent Adjustment | -              |
|                      | <hr/>          |
|                      | 241,920        |
| Recoverable Expenses | 64,560         |
| Parking              | 14,515         |
| <b>Total</b>         | <b>320,995</b> |

**Expense Calculations Yearly**  
Pentium Place  
12,000 Sq. Ft Office Building

September 28, 2009  
Investit Decisions  
Real Estate Investment Yearly

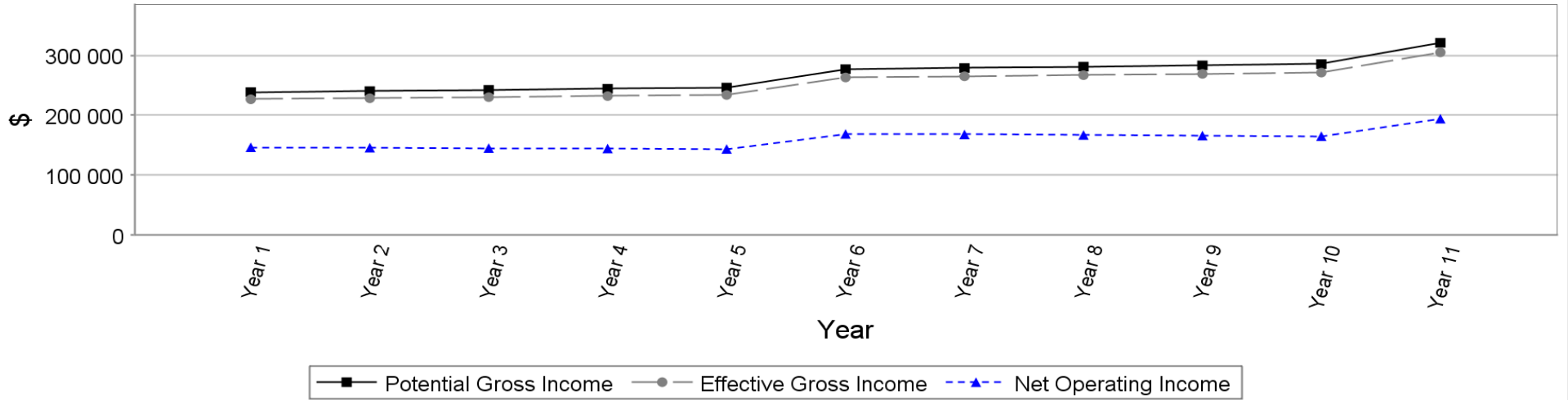
|  | Year 1        | Year 2        | Year 3        | Year 4        | Year 5        | Year 6        | Year 7        | Year 8        | Year 9         | Year 10        | Year 11        |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|
| Property Taxes                           | 30,000        | 30,900        | 31,827        | 32,782        | 33,765        | 34,778        | 35,822        | 36,896        | 38,003         | 39,143         | 40,317         |
| Insurance                                | 10,000        | 10,400        | 10,816        | 11,249        | 11,699        | 12,167        | 12,653        | 13,159        | 13,686         | 14,233         | 14,802         |
| Maintenance                              | 12,000        | 12,480        | 12,984        | 13,500        | 14,040        | 14,604        | 15,180        | 15,792        | 16,428         | 17,076         | 17,760         |
| Utilities                                | 16,800        | 17,304        | 17,820        | 18,360        | 18,912        | 19,476        | 20,064        | 20,664        | 21,276         | 21,924         | 22,572         |
| <b>Property Management</b>               |               |               |               |               |               |               |               |               |                |                |                |
| Potential Gross Income. Gen Revenue      | 238,656       | 240,420       | 242,339       | 244,241       | 246,157       | 276,881       | 278,935       | 281,004       | 283,200        | 285,410        | 320,995        |
| Less: Vacancy Allowance                  | 11,933        | 12,021        | 12,117        | 12,212        | 12,308        | 13,844        | 13,947        | 14,050        | 14,160         | 14,271         | 16,050         |
| Effective Gross Income. Gen Revenue      | 226,723       | 228,399       | 230,222       | 232,029       | 233,849       | 263,037       | 264,988       | 266,954       | 269,040        | 271,140        | 304,945        |
| % of Effective Gross Income. Gen Revenue | 5.00%         | 5.00%         | 5.00%         | 5.00%         | 5.00%         | 5.00%         | 5.00%         | 5.00%         | 5.00%          | 5.00%          | 5.00%          |
|  | 11,336        | 11,420        | 11,511        | 11,601        | 11,692        | 13,152        | 13,249        | 13,348        | 13,452         | 13,557         | 15,247         |
| <b>Total</b>                             | <b>80,136</b> | <b>82,504</b> | <b>84,958</b> | <b>87,492</b> | <b>90,108</b> | <b>94,177</b> | <b>96,968</b> | <b>99,859</b> | <b>102,845</b> | <b>105,933</b> | <b>110,698</b> |

