

**Real Estate**  
**Investment Analysis**

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

**Prepared For: First Foreclosure S & L**  
**100 Elm St.**  
**South Haven, CT 06999**

**Prepared By: RealData, Inc.**  
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**Date: March 8, 2004**

## Pro Forma Income-Property Analysis

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

**Type of Property:** Apartment  
6,000 rentable sf

**Date of this Analysis:** March 8, 2004

**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	399,400
1st Mortgage	720,000
2nd Mortgage	100,000
3rd Mortgage	15,000

**Total:** \$1,234,400

#### **Uses of Funds**

Purchase, Real Estate	1,200,000
Closing Costs	8,000
Points	16,400
1st Year Capital Additions	10,000

**Total:** \$1,234,400

Property purchased at \$200.00 per square foot.

### **Analysis**

Months in First Year of Analysis:	10
Year this Analysis Begins:	2004
Anticipated Year of Resale:	2010

### **Investor**

Name:	Don Payment
Marginal Tax Bracket:	31.00 %

### **Depreciation**

Type:	39-Year Straight Line
Depreciable Basis:	\$908,000

## Assumptions (cont.)

### Financing

#### 1st Mortgage

\$720,000  
20 years  
6.00 % \*  
2.00 points  
\$5,158.30 per month

#### 2nd Mortgage

\$100,000  
10 years  
8.00 % \*  
2.00 points  
\$1,213.28 per month

#### 3rd Mortgage

\$15,000  
10 years  
10.00 %  
\$198.23 per month

#### Refinance

None

\* 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
2004	119,333	3,580	103,938	41,171
2005	147,888	4,437	128,954	50,630
2006	154,804	4,644	135,296	55,549
2007	159,956	4,799	139,956	62,381
2008	166,354	4,991	145,796	70,560
2009	173,008	5,190	151,875	79,158
2010	179,928	5,398	158,202	88,199

#### **Operating Expenses and Debt Service**

	Operating Expenses	Total Debt Service
2004	11,815	65,698
2005	14,497	81,274
2006	14,864	83,658
2007	15,201	83,658
2008	15,567	83,658
2009	15,943	83,658
2010	16,329	83,658

**Projections (cont.)**

**Cash Flows, Improvements and Reserves**

**Cash Flow**

	Before Taxes	After Using Reserves	After Taxes and Reserves	Cumulative Cash Flow
2004	38,240	38,240	25,477	25,477
2005	47,680	47,680	31,985	57,462
2006	51,638	51,638	34,417	91,880
2007	56,298	56,298	36,960	128,840
2008	62,138	62,138	40,265	169,105
2009	68,217	68,217	43,678	212,782
2010	74,544	74,544	47,202	259,984

**Other**

	Planned Capital Expenditures	Planned Funded Reserves
2004	10,000	0
2005	0	0
2006	0	0
2007	0	0
2008	0	0
2009	0	0
2010	0	0

## Projections and Returns

### ***Resale at End of 2010***

Projected Selling Price:	\$1,433,000
Cost of Sale:	\$0
Gain (Loss) on Sale:	\$373,885
Federal Tax on Sale:	\$75,590
Before-Tax Sale Proceeds:	\$813,045
After-Tax Sale Proceeds:	\$737,455

### ***Measures of Investment Quality***

IRR, Before-Tax:	21.33%
IRR, After-Tax:	16.39%
PV, at 11.50%	\$1,310,058

	Debt Coverage Ratio	Cap. Rate	Gross Income Mult.	Cash on Cash Return	Operating Expense Ratio	Gross Income, \$/sf	Operating Expenses, \$/sf
2004	1.58	10.31%	8.07	11.49%	9.90%	23.87	2.36
2005	1.59	10.66%	8.20	11.94%	9.80%	24.65	2.42
2006	1.62	11.18%	8.10	12.93%	9.60%	25.80	2.48
2007	1.67	11.57%	8.17	14.10%	9.50%	26.66	2.53
2008	1.74	12.05%	8.19	15.56%	9.36%	27.73	2.59
2009	1.82	12.55%	8.20	17.08%	9.22%	28.83	2.66
2010	1.89	13.07%	8.21	18.66%	9.08%	29.99	2.72

## Pro Forma Overview

Year	Initial Cash Invested	Taxable Income or (Loss)	Cash Flow Before Taxes	Taxable Gain On Sale	Proceeds on Sale Before Tax
2004	399,400	41,171	38,240		
2005		50,630	47,680		
2006		55,549	51,638		
2007		62,381	56,298		
2008		70,560	62,138		
2009		79,158	68,217		
2010		88,199	74,544	363,771	813,045
<b>Totals:</b>	<b>399,400</b>	<b>447,648</b>	<b>398,755</b>	<b>363,771</b>	<b>813,045</b>

\$1,211,800 is the projected total cash return (before taxes) on an initial investment of \$399,400.

Compare this return to \$442,180 which is the before-tax return (including principal) on the same amount invested in a Treasury Bill earning an effective annual yield of 1.50%.

203.41% is the estimated total return (before taxes) on cash invested.

\$214,361 is the estimated total tax liability for the holding period, leaving \$997,439 for a total after-tax return of 149.73%.

## 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 and the Taxpayer Relief Act of 1997, 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.