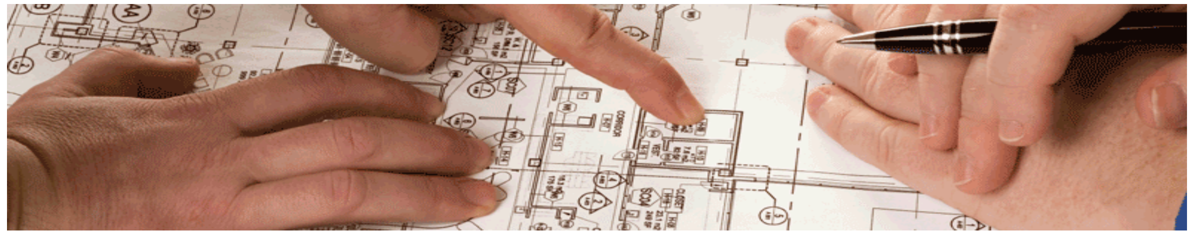
Cost Segregation Analysis Case Study for a 15-Unit Building

Engineered TAX SERVICES



Engineering Real Estate Tax Analysis Summary

Client	Property Basis	Estimated 1st Year Additional Deductions- CS	Estimated 1st Year Additional Deductions- R&M	Tax Rate	Estimated 1st Year Cash Benefits Combined	Engineering Fee	Tax Deduction For Engineering Fee	Net 1st Year Cash Benefit
15-Unit Building	$ 485,000.00	$ 120,931.00	$ -	48%	$ 58,046.88	$ 5,500.00	$ 2,640.00	$ 55,186.88
15-Unit Building (Improvements)	$ 90,000.00	$ 18,776.00	$ -	48%	$ 9,012.48	$ -	$ -	$ 9,012.48
Totals	**$ 575,000.00**	**$ 139,707.00**	**$ -**		**$ 67,059.36**	**$ 5,500.00**	**$ 2,640.00**	**$ 64,199.36**

Next Steps

1. Engagement Letters prepared by ETS	5 days
2. Engineering Report Process by ETS	25 days
3. Review of Reports by Tax Partner	7 days
4. Deliver of Final reports by ETS	5 days

Detailed Cost Segregation Reports Include:

Detailed Engineering Report with abandonment tax deduction schedule
263a Repair & Maintenance Study
162 Expense Analysis
Electrical analysis
Plumbing analysis
HVAC analysis
Soft cost engineering review and allocation
IRS Professional Quality