**Vacancy & Credit Loss. Yearly**  
Pentium Place  
12,000 Sq. Ft Office Building

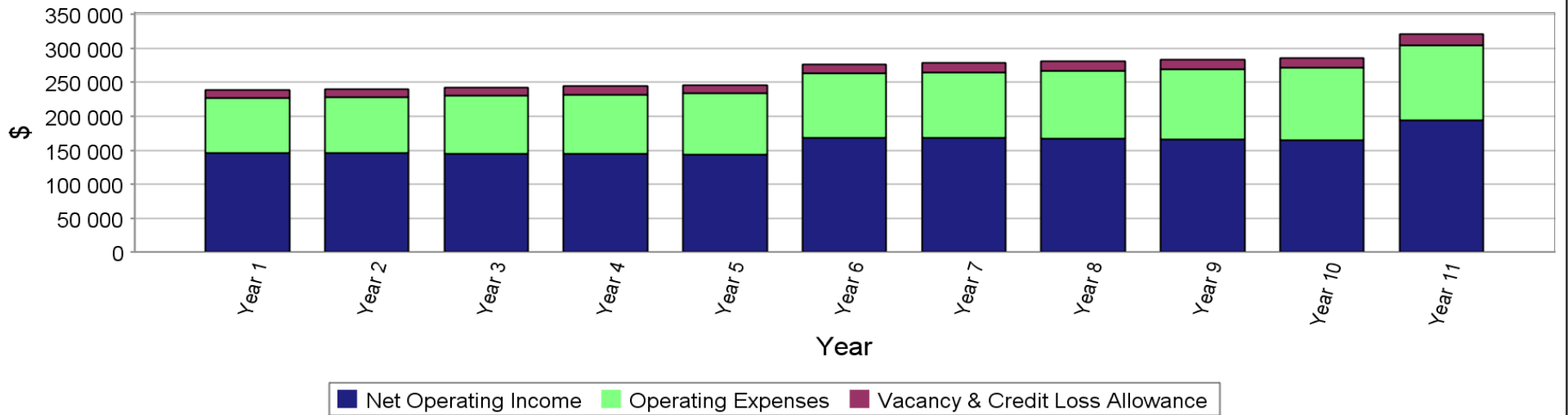
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Real Estate Investment Yearly

