

## Annual Property Operating Data

### Woodlawn Office Complex - Bld C

|                      |                                 |                     |           |
|----------------------|---------------------------------|---------------------|-----------|
| <b>Purpose</b>       | Investment Analysis             | <b>Price</b>        | \$155,000 |
| <b>Name</b>          | Woodlawn Office Complex - Bld C | <b>-Loans</b>       | 77,500    |
| <b>Location</b>      | 3715 Beck Rd. - Bld C- Suite 3  | <b>Down Payment</b> | 77,500    |
| <b>Property Type</b> | Office                          | <b>+Acq Costs</b>   | 388       |
| <b>Date</b>          | 18 September 2012               | <b>+Loan Points</b> | 0         |
| <b>Units</b>         | 1,200                           | <b>Investment</b>   | 77,888    |

|                                 | \$/Unit | % of GI | Annual \$ |
|---------------------------------|---------|---------|-----------|
| <b>Total Gross Income</b>       | \$10    | 100.0%  | \$12,000  |
| - Vacancy & Credit Loss         | 1       | 5.0%    | 600       |
| <b>Effective Income</b>         | \$10    | 95.0%   | \$11,400  |
| <b>Less: Operating Expenses</b> |         |         |           |
| Real Estate Taxes               | 2       | 21.6%   | 2,592     |
| Insurance                       | 0       | 2.9%    | 348       |
| CAM + Assessment                | 1       | 14.4%   | 1,728     |
| Reserver for Maintenance        | 1       | 8.5%    | 1,020     |
| <b>Total Operating Expenses</b> | \$5     | 47.4%   | \$5,688   |
| <b>Net Operating Income</b>     | \$5     | 47.6%   | \$5,712   |
| <b>Less: Debt Service</b>       |         |         |           |
| Loan                            | 5       | 51.1%   | 6,138     |
| <b>Total Debt Service</b>       | \$5     | 51.1%   | \$6,138   |
| <b>Cash Flow Before Taxes</b>   | \$0     | (3.5%)  | (\$426)   |

|                         |        |
|-------------------------|--------|
| Capitalization Rate     | 3.69%  |
| Gross Income Multiplier | 12.92  |
| Cash on Cash            | -0.55% |
| Debt Coverage Ratio     | 0.931  |
| Price/Unit              | \$129  |

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# **Analysis Assumptions Report**

## **Woodlawn Office Complex - Bld C**

### **Investment Assumptions**

|                     |                                       |                   |
|---------------------|---------------------------------------|-------------------|
| Price of Property   |                                       | \$155,000.00      |
| Closing Costs       | .25%                                  | of Property Price |
| Date of Acquisition |                                       | 1 January 2013    |
| Holding Period      |                                       | 5 Years           |
| Inflation Rate      |                                       | 4% per Year       |
| Sale Price Method   | 9% Capitalization of NOI on Sale Date |                   |
| Selling Costs       |                                       | 6%                |

### **Investor's Assumptions**

|   |                              |              |
|---|------------------------------|--------------|
| General Vacancy & Credit Loss           |                              | 5% per Year  |
| Tax Rate - First Year                   |                              | 35%          |
| Tax Rate - Following Years              |                              | 35%          |
| Capital Gain Rate                       |                              | 15%          |
| Cost Recovery Recapture Rate            | 25% - Losses Carried Forward |              |
| Present Value Discount Rate Before Debt |                              | 10% per Year |
| Present Value Discount Rate Before Tax  |                              | 10% per Year |
| Present Value Discount Rate After Tax   |                              | 10% per Year |

### **Depreciation Assumptions**

|                         |  |                       |
|-------------------------|--|-----------------------|
| Depreciable Amount      |  | 85% of Property Price |
| Depreciable Life        |  | 39 Years              |
| Depreciation Method     |  | Straight Line         |
| Depreciation Start Date |  | at Acquisition        |

### **Revenue Assumptions**

|                       |  |                       |
|-----------------------|--|-----------------------|
| Annual Revenue        |  | \$12,000.00           |
| Revenue Start Date    |  | at Acquisition        |
| Revenue Period        |  | Until Projected Sale  |
| Revenue Growth Method |  | Annual at 3% Annually |

### **Real Estate Taxes Expense Assumptions**

|   |  |                        |
|---|--|------------------------|
| Annual Expense (1,200 Units @ \$2.16/Unit/Year) |  | \$2,592.00             |
| Expense Start Date                              |  | at Acquisition         |
| Expense Period                                  |  | Until Projected Sale   |
| Expense Growth Method                           |  | No Growth is Projected |

