

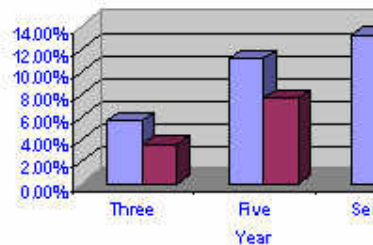
Exchange Advantage – Bonus With Power Analy\$IS™ & Computer Calc™

POWER ANALYSIS

MAXIMIZING INVESTMENT RETURNS WITH YOUR COMPUTER

Insert Desired "Cap" Rate or GRM:	Indicated Market Value:	Indicated Price Per Unit:	"Re ORB c" "Cap" Rate
8.00%	\$659,236	\$2,951.88	7.3
8.50%	620,459	31,022.94	7.4
9.00%	585,385	29,295.44	6.7
6.50	565,500	29,275.00	8.38
7.00	609,000	30,450.00	8.88

Estimated Yield Before &



MAXIMIZING FINANCIAL RETURNS WITH YOUR COMPUTER

COMPUTER CALC

PV (Funded):	Term:	Mode:	Initial Rate:	8.0000%
\$198,195.00	34	END MODE	Yield (IRR):	8.0000%
Initial PMT:	Payments/Year:	Total Payments:	Profit:	\$235,787.44
\$3,145.00	12			\$37,592.44
Yield Rate:	Net Present Value (NPV):	+Excess/-Needed:	NPV Adjusted Inv. Base:	NPV Adjusted Profit:
9.00%	(\$4,170.51)	-2.1042%	(\$194,024.49)	\$41,762.95
10.00%	(8,234.25)	-4.1546%	(189,960.75)	45,826.69
11.00%	(12,194.19)	-6.1526%	(186,000.81)	49,786.63

Developed by:
James F. Little, MBA, CCIM

Would it be beneficial for the taxpayer to do a tax-deferred exchange?

If so, what will an exchange do for the taxpayer?

The Exchange Advantage program answers these questions and quickly gets to “the bottom line!”

Calculation of Gain

PROJECTION OF SALE CASH FLOW "REVERSION" WORKSHEET

James F. Little, MBA, CCIM

PROPERTY DESCRIPTION:

Sample Property

TOTAL COST RECOVERY:

-Straight-Line Cost Recovery	\$300,000
-Excess Cost Recovery	250,000
	\$50,000

BASIS COMPUTATION:

Original Basis	\$800,000
+Capital/Tenant Improvements and Replacements	25,000
-Total Cost Recovery	300,000
-Basis Allocable to Partial Sales	0
=Adjusted Cost Basis "Book Value"	\$525,000

SALE COSTS:

7.00%

GAIN:

Sales Price	\$1,200,000
-Estimated Costs (Selling and Acquisition)	84,000
=Net Sales Price	\$1,116,000
-Adjusted Cost Basis	525,000
-Suspended Losses	0
=Gain	\$591,000

Calculation of Sale Proceeds

PROJECTION OF SALE CASH FLOW

"REVERSION" WORKSHEET

James F. Little, MBA, CCIM

PROPERTY DESCRIPTION:

Sample Property

GAIN ALLOCATION:

Gain	\$591,000
-Excess Cost Recovery (Subject to IRC 1245 Recapture)	50,000
-Straight-Line Cost Recovery	250,000
=Capital Gain (Ordinary Loss)	\$291,000
Tax Rate on Straight-Line Cost Recovery	34.30%
Tax Rate on Capital Gain	29.30%
Tax Rate on Ordinary "1231 Loss"	48.90%

ORDINARY INCOME ITEMS:

Excess Cost Recovery (Subject to IRC 1245 Recapture)	\$50,000
-Unamortized Non-Capital Expenditures (e.g., "Leasing Fees")	0
=Ordinary Income (Loss)	\$50,000
Tax Rate on Ordinary Income	48.90%

TAX ON CAPITAL GAIN (ORDINARY LOSS):

+Tax on Straight-Line Cost Recovery	\$85,263
+Tax (Savings) on Ordinary Income	85,750
+Tax (Savings) on Ordinary Income	24,450
=Total Tax (Savings) on Sale	\$195,463

NET SALES PROCEEDS ("REVERSION"):

SALES PRICE:	\$1,200,000
-Costs	84,000
-First Loan	100,000
-Second Loan	0
=Sale Cash Flow Before Taxes	\$1,016,000
-Total Tax (Savings) on Sale	195,463
=Sale Cash Flow After Taxes	\$820,537

Potential Replacement Property

Sale vs. Exchange Equity Comparison

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Equity:	Sale:	Exchange:
Taxes:	\$820,537	\$1,016,000
Funds to Invest:	195,463	
	\$625,074	\$1,016,000
Leverage% (New Loan):	70.00%	
Loan Amount:	\$1,458,506	\$2,370,667
Interest Rate on Financing:	7.50%	
Financing Term in Years:	30	
Payments Per Year:	12	
Periodic Payment:	(\$10,198.09)	(\$16,576.05)
Inflation Rate:	3.00%	
Capitalization Rate:	9.00%	