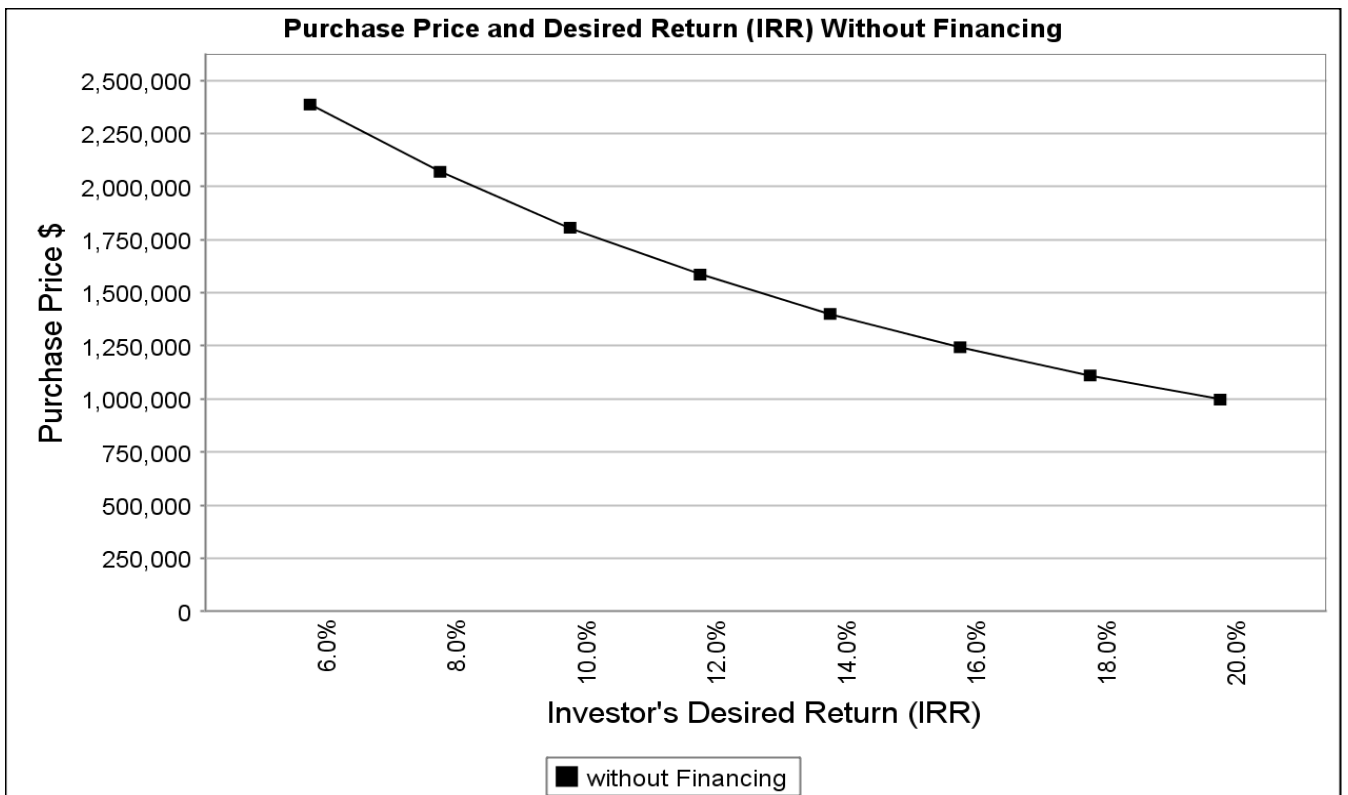
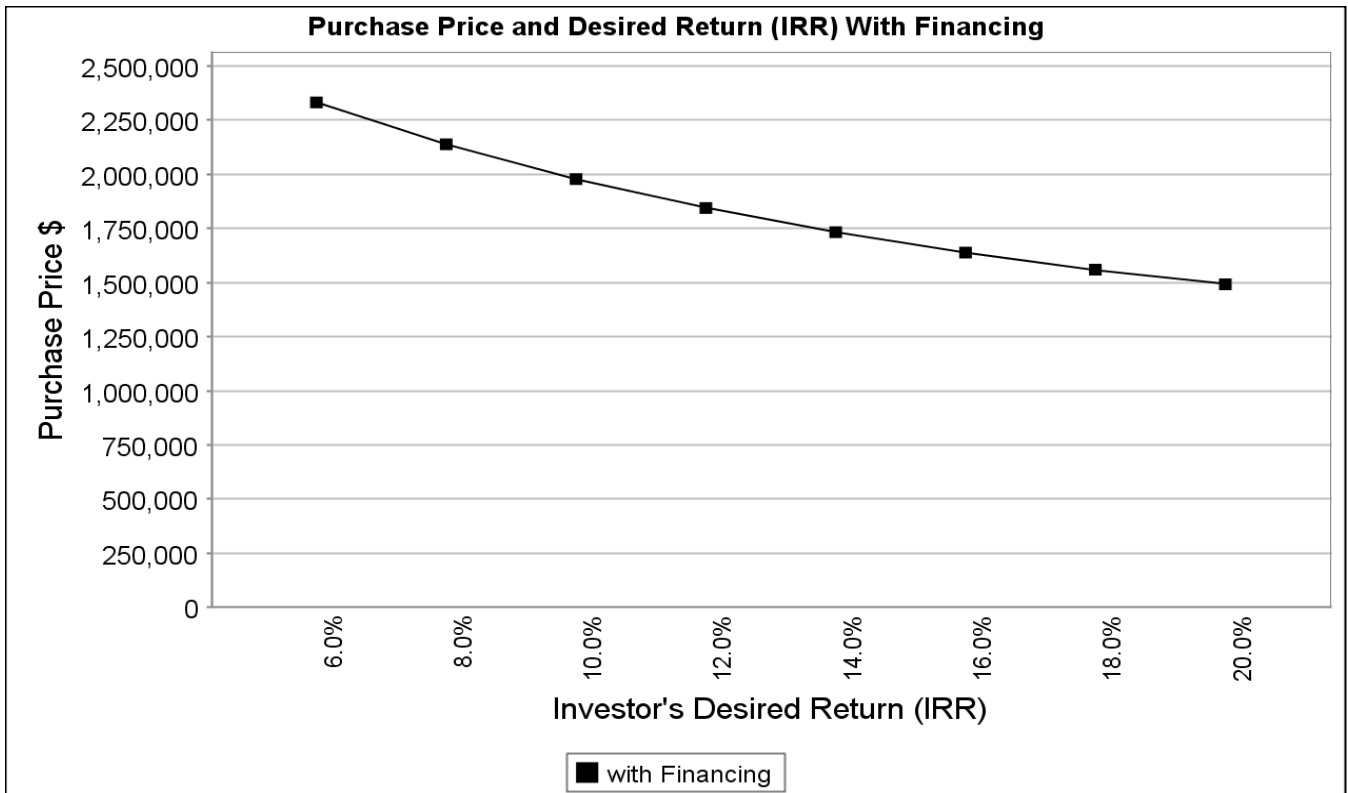
|                                  | Year 1        | Year 2        | Year 3        | Year 4        | Year 5        | Year 6        | Year 7        | Year 8        | Year 9        | Year 10       | Year 11       |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>VACANCY &amp; CREDIT LOSS</b> |               |               |               |               |               |               |               |               |               |               |               |
| Revenue                          | 238,656       | 240,420       | 242,339       | 244,241       | 246,157       | 276,881       | 278,935       | 281,004       | 283,200       | 285,410       | 320,995       |
|                                  | 5.00%         | 5.00%         | 5.00%         | 5.00%         | 5.00%         | 5.00%         | 5.00%         | 5.00%         | 5.00%         | 5.00%         | 5.00%         |
|                                  | 11,933        | 12,021        | 12,117        | 12,212        | 12,308        | 13,844        | 13,947        | 14,050        | 14,160        | 14,271        | 16,050        |
| <b>TOTAL VACANCY</b>             | <b>11,933</b> | <b>12,021</b> | <b>12,117</b> | <b>12,212</b> | <b>12,308</b> | <b>13,844</b> | <b>13,947</b> | <b>14,050</b> | <b>14,160</b> | <b>14,271</b> | <b>16,050</b> |

