

Real Estate Investment Analysis

**Property: The RealData Building
878 Main St.
South Haven, CT 06999**

**Prepared For: J. P. Lender
Second National Bank
South Haven, CT 06999**

**Prepared By: RealData, Inc.
P. O. Box 691
Southport, CT 06890**

Date: September 10, 2007

Pro Forma Income-Property Analysis

Property Location: 878 Main St.
South Haven, CT 06999

Type of Property: Office Building
14,000 rentable sf

Date of this Analysis: September 10, 2007

Purpose: The purpose of this analysis is to project and demonstrate the future economic benefits to be derived from this property.

For the sake of the analysis, certain assumptions have been made concerning future revenue, expenses, financing and Federal tax implications related to the ownership and operation of the property.

Those assumptions, as well as projections about income or loss, cash flow and profit from resale are presented on the following pages.

Assumptions

Acquisition

Sources of Funds

Cash Investment	481,000
First Mortgage	650,000
Second Mortgage*	0
Third Mortgage*	0

Total: \$1,131,000

Uses of Funds

Purchase, Real Estate	1,000,000
Purchase, Personal Property	0
Closing Costs	8,000
Points	13,000
1st Year Capital Improvements	10,000
1st Year Funded Reserves	100,000

Total: \$1,131,000

Property purchased at \$71.43 per square foot.

Analysis

Months in First Year of Analysis:	10
Year this Analysis Begins:	2007
Anticipated Year of Resale:	2026

Investor

Name:	Elm Development
Marginal Tax Bracket:	28.00 %

Depreciation

Type:	39-Year Straight Line
Depreciable Basis:	\$708,000

**Second Mortgage of 100,000 put in place 4/2007*

**Third Mortgage of 15,000 put in place 4/2008*

Assumptions (cont.)

Financing

First Mortgage

\$650,000
20 year term
9.500 %*
2.00 points
\$6,058.86 per month

Placed 3/2007
Refinanced in January 2013

Second Mortgage

\$100,000
1 year term
11.500 %
0.00 points
\$8,861.51 per month

Placed 4/2007
Refinanced in January 2013

Third Mortgage

\$15,000
0 year term
12.000 % interest only
0.00 points
\$150.00 per month

Placed 4/2008
Refinanced in January 2013

Refinance

\$789,415
20 year term
10.00 %
0.00 points
\$7,618.03 per month
Placed in January 2013

** First-year rate. Detailed projections may include the effects of rate changes in future years.*

Projections

Operating Income and Expenses

Income

	Gross Income	Vacancy/Credit Allowance	Net Operating Income	Taxable Income
2007	153,458	4,604	114,734	43,897
2008	187,546	5,626	138,123	53,835
2009	199,343	5,980	147,924	54,804
2010	206,944	6,208	153,775	58,436
2011	217,228	6,517	162,084	64,801
2012	221,829	6,655	165,056	62,477
2013	224,910	6,747	166,568	63,029
2014	227,380	6,821	167,465	66,250
2015	231,714	6,951	170,049	70,445
2016	233,796	7,014	170,486	74,749
2017	235,346	7,060	170,375	76,590
2018	236,939	7,108	170,250	78,613
2019	238,575	7,157	170,110	80,840
2020	240,257	7,208	169,955	83,291
2021	241,985	7,260	169,782	85,991
2022	243,761	7,313	169,593	88,966
2023	245,586	7,368	169,385	92,246
2024	247,463	7,424	169,158	95,863
2025	249,392	7,482	168,911	99,854
2026	251,376	7,541	168,644	104,258

Projections (cont.)

Operating Income and Expenses (cont.)

Operating Expenses and Debt Service

	Operating Expenses	Total Debt Service
2007	34,121	140,342
2008	43,796	103,139
2009	45,439	81,938
2010	46,960	81,938
2011	48,627	81,938
2012	50,118	81,938
2013	51,594	91,416
2014	53,093	91,416
2015	54,713	91,416
2016	56,296	91,416
2017	57,911	91,416
2018	59,580	91,416
2019	61,308	91,416
2020	63,094	91,416
2021	64,943	91,416
2022	66,855	91,416
2023	68,834	91,416
2024	70,881	91,416
2025	72,999	91,416
2026	75,191	91,416

Projections (cont.)

Cash Flows

Cash Flows

	Before Taxes	After Using Reserves	After Taxes and Reserves	Cumulative Cash Flow
2007	(28,608)	0	(12,291)	(12,291)
2008	41,985	41,985	26,911	14,620
2009	(27,801)	0	(15,345)	(725)
2010	25,598	25,598	9,236	8,510
2011	69,674	69,674	51,529	60,040
2012	83,118	83,118	65,625	125,664
2013	270,480	270,480	252,832	378,496
2014	76,049	76,049	57,498	435,995
2015	78,633	78,633	58,908	494,903
2016	79,070	79,070	58,140	553,043
2017	78,959	78,959	57,514	610,557
2018	78,834	78,834	56,822	667,379
2019	78,694	78,694	56,059	723,438
2020	78,538	78,538	55,217	778,655
2021	78,366	78,366	54,289	832,943
2022	78,176	78,176	53,266	886,209
2023	77,969	77,969	52,140	938,349
2024	77,742	77,742	50,900	989,249
2025	77,495	77,495	49,536	1,038,785
2026	77,227	77,227	48,035	1,086,820

Projections (cont.)