Initial Net Operating Income (NOI) &
Cash Flow Before Taxes (CFBT):

Year:	MV of Replacement Property:		Exchange Advantage:	NOI:	Sale:	Exchange:
0	\$2,083,580	\$3,386,667	\$1,303,087		\$187,522	\$304,800
5	2,415,440	3,926,075	1,510,635	Loan Payments:	122,377	198,913
10	2,800,157	4,551,397	1,751,240	CFBT:	\$65,145	\$105,887
15	3,246,150	5,276,316	2,030,167		Exchange Advantage:	
16	3,343,534	5,434,606	2,091,072			\$40,742
17	3,443,840	5,597,644	2,153,804			
18	3,547,155	5,765,573	2,218,418			
19	3,653,570	5,938,540	2,284,970			
20	3,763,177	6,116,697	2,353,519			

Exchange Equity Advantage

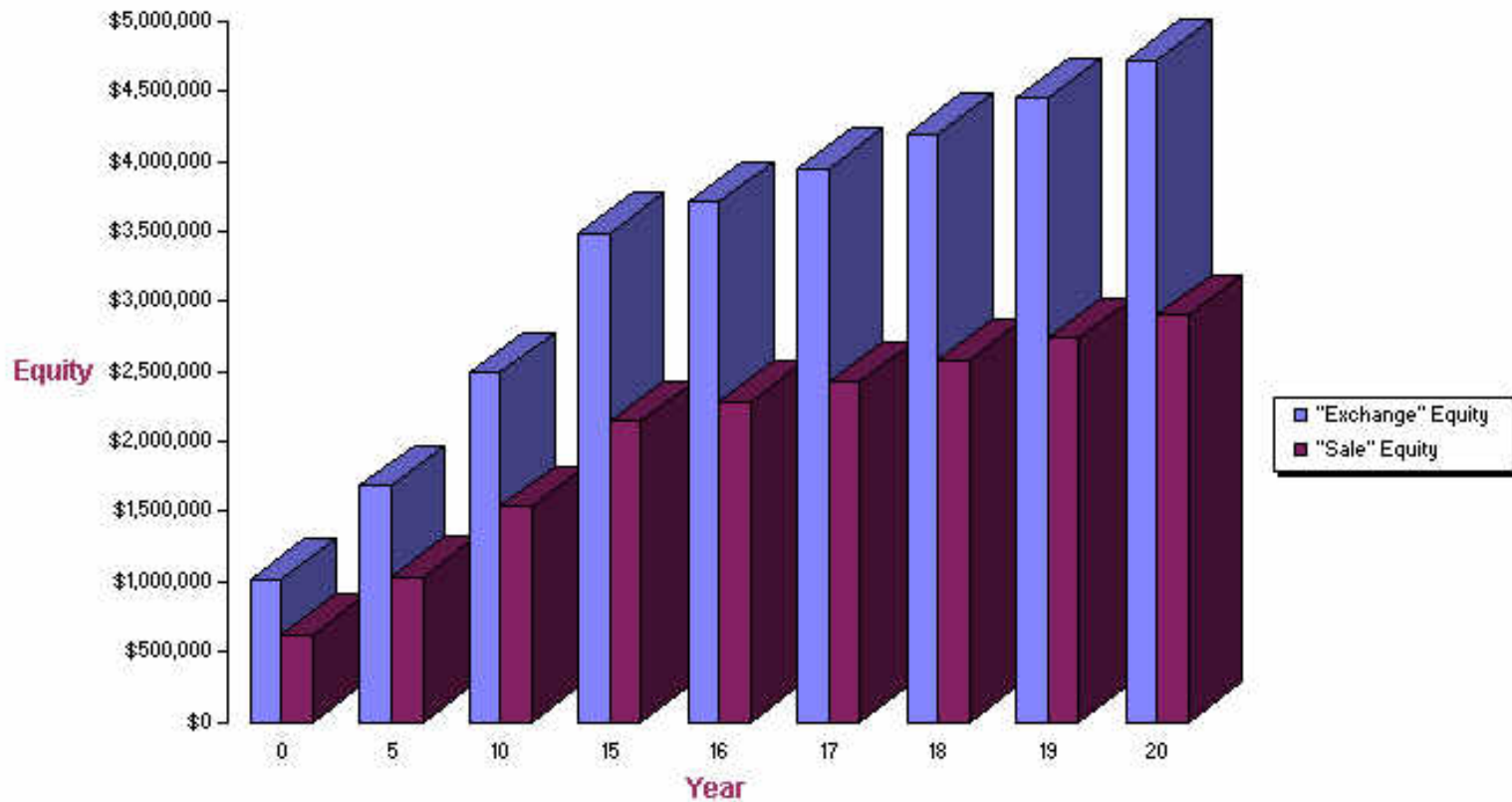
Sale vs. Exchange Equity Comparison

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Year:	Equity in Replacement Property:		Exchange Advantage:	
			Dollars:	Equity Growth%:
0	\$625,074	\$1,016,000	\$390,926	
5	1,035,440	1,683,011	647,572	10.62%
10	1,534,248	2,493,778	959,530	9.39%
15	2,146,049	3,488,203	1,342,154	8.57%
16	2,284,702	3,713,571	1,428,869	8.44%
17	2,429,481	3,948,896	1,519,415	8.31%
18	2,580,722	4,194,723	1,614,002	8.20%
19	2,738,782	4,451,636	1,712,854	8.09%
20	2,904,045	4,720,255	1,816,210	7.98%