## Income & Expenses



## Income Distribution





**Financial Measures Summary**  
Pentium Place  
12,000 Sq. Ft Office Building

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**Financial Returns.**

**Cap Rate using the investment in Year 1 of \$ 1,648,000** 8.89%

|  |   | <u>With<br/>Financing</u> | <u>Without<br/>Financing</u> |
|--|---|---------------------------|------------------------------|
| <b>Internal Rate of Return (IRR)</b>           | Before Tax                                | 15.78%                    | 11.40%                       |
|  | After Tax                                 | 12.98%                    | 8.84%                        |
| <b>Net Present Value (NPV)</b>                 | Before Tax                                | \$ 138,040 at 13.00%      | (\$ 159,246) at 13.00%       |
|  | After Tax                                 | \$ 252,114 at 8.71%       | \$ 14,993 at 8.71%           |
| <b>Modified Internal Rate of Return (MIRR)</b> | Before Tax                                | 12.84%                    | 9.21%                        |
|  | Short Term Financing Rate (Before Tax)    | 7.50%                     | 7.50%                        |
|  | Short Term Reinvestment Rate (Before Tax) | 2.50%                     | 2.50%                        |
| <b>Modified Internal Rate of Return (MIRR)</b> | After Tax                                 | 10.95%                    | 7.41%                        |
|  | Short Term Financing Rate (After Tax)     | 5.03%                     | 5.03%                        |
|  | Short Term Reinvestment Rate (Before Tax) | 1.68%                     | 1.68%                        |

**Financial Operating Ratios**

| Year    | Debt<br>Coverage<br>Ratio | Default Ratio<br>(Breakeven)<br>(Using PGI) | Overall<br>Operating<br>Expense Ratio<br>(Using PGI) |
|---------|---------------------------|---|--|
| Year 1  | 1.84                      | 67.04%                                      | 33.58%   |
| Year 2  | 1.83                      | 67.53%                                      | 34.32%   |
| Year 3  | 1.82                      | 68.01%                                      | 35.06%   |
| Year 4  | 1.81                      | 68.51%                                      | 35.82%   |
| Year 5  | 1.80                      | 69.04%                                      | 36.61%   |
| Year 6  | 2.11                      | 62.85%                                      | 34.01%   |
| Year 7  | 2.10                      | 63.39%                                      | 34.76%   |
| Year 8  | 2.09                      | 63.95%                                      | 35.54%   |
| Year 9  | 2.08                      | 64.51%                                      | 36.32%   |
| Year 10 | 2.07                      | 65.09%                                      | 37.12%   |

**Cash on Cash Returns**

| Year    | Based on Initial Equity in Year 1 |         |                        |         | Based on Adjusted Annual Equity |         |                        |         |
|---------|-----------------------------------|---------|------------------------|---------|---------------------------------|---------|------------------------|---------|
|         | Cash on Cash Before Tax           |         | Cash on Cash After Tax |         | Cash on Cash Before Tax         |         | Cash on Cash After Tax |         |
|         | Annual                            | Average | Annual                 | Average | Annual                          | Average | Annual                 | Average |
| Year 1  | 9.56%                             | 9.56%   | 6.65%                  | 6.65%   | 9.56%                           | 9.56%   | 6.65%                  | 6.65%   |
| Year 2  | 9.46%                             | 9.51%   | 7.45%                  | 7.05%   | 9.46%                           | 9.51%   | 7.45%                  | 7.05%   |
| Year 3  | 9.37%                             | 9.47%   | 7.26%                  | 7.12%   | 9.37%                           | 9.47%   | 7.26%                  | 7.12%   |
| Year 4  | 9.27%                             | 9.42%   | 7.06%                  | 7.10%   | 9.27%                           | 9.42%   | 7.06%                  | 7.10%   |
| Year 5  | 9.15%                             | 9.36%   | 6.85%                  | 7.05%   | 9.15%                           | 9.36%   | 6.85%                  | 7.05%   |
| Year 6  | 12.75%                            | 9.93%   | 9.13%                  | 7.40%   | 12.75%                          | 9.93%   | 9.13%                  | 7.40%   |
| Year 7  | 12.63%                            | 10.31%  | 8.92%                  | 7.62%   | 12.63%                          | 10.31%  | 8.92%                  | 7.62%   |
| Year 8  | 12.50%                            | 10.59%  | 8.70%                  | 7.75%   | 12.50%                          | 10.59%  | 8.70%                  | 7.75%   |
| Year 9  | 12.37%                            | 10.79%  | 8.47%                  | 7.83%   | 12.37%                          | 10.79%  | 8.47%                  | 7.83%   |
| Year 10 | 12.23%                            | 10.93%  | 8.23%                  | 7.87%   | 12.23%                          | 10.93%  | 8.23%                  | 7.87%   |