Improvements and Reserves

Other

	Planned Capital Improvements	Planned Funded Reserves
2007	10,000	100,000
2008	8,000	0
2009	2,000	0
2010	0	0
2011	0	0
2012	0	0
2013	5,000	0
2014	0	0
2015	0	0
2016	0	0
2017	0	0
2018	0	0
2019	0	0
2020	0	0
2021	0	0
2022	0	0
2023	0	0
2024	0	0
2025	0	0
2026	0	0

Resale and Rates of Return

Resale at End of 2026

Projected Selling Price:	\$1,466,500
Cost of Sale:	\$102,655
Gain (Loss) on Sale:	\$581,260
Federal Tax on Sale:	\$138,333
Before-Tax Sale Proceeds:	\$1,055,915
After-Tax Sale Proceeds:	\$917,582

Measures of Investment Quality

IRR, Before-Tax:	14.18%
IRR, After-Tax:	11.09%
MIRR, Before-Tax:	11.04%
MIRR, After Tax:	9.40%
PV, at 11.00%	\$1,430,742

	Debt Coverage Ratio	Cap. Rate	Gross Income Multiplier	Cash on Cash Return	Operating Expense Ratio	Gross Income, \$/sf	Operating Expenses, \$/sf
2007	0.82	12.37%	6.50	-7.14%	22.92%	13.15	2.92
2008	1.34	12.32%	6.40	8.73%	24.07%	13.40	3.13
2009	1.81	12.26%	6.45	-5.78%	23.50%	14.24	3.25
2010	1.88	12.33%	6.46	5.32%	23.39%	14.78	3.35
2011	1.98	13.00%	6.49	14.49%	23.08%	15.52	3.47
2012	2.01	13.24%	6.47	17.28%	23.29%	15.84	3.58
2013	1.82	13.30%	6.44	56.23%	23.65%	16.06	3.69
2014	1.83	13.38%	6.40	15.81%	24.07%	16.24	3.79
2015	1.86	13.58%	6.38	16.35%	24.34%	16.55	3.91
2016	1.86	13.62%	6.34	16.44%	24.82%	16.70	4.02
2017	1.86	13.61%	6.29	16.42%	25.37%	16.81	4.14
2018	1.86	13.60%	6.25	16.39%	25.92%	16.92	4.26
2019	1.86	13.59%	6.20	16.36%	26.49%	17.04	4.38
2020	1.86	13.57%	6.15	16.33%	27.07%	17.16	4.51
2021	1.86	13.56%	6.10	16.29%	27.67%	17.28	4.64
2022	1.86	13.55%	6.05	16.25%	28.27%	17.41	4.78
2023	1.85	13.53%	6.00	16.21%	28.90%	17.54	4.92
2024	1.85	13.51%	5.94	16.16%	29.53%	17.68	5.06
2025	1.85	13.49%	5.89	16.11%	30.18%	17.81	5.21
2026	1.84	13.47%	5.83	16.06%	30.84%	17.96	5.37

Pro Forma Overview

Year	Initial Cash Invested	Taxable Income or (Loss)	Cash Flow Before Taxes	Taxable Gain On Sale	Proceeds of Sale Before Tax
2007	481,000	43,897	0		
2008		53,835	41,985		
2009		54,804	0		
2010		58,436	25,598		
2011		64,801	69,674		
2012		62,477	83,118		
2013		63,029	270,480		
2014		66,250	76,049		
2015		70,445	78,633		
2016		74,749	79,070		
2017		76,590	78,959		
2018		78,613	78,834		
2019		80,840	78,694		
2020		83,291	78,538		
2021		85,991	78,366		
2022		88,966	78,176		
2023		92,246	77,969		
2024		95,863	77,742		
2025		99,854	77,495		
2026		104,258	77,227	581,260	1,055,915
Totals:	481,000	1,499,237	1,506,606	581,260	1,055,915

Disclaimers

The information and calculations presented in this analysis are believed to be accurate, but are not guaranteed. They are intended for the purposes of projection and analysis, and should not be used for preparation of income tax returns. Federal tax calculations in this report are based upon the Tax Reform Act of 1986, the Revenue Reconciliation Act of 1993 the Taxpayer Relief Act of 1997, the Jobs and Growth Tax Relief Reconciliation Act of 2003 and are subject to revision as well as further clarifications, interpretations, rulings, regulations and technical corrections.

These tax calculations are also based upon certain assumptions about the taxpayer and about the property, and do not take into account the possibility of Alternative Minimum Tax liability, the At-Risk rules, investment interest limitations, possible future-year indexing of tax brackets, or the impact of other investments which may interact to produce tax consequences other than those projected here. The user of this program and information should consult a tax specialist concerning his/her particular circumstances before making any investment decision.

*Note especially that a taxpayer's ability to use losses generated by this investment to offset income generated by this investment is likely to be affected by the taxpayer's particular circumstances, including Adjusted Gross Income, and passive and investment income or losses from other activities. Consult your tax advisor regarding these issues.