### **Insurance Expense Assumptions**

|   |  |                        |
|---|--|------------------------|
| Annual Expense (1,200 Units @ \$0.29/Unit/Year) |  | \$348.00               |
| Expense Start Date                              |  | at Acquisition         |
| Expense Period                                  |  | Until Projected Sale   |
| Expense Growth Method                           |  | No Growth is Projected |

**Analysis Assumptions Report**  
**Woodlawn Office Complex - Bld C**

**Insurance Expense Assumptions**

|   |                        |
|---|------------------------|
| Annual Expense (1,200 Units @ \$1.44/Unit/Year) | \$1,728.00             |
| Expense Start Date                              | at Acquisition         |
| Expense Period                                  | Until Projected Sale   |
| Expense Growth Method                           | No Growth is Projected |

**Reserver for Maintenance Expense Assumptions**

|   |                        |
|---|------------------------|
| Annual Expense (1,200 Units @ \$0.85/Unit/Year) | \$1,020.00             |
| Expense Start Date                              | at Acquisition         |
| Expense Period                                  | Until Projected Sale   |
| Expense Growth Method                           | No Growth is Projected |

**Proforma Income Statement**  
**Woodlawn Office Complex - Bld C**

|   | 2013     | 2014     | 2015     | 2016     | 2017     |
|---|----------|----------|----------|----------|----------|
| <b>Total Gross Income</b>                                   | \$12,000 | \$12,360 | \$12,731 | \$13,113 | \$13,506 |
| Less: Vacancy & Credit Loss                                 | 600      | 618      | 637      | 656      | 675      |
| <b>Effective Income</b>                                     | \$11,400 | \$11,742 | \$12,094 | \$12,457 | \$12,831 |
| Less: Operating Expenses                                    |          |          |          |          |          |
| Real Estate Taxes   | 2,592    | 2,592    | 2,592    | 2,592    | 2,592    |
| Insurance   | 348      | 348      | 348      | 348      | 348      |
| Insurance   | 1,728    | 1,728    | 1,728    | 1,728    | 1,728    |
| Reserver for Maintenance                                    | 1,020    | 1,020    | 1,020    | 1,020    | 1,020    |
| <b>Total Operating Expenses</b>                             | \$5,688  | \$5,688  | \$5,688  | \$5,688  | \$5,688  |
| <b>Net Operating Income</b>                                 | \$5,712  | \$6,054  | \$6,406  | \$6,769  | \$7,143  |
| <b>Taxable Income and Taxes</b><br>(Losses Carried Forward) |          |          |          |          |          |
| Taxable Revenues  | \$11,400 | \$11,742 | \$12,094 | \$12,457 | \$12,831 |
| Less: Deducted Expenses                                     | 5,688    | 5,688    | 5,688    | 5,688    | 5,688    |
| Less: Depreciation  | 3,237    | 3,378    | 3,378    | 3,378    | 3,237    |
| <b>Ordinary Income</b>                                      | \$2,475  | \$2,676  | \$3,028  | \$3,391  | \$3,905  |
| <b>Taxable Income</b>                                       | 2,475    | 2,676    | 3,028    | 3,391    | 3,905    |
| (Cum Suspended Losses)                                      | 0        | 0        | 0        | 0        | 0        |
| <b>Taxes Due (- = Savings)</b>                              | 866      | 937      | 1,060    | 1,187    | 1,367    |
| <b>Cash Flow After Tax</b>                                  | \$4,846  | \$5,117  | \$5,346  | \$5,582  | \$5,776  |

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## Proforma Income Statement