**IRR & MIRR Year by Year (Before Tax)**Pentium Place  
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| <u>Year</u>             | <u>Investment<br/>Year 1</u> | <u>Estimated<br/>Sale Price</u> | <u>IRR<br/>(Before Tax)</u> | <u>MIRR<br/>(Before Tax)</u> |
|-------------------------|------------------------------|---------------------------------|-----------------------------|------------------------------|
| Year 1 Jan-Year 1 Dec   | \$ (1,648,000)               |                                 |                             |                              |
| Year 2 Jan-Year 2 Dec   |                              | 1,815,797                       | 13.09%                      | 12.64%                       |
| Year 3 Jan-Year 3 Dec   |                              | 1,806,704                       | 12.09%                      | 11.32%                       |
| Year 4 Jan-Year 4 Dec   |                              | 1,796,761                       | 11.56%                      | 10.53%                       |
| Year 5 Jan-Year 5 Dec   |                              | 2,110,749                       | 17.12%                      | 15.27%                       |
| Year 6 Jan-Year 6 Dec   |                              | 2,100,250                       | 15.99%                      | 13.97%                       |
| Year 7 Jan-Year 7 Dec   |                              | 2,088,689                       | 15.20%                      | 12.98%                       |
| Year 8 Jan-Year 8 Dec   |                              | 2,077,438                       | 14.62%                      | 12.21%                       |
| Year 9 Jan-Year 9 Dec   |                              | 2,065,086                       | 14.16%                      | 11.58%                       |
| Year 10 Jan-Year 10 Dec |                              | 2,428,090                       | 15.78%                      | 12.84%                       |

## Modified Internal Rate of Return (MIRR)

|   |        |
|---|--------|
| Short Term Financing Rate (Before Tax)    | 7.500% |
| Short Term Reinvestment Rate (Before Tax) | 2.500% |

**Goal Seeking Results**  
Pentium Place  
12,000 Sq. Ft Office Building

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**SUMMARY**

|                              | <b>Internal<br/>Rate of<br/>Return (IRR)</b> | <b>Buy</b>   | <b>Sell</b>  | <b>Compounding<br/>Appreciation<br/>Rate</b> |
|------------------------------|--|--------------|--------------|--|
| <b>BEFORE TAX</b>            |  |              |              |  |
| <b>With Financing</b>        |  |              |              |  |
| Based on data entered        | 15.78%                                       | \$ 1,648,000 | \$ 2,428,090 | 3.95%  |
| Goal seeking results for IRR | 13.00%                                       | \$ 1,786,040 | \$ 2,428,090 | 3.12%  |
|                              | 13.00%                                       | \$ 1,648,000 | \$ 1,918,762 | 1.53%  |
| <b>Without Financing</b>     |  |              |              |  |
| Based on data entered        | 11.40%                                       | \$ 1,648,000 | \$ 2,428,090 | 3.95%  |
| Goal seeking results for IRR | 13.00%                                       | \$ 1,488,754 | \$ 2,428,090 | 5.01%  |
|                              | 13.00%                                       | \$ 1,648,000 | \$ 3,015,661 | 6.23%  |
| <b>AFTER TAX</b>             |  |              |              |  |
| <b>With Financing</b>        |  |              |              |  |
| Based on data entered        | 12.98%                                       | \$ 1,648,000 | \$ 2,428,090 | 3.95%  |
| Goal seeking results for IRR | 8.45%  | \$ 1,922,731 | \$ 2,428,090 | 2.36%  |
|                              | 8.45%  | \$ 1,648,000 | \$ 1,765,320 | 0.69%  |
| <b>Without Financing</b>     |  |              |              |  |
| Based on data entered        | 8.84%  | \$ 1,648,000 | \$ 2,428,090 | 3.95%  |
| Goal seeking results for IRR | 8.45%  | \$ 1,694,877 | \$ 2,428,090 | 3.66%  |
|                              | 8.45%  | \$ 1,648,000 | \$ 2,315,004 | 3.46%  |

**GOAL SEEKING RESULTS BEFORE TAX**

**With Financing**

To achieve an Internal Rate of Return (IRR) of 13.00% before tax, you would have to either:

- a) Buy the property for \$ 1,786,040 and sell for \$ 2,428,090 in 10 years which is 3.12% compounding increase in value per year.
- b) Buy the property for \$ 1,648,000 and sell for \$ 1,918,762 in 10 years which is 1.53% compounding increase in value per year.

