

**Illustration of Internal Rate of Return over a 10-Year Holding Period**

**3 1 2 E 3 3 r d S T R E E T**

<b>Purchase Price</b>	<b>270,000</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Annual Rent	4.0%	30,000	31,200	32,448	33,746	35,096	36,500	37,960	39,478	41,057	42,699
Expenses	3.0%	7,891	8,128	8,372	8,623	8,881	9,148	9,422	9,705	9,996	10,296
Exp as a percent of Annual Rent		26%	26%	26%	26%	25%	25%	25%	25%	24%	24%
Exp per unit	1	7,891	8,128	8,372	8,623	8,881	9,148	9,422	9,705	9,996	10,296
NOI	0	22,109	23,072	24,076	25,123	26,214	27,352	28,537	29,773	31,061	32,403
Debt Service	\$ 952	11,427	11,427	11,427	11,427	11,427	11,427	11,427	11,427	11,427	11,427
<b>Before Tax Cash Flow</b>	<b>(81,000)</b>	<b>10,682</b>	<b>11,646</b>	<b>12,650</b>	<b>13,696</b>	<b>14,788</b>	<b>15,925</b>	<b>17,111</b>	<b>18,346</b>	<b>19,634</b>	<b>223,353</b>
<b>22.2% Internal Rate of Return</b>											
NOI		22,109	23,072	24,076	25,123	26,214	27,352	28,537	29,773	31,061	32,403
Less Interest		7,783	7,639	7,489	7,334	7,173	7,005	6,830	6,649	6,461	6,265
Less Depreciation		7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855
Taxable Income	0	6,472	7,579	8,732	9,935	11,187	12,492	13,852	15,269	16,746	18,284
Tax @	25%	1,618	1,895	2,183	2,484	2,797	3,123	3,463	3,817	4,186	4,571
<b>After Tax Cash Flow</b>	<b>(81,000)</b>	<b>9,064</b>	<b>9,751</b>	<b>10,467</b>	<b>11,213</b>	<b>11,991</b>	<b>12,802</b>	<b>13,647</b>	<b>14,529</b>	<b>15,448</b>	<b>184,826</b>
<b>18.6% Internal Rate of Return</b>											
Purchase	270,000							<b>Assume a Sale at End of Year 10</b>			
L-V	75%							Annual Rent Roll			42,699
Loan	202,500							GRM			9.0
Down Payment	67,500						annual appreciation 3.6%	Price			384,294
Cap Improvement	-							Sale Costs		6%	23,058
Closing Costs	13,500							Less: Basis			191,455
Initial Investment	81,000							Gain			169,782
Rate	3.88%							Tax @		20%	33,956
Term	30							Mortgage Balance			158,860
P&I	\$952.23							Sale Proceeds Before Tax			202,376
								Sale Proceeds After Tax			168,420
<b>Mortgage Amortization</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
202,500 Beg Bal		202,500	198,856	195,068	191,131	187,038	182,784	178,362	173,766	168,988	164,022
3.88% Prin		3,644	3,788	3,937	4,093	4,254	4,422	4,596	4,778	4,966	5,162
30.0 Int		7,783	7,639	7,489	7,334	7,173	7,005	6,830	6,649	6,461	6,265
952 Bal EOY		198,856	195,068	191,131	187,038	182,784	178,362	173,766	168,988	164,022	158,860
<b>Cost Recovery / Depreciation</b>		<b>270,000</b>	<b>270,000</b>	<b>Building</b>	<b>80%</b>	<b>216,000</b>	<b>Land</b>	<b>20%</b>	<b>54,000</b>	<b>Life</b>	<b>27.5</b>
		7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855
Basis		262,145	254,291	246,436	238,582	230,727	222,873	215,018	207,164	199,309	191,455