

PROPERTY AND INVESTOR DATA SUMMARY

FORM 1

Property Address West Pointe
Prepared By Greg Swann

Investor You
Date 7/29/2006

PURCHASE PRICE \$ 200,000 (a) LAND ALLOCATION 20%
IMPROVEMENT ALLOCATION (%) x 80% %
IMPROVEMENT VALUE \$ 160,000 (b)

	Amount		Rate (%)		Annual Interest
1st Loan	\$ <u>160,000</u>	x	<u>7.00%</u>	=	\$ <u>11,200</u>
	+				+
2nd Loan	\$ <u>40,000</u>	x	<u>10.00%</u>	=	\$ <u>4,000</u>

TOTAL= \$ 200,000 (c) = \$ 15,200 (d)

Down Payment..... \$ 0

Closing Costs..... + \$ 1 (e)

Initial Investment..... = \$ 1 (f)

Gross Scheduled Income (monthly rent \$ 1,000 x 12) = \$ 12,000 (g)

Annual Vacancy Allowance (10% x (g)) = \$ 1,200 (h)
%

ANNUAL OPERATING EXPENSES

Property Taxes	<u>772</u>
Insurance	<u>600</u>
Utilities	<u>0</u>
Maintenance	<u>600</u>
Other.....	<u>456</u>
.....	<u>0</u>
.....	
TOTAL.....	\$ <u>2,428</u> (i)

Investor's Tax Bracket (%)..... 28% (j)
Holding Period..... 8 yrs. (k)
Annual Property
Appreciation Rate (%)..... 5.00% (l)
Projected Cost of Sale (%)..... 6.00% (m)

Investor's Pre-Tax	
Investment Rate (%).....	<u>2.00%</u>
1.00 minus <u>28%</u> (j)	= x <u>0.72</u>
tax bracket	
Investor's After-Tax	
Investment Rate.....	<u>1.44%</u> (n)

CASH FLOW BEFORE TAXES

Gross Scheduled Income.....		\$	<u>12,000</u>	(g)
LESS: Vacancy Allowance.....	-	\$	<u>1,200</u>	(h)
<u>GROSS OPERATING INCOME</u>	=	\$	10,800	
LESS: Total Operating Expenses.....	-	\$	<u>2,428</u>	(i)
<u>NET OPERATING INCOME</u>	=	\$	8,372	
LESS: Annual Interest Payments.....	-		<u>15,200</u>	(d)
<u>CASH FLOW BEFORE TAXES</u>	=	\$	-6,828	

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CASH FLOW AFTER TAXES

NET OPERATING INCOME (Form 2).....

LESS: Annual Interest Payments.....

LESS: COST RECOVERY (Compute Below)

To Calculate Cost Recovery:

Improvement Value \$ 160,000 (b)

Divided by

Cost Recovery Period ÷ 27.5 yrs.

Annual Cost Recovery \$ 5,818

TAXABLE INCOME OR (LOSS).....

TIMES: Investor's Tax Bracket (%).....

TAX SAVINGS (if negative)

or.....

TAX LIABILITY (if positive)

CASH FLOW BEFORE TAXES (Form 2).....

TAX SAVINGS OR LIABILITY.....

CASH FLOW AFTER TAXES.....

\$ <u>8,372</u>	
- \$ <u>15,200</u> (d)	
- <u>5,818</u>	
= \$ <u>-12,646</u>	

x 28% (j)

= \$ -3,541

CHANGE
SIGN

\$ -6,828 *

+ 3,541

= \$ -3,287

* If CFBT is negative: A tax savings will reduce the negative cash flow.
A tax liability will increase the negative cash flow.

* If CFBT is positive: A tax savings will increase the positive cash flow.
A tax liability will reduce the positive cash flow.

TAX DUE ON SALE

Purchase Price.....
 Annual Appreciation Rate (%).....
 Holding Period.....

\$ 200,000 (a) PV
5.00% (l) i
8 yrs. (k) n

PROJECTED SALES PRICE: (Solve for FV).....

LESS: Projected Cost of Sale(%): 6.00% (m) x (o)

LESS: Adjusted Basis-

To Calculate Adjusted Basis:

Purchase Price..... \$ 200,000 (a)

PLUS: Closing Costs..... + 1 (e)

LESS: Total Cost Recovery:

\$ 5,818 (Annual Cost)
 Recovery (Form 3)
 x 8 Holding Period (k) - 46,544 (q)

Adjusted Basis..... \$ 153,457

\$ 295,491 (o) FV
 - \$ 17,729 (p)

- 153,457
 = 124,305 (r)

TOTAL TAXABLE GAIN ON SALE.....

To Calculate Recapture Tax:

Recapture Total Cost
 Recovery Taken \$ 46,544 (q)

Tax Rate (%) x 25%

Tax Due from Recapture
 of Cost Recovery = \$ 11,636

\$ 11,636

To Calculate Balance of Capital Gains Tax:

Total Taxable Gain \$ 124,305 (r)

Less: Total Cost of
 Recovery Taken (Recapture) - 46,544 (q)

Balance of Capital Gain = 77,761

Times Capital Gains Tax Rate (%) x 15%

Balance of Capital Gains
 Tax Due From Sale = \$ 11,664

+ 11,664

TOTAL TAX DUE ON SALE

= \$ 23,300

RESIDENTIAL INVESTMENT PERFORMANCE SUMMARY

PROJECTED SALES PRICE:.....

= \$ 295,491 (o)

LESS: Projected Cost of Sale:.....

- \$ 17,729 (p)

Mortgage Balance Due:.....

- \$ 200,000 (c)

Tax Due on Sale (Form 4).....

- \$ 23,300

AFTER-TAX PROCEEDS FROM SALE:.....

= \$ 54,462 (S)

CASH FLOW AFTER TAX (Form 3):.....

\$ -3,287

Investor After-Tax Rate of Return (%):.....

(n) 1.44%

Holding Period:.....

(k) 8 yrs.

AMOUNT ACCUMULATED:.....

= -27,660 * (T)

PMT

i

n

SOLVE
FOR

FV

TOTAL FUTURE WEALTH: ((S) + (T)).....

= \$ 26,802

FV

INITIAL INVESTMENT:.....

(f) \$ 1

PV

HOLDING PERIOD:.....

(k) 8 yrs.

n

SOLVE
FOR

AFTER-TAX RATE OF RETURN/YIELD (%):.....

= 257.70%

i

***Note:** If CFAT is positive, the amount accumulated will also be positive and represents the amount that annual cash flows would earn if invested in a relatively safe and liquid type investment during the holding period.

If CFAT is negative, the amount accumulated will also be negative, and represents the after-tax lost opportunity cost of using investment capital to meet the annual deficit for the duration of the holding period.