**Without Financing**

To achieve an Internal Rate of Return (IRR) of 13.00% before tax, you would have to either:

- a) Buy the property for \$ 1,488,754 and sell for \$ 2,428,090 in 10 years which is 5.01% compounding increase in value per year.
- b) Buy the property for \$ 1,648,000 and sell for \$ 3,015,661 in 10 years which is 6.23% compounding increase in value per year.

**GOAL SEEKING RESULTS AFTER TAX**

**With Financing**

To achieve an Internal Rate of Return (IRR) of 8.45% after tax, you would have to either:

- a) Buy the property for \$ 1,922,731 and sell for \$ 2,428,090 in 10 years which is 2.36% compounding increase in value per year.
- b) Buy the property for \$ 1,648,000 and sell for \$ 1,765,320 in 10 years which is 0.69% compounding increase in value per year.

**Without Financing**

To achieve an Internal Rate of Return (IRR) of 8.45% after tax, you would have to either:

- a) Buy the property for \$ 1,694,877 and sell for \$ 2,428,090 in 10 years which is 3.66% compounding increase in value per year.
- b) Buy the property for \$ 1,648,000 and sell for \$ 2,315,004 in 10 years which is 3.46% compounding increase in value per year.

**INVESTMENT TAB ENTRIES.** Allocations of the Purchase Price between Land and Improvements to achieve the desired Internal Rate of Return (IRR)

|                                      | %              | BEFORE TAX                   |                            | AFTER TAX                    |                            |
|--------------------------------------|----------------|------------------------------|----------------------------|------------------------------|----------------------------|
|                                      |                | With Financing<br>13.00% IRR | No Financing<br>13.00% IRR | With Financing<br>8.450% IRR | No Financing<br>8.450% IRR |
| Land                                 | 39.32%         | 702,278                      | 585,384                    | 756,025                      | 666,432                    |
| Building                             | 60.68%         | 1,083,762                    | 903,370                    | 1,166,706                    | 1,028,445                  |
| <b>Purchase Price (Year 1 Total)</b> | <b>100.00%</b> | <b>\$ 1,786,040</b>          | <b>\$ 1,488,754</b>        | <b>\$ 1,922,731</b>          | <b>\$ 1,488,754</b>        |

**Notes:**

The allocation of the Purchase Price between Land and Improvements uses the same % allocation used in the First Year of the Investment Folder grid.

The Purchase Price (Year 1 Total) excludes entries using the Depreciation methods "Amort. Mortgage Fees" and "Amortize"

**Cash Flow from Sale**  
Pentium Place  
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**Cash Flow from Sale (Before Tax)**

|   |    |                  |
|---|----|------------------|
| Sale Price                              | \$ | 2,428,090        |
| Less: Real Estate Commission            |    | 121,404          |
| Selling Expenses                        |    | 24,281           |
| Legal                                   |    | 48,562           |
| Net Sale Price                          |    | 2,233,842        |
| Less: Mortgage Repayment                |    | 744,915          |
| <b>Cash Flow from Sale (Before Tax)</b> |    | <b>1,488,927</b> |

**Cash Flow from Sale (After Tax)**

|  |           |                  |
|--|-----------|------------------|
| Net Sale Price                         |           | 2,233,842        |
| Less: Capital Gains Tax                |           |                  |
| Net Sale Price                         | 2,233,842 |                  |
| Less Cost Basis                        | 1,648,000 |                  |
| Capital Gains                          | 585,842   | x 33.00% x 0%    |
|  |           | -                |
| Less: Recaptured Depreciation Tax      |           |                  |
| Tax Value of Improvements on Sale      | 1,000,000 |                  |
| Less Undepreciated Balance             | 678,683   |                  |
| Recaptured Depreciation                | 321,317   | x 33.00%         |
|  |           | 106,035          |
| Net Proceeds (After Tax)               |           | 2,127,808        |
| Less: Mortgage Repayment               |           | 744,915          |
| <b>Cash Flow from Sale (After Tax)</b> |           | <b>1,382,893</b> |

**Input Data Summary**  
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**Investment Analysis**

**Note**

For information on Revenue, Expenses and Vacancy inputs and projections see the Revenue, Expense and Vacancy projection description reports.