Sale vs. Exchange Equity

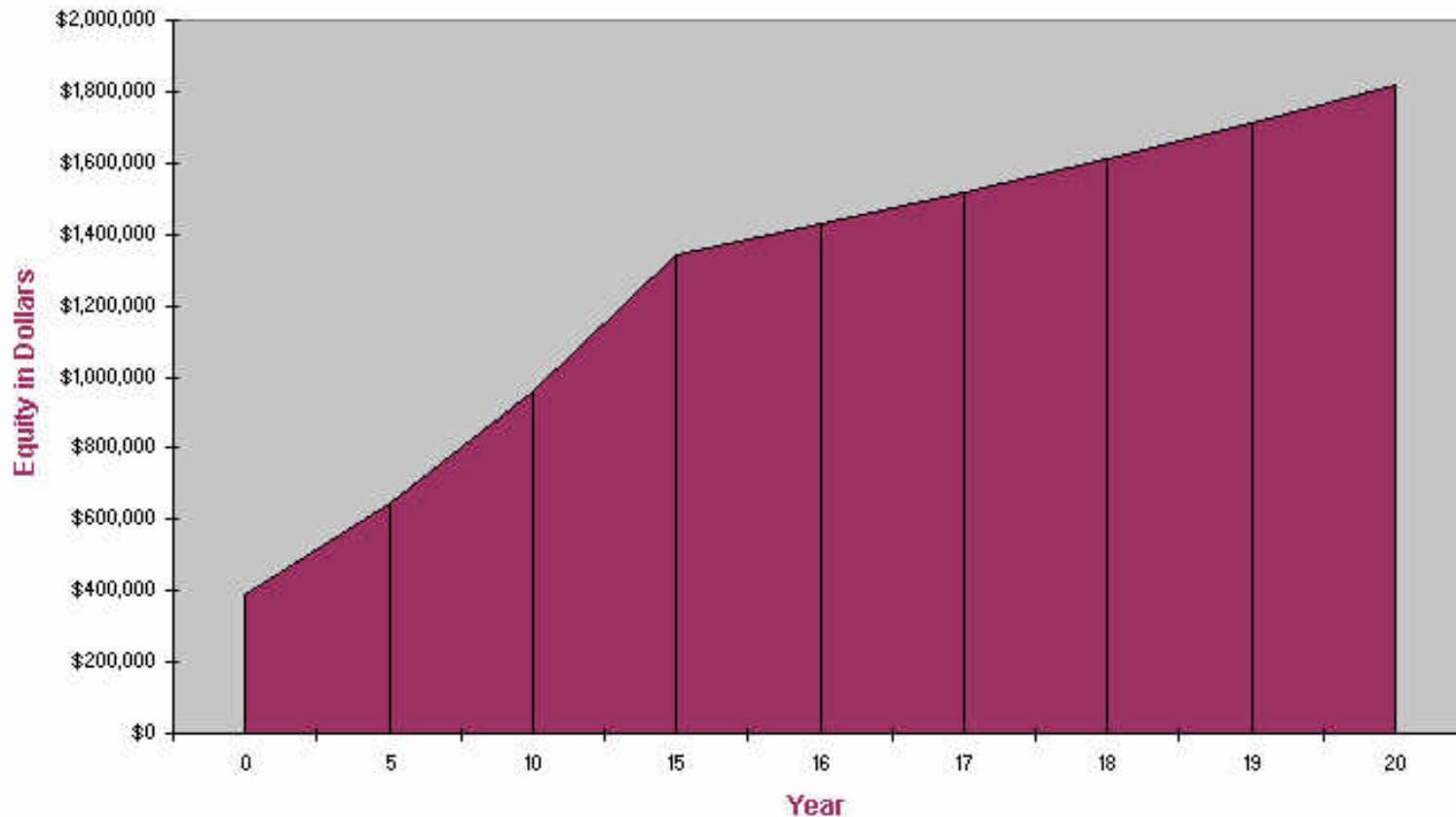
"Sale" vs. "Exchange" Equity Growth



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Equity Growth Due to Exchange

EQUITY DUE TO "INTEREST-FREE LOAN" ON DEFERRED TAX LIABILITY



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Highlights

- The Exchange Advantage Program is Free With the Purchase of Power Analy\$IS[™] and Computer Calc[™]
- Instantly Determine the Financing on and Market Value of a Potential Replacement Property Through a Sale or Exchange
- Depicts the Growth in Market Value of a Replacement Property Acquired Through a Sale or Exchange
- Highlights the Reduction in Financing Over Time in Both Sale and Exchange Scenarios
- Illustrates the Growth in Equity Over Time in Both Sale and Exchange Scenarios
- Clearly Shows the Advantage of an Exchange in Investor Equity
- Makes a Powerful Argument for an Exchange