### Woodlawn Office Complex - Bld C

|                           | 2013       | 2014       | 2015       | 2016       | 2017       |
|---------------------------|------------|------------|------------|------------|------------|
| <b>Sale Proceeds:</b>     |            |            |            |            |            |
| Sale Value                | \$63,467   | \$67,267   | \$71,181   | \$75,212   | \$79,364   |
| Less: Sale Costs (6%)     | 3,808      | 4,036      | 4,271      | 4,513      | 4,762      |
| Sale Proceeds Before Tax  | 59,659     | 63,231     | 66,910     | 70,699     | 74,602     |
| Less: Taxes due to Sale   | (14,359)   | (12,852)   | (11,794)   | (10,719)   | (9,626)    |
| Sale Proceeds After Tax   | 74,018     | 76,083     | 78,704     | 81,418     | 84,229     |
| <b>Ratio Analysis:</b>    |            |            |            |            |            |
| Profitability Ratios      |            |            |            |            |            |
| Capitalization Rate       | 3.69%      | 3.91%      | 4.13%      | 4.37%      | 4.61%      |
| Cash on Cash Before Tax   | 3.68%      | 3.90%      | 4.12%      | 4.36%      | 4.60%      |
| Cash on Cash After Tax    | 3.12%      | 3.29%      | 3.44%      | 3.59%      | 3.72%      |
| Accounting RoR Before Tax |            | 6.34%      | 6.64%      | 6.95%      | 7.27%      |
| Accounting RoR After Tax  |            | 5.74%      | 5.96%      | 6.19%      | 6.39%      |
| Current RoR Before Tax    |            | 16.14%     | 15.95%     | 15.78%     | 15.62%     |
| Current RoR After Tax     |            | 9.70%      | 10.47%     | 10.54%     | 10.55%     |
| Risk Ratios               |            |            |            |            |            |
| Breakeven Occupancy       | 47.4%      | 46.0%      | 44.7%      | 43.4%      | 42.1%      |
| Assumption Ratios         |            |            |            |            |            |
| NOI/Property Value        | 9.00%      | 9.00%      | 9.00%      | 9.00%      | 9.00%      |
| Gross Income Multiple     | 5.29       | 5.44       | 5.59       | 5.74       | 5.88       |
| Operating Expense Ratio   | 47.4%      | 46.0%      | 44.7%      | 43.4%      | 42.1%      |
| <b>Analysis Measures:</b> |            |            |            |            |            |
| IRR Before Debt           |            |            |            |            |            |
| IRR Before Tax            |            |            |            |            |            |
| IRR After Tax             |            |            |            |            |            |
| NPV Before Debt @10.00%   | (\$95,706) | (\$92,437) | (\$89,375) | (\$86,508) | (\$83,823) |
| NPV Before Tax @10.00%    | (\$95,706) | (\$92,437) | (\$89,375) | (\$86,508) | (\$83,823) |
| NPV After Tax @10.00%     | (\$84,558) | (\$83,495) | (\$83,026) | (\$82,545) | (\$82,059) |

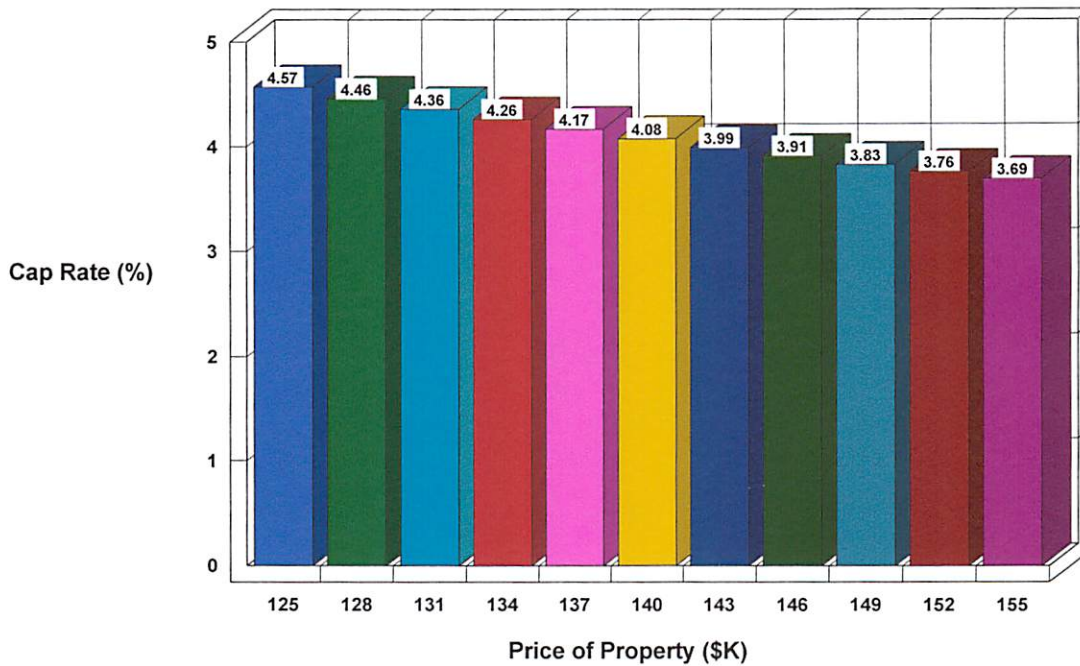
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# Sensitivity Analysis

## Woodlawn Office Complex - Bld C

### Price of Property versus Net Capitalization Rate

| Assumption   | NCR   |
|--------------|-------|
| \$125,000.00 | 4.57% |
| \$128,000.00 | 4.46% |
| \$131,000.00 | 4.36% |
| \$134,000.00 | 4.26% |
| \$137,000.00 | 4.17% |
| \$140,000.00 | 4.08% |
| \$143,000.00 | 3.99% |
| \$146,000.00 | 3.91% |
| \$149,000.00 | 3.83% |
| \$152,000.00 | 3.76% |
| \$155,000.00 | 3.69% |



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