**Project Information**

|                      |                     |
|----------------------|---------------------|
| Analysis Period      | 10 years            |
| Starting date        | January Year 1      |
| Purchase Price       | \$ 1,600,000        |
| Acquisition Cost     | 48,000 3.00%        |
| Total Purchase Price | <u>\$ 1,648,000</u> |
| Building Area        | 14,000 Sq. Ft       |
| Rentable Area        | 12,000 Sq. Ft       |
| Land Area            | 0 Sq. Ft            |
| Frontage             | 0 Ft                |

**Investor Information**

|                                  |        |
|----------------------------------|--------|
| Marginal Tax Rate                | 33.00% |
| Capital Gain. 0% added to income |        |

Desired Return on Investment (Discount Rate)

|             |        |
|-------------|--------|
| Before Tax: | 13.00% |
| After Tax:  | 8.71%  |

Short Term Reinvestment Rates

|             |        |
|-------------|--------|
| Before Tax: | 2.500% |
| After Tax:  | 1.675% |

Short Term Financing Rates

|             |        |
|-------------|--------|
| Before Tax: | 7.500% |
| After Tax:  | 5.025% |

**Investment information**

Total Invested in Year 1 is \$ 1,648,000

**Input Data Summary**  
Pentium Place  
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|          | CCA Class | Date        | Amount       | CCA Rate | First Year | Claim CCA in Last Year |
|----------|-----------|-------------|--------------|----------|------------|------------------------|
| Land     | Land      | Jan, Year 1 | \$ 648,000   |          |            |                        |
| Building | Building  | Jan, Year 1 | \$ 1,000,000 | 4.00%    | 50.00%     | Yes                    |

**Financing**

First Mortgage  
Starts: January Year 1  
Type: Standard Mortgage  
Amount: \$ 950,000  
Interest Rate: Fixed  
Payment Frequency: Monthly  
Compounding Frequency: Semi-annually  
Addit. Payments/Borrowing: No  
Rounding: Up to Nearest Cent  
No of Terms: 1

| Term | Time Period    | Nominal Annual Interest Rate | Amortization   |
|------|----------------|------------------------------|----------------|
| 1    | 11 yrs & 0 mos | 7.000%                       | 25 yrs & 0 mos |

**Sale Information**

Sale price at the end of 10 years is \$ 2,428,090 based on the income for the year following sale and a Cap Rate of 8.00%

Selling Expenses  
Selling Expenses 1.00% of the Sale Price  
Legal 2.00% of the Sale Price  
Real Estate Commissions 5.00% of the Sale Price

Allocation of Improvements on Sale Same ratio as on acquisition

**Projection Descriptions**  
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12,000 Sq. Ft Office Building

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**EXPENSES PROJECTIONS**

**Property Taxes**

Entry Choice: Amount

Year 1 \$30,000  
Compounding at 3.00% per year for next 10 years

**Insurance**

Entry Choice: Amount

Year 1 \$10,000  
Compounding at 4.00% per year for next 10 years

**Maintenance**

Entry Choice: \$ per Month

Year 1 \$1,000 per Month for 1 year  
Compounding at 4.00% per year for next 10 years

**Utilities**

Entry Choice: \$ per Month

Year 1 \$1,400 per Month for 1 year  
Compounding at 3.00% per year for next 10 years

**Property Management**

Entry Choice: % of Effective Gross Income

Year 1 5.00% of Effective Gross Income  
Constant per year for next 10 years

**REVENUE PROJECTIONS**

**Base Rent**

Entry Choice: \$ per Unit of Total Rentable Area per Year

Quantity: 12,000

Year 1 Jan Stepped Projection (Lease)  
Term 1: \$15.00 per Unit of Total Rentable Area per Year for 5 years  
Term 2: Increased by 3.00% compounding per year to \$17.39 per Unit of Total Rentable Area per Year for 5 years  
Term 3: Increased by 3.00% compounding per year to \$20.16 per Unit of Total Rentable Area per Year for 1 year

**Free Rent**

Entry Choice: % of Rent

Year 1 0.08%  
Constant per year for next 0 year

**Projection Descriptions**  
Pentium Place  
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Year 1            0.08%. Single Entry  
Year 2            0.08%. Single Entry

**Recoverable Expenses**

Entry Choice: \$ per Unit of Total Rentable Area per Year

Quantity: 12,000

Year 1            \$4.00 per Unit of Total Rentable Area per Year  
                         Compounding at 3.00% per year for next 10 years

**Parking**

Entry Choice: \$ per Space per Month

Quantity: 30

Year 1            \$30.00 per Space per Month for 1 year  
                         Compounding at 3.00% per year for next 10 years

**Capital Cost Allowance Schedules**Pentium Place  
12,000 Sq. Ft Office BuildingSeptember 28, 2009  
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Starting Date: Year 1 January  
 Amount \$ 1,000,000  
 CCA Claim: Full CCA Claim  
 CCA Method: Building  
 CCA Rate: 4.0%  
 First Year Rate: 50.0%  
 Claim CCA in last Year: Yes

| <u>Comencing</u>      | <u>Value of Improvements</u> | <u>CCA Available</u> | <u>CCA Claimed</u> | <u>Undepreciated Balance</u> |
|-----------------------|------------------------------|----------------------|--------------------|------------------------------|
| Yr. 1 Jan-Yr. 1 Dec   | \$ 1,000,000                 | \$ 20,000            | \$ 20,000          | \$ 980,000                   |
| Yr. 2 Jan-Yr. 2 Dec   |                              | 39,200               | 39,200             | 940,800                      |
| Yr. 3 Jan-Yr. 3 Dec   |                              | 37,632               | 37,632             | 903,168                      |
| Yr. 4 Jan-Yr. 4 Dec   |                              | 36,127               | 36,127             | 867,041                      |
| Yr. 5 Jan-Yr. 5 Dec   |                              | 34,682               | 34,682             | 832,359                      |
| Yr. 6 Jan-Yr. 6 Dec   |                              | 33,294               | 33,294             | 799,065                      |
| Yr. 7 Jan-Yr. 7 Dec   |                              | 31,963               | 31,963             | 767,102                      |
| Yr. 8 Jan-Yr. 8 Dec   |                              | 30,684               | 30,684             | 736,418                      |
| Yr. 9 Jan-Yr. 9 Dec   |                              | 29,457               | 29,457             | 706,961                      |
| Yr. 10 Jan-Yr. 10 Dec |                              | 28,278               | 28,278             | 678,683                      |
| Total                 | \$ 1,000,000                 |                      | \$ 321,317         |                              |

**Mortgage Schedule**  
Pentium Place  
12,000 Sq. Ft Office Building

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**First Mortgage**

Amount: \$ 950,000  
Type: Standard Mortgage  
Analysis Start Date: January Year 1  
Mortgage Commences: January Year 1  
Payment Frequency: Monthly  
Payment Rounded: Up to Nearest Cent  
Compounding Frequency: Semi-annually  
Interest Rate: Fixed  
Additional Payment or Borrowing: No

| Term | Start Date of<br>(Balloon) Term | Time Period |        | Nominal Annual<br>Interest Rate | Amortization |        |
|------|---------------------------------|-------------|--------|---------------------------------|--------------|--------|
|      |                                 | Years       | Months |                                 | Years        | Months |
| 1    | Year 1 Jan                      | 11          | 0      | 7.000 %                         | 25           | 0      |

|   | Outstanding<br>Balance | End of Year<br>Accrued Interest | Mortgage<br>Payout |
|---|------------------------|---------------------------------|--------------------|
| Payout at end of Analysis Period: Dec Year 10 | \$ 744,915.11          | -                               | \$ 744,915.11      |
| Payout at end of last Term: Dec Year 11       | \$ 715,550.07          | -                               | \$ 715,550.07      |

| Time Period             | Payment           | Interest<br>Payment | Principal<br>Payment | Additional<br>Payment or<br>(Borrowing) | Outstanding<br>Balance |
|-------------------------|-------------------|---------------------|----------------------|---|------------------------|
| Year 1 Jan-Year 1 Dec   | 79,847.40         | 65,089.55           | 14,757.85            | -                                       | 935,242.15             |
| Year 2 Jan-Year 2 Dec   | 79,847.40         | 64,038.39           | 15,809.01            | -                                       | 919,433.14             |
| Year 3 Jan-Year 3 Dec   | 79,847.40         | 62,912.43           | 16,934.97            | -                                       | 902,498.17             |
| Year 4 Jan-Year 4 Dec   | 79,847.40         | 61,706.21           | 18,141.19            | -                                       | 884,356.98             |
| Year 5 Jan-Year 5 Dec   | 79,847.40         | 60,414.11           | 19,433.29            | -                                       | 864,923.69             |
| Year 6 Jan-Year 6 Dec   | 79,847.40         | 59,029.97           | 20,817.43            | -                                       | 844,106.26             |
| Year 7 Jan-Year 7 Dec   | 79,847.40         | 57,547.24           | 22,300.16            | -                                       | 821,806.10             |
| Year 8 Jan-Year 8 Dec   | 79,847.40         | 55,958.93           | 23,888.47            | -                                       | 797,917.63             |
| Year 9 Jan-Year 9 Dec   | 79,847.40         | 54,257.48           | 25,589.92            | -                                       | 772,327.71             |
| Year 10 Jan-Year 10 Dec | 79,847.40         | 52,434.80           | 27,412.60            | -                                       | 744,915.11             |
| Year 11 Jan-Year 11 Dec | 79,847.40         | 50,482.36           | 29,365.04            | -                                       | 715,550.07             |
|                         | <b>878,321.40</b> | <b>643,871.47</b>   | <b>234,449.93</b>    | -                                       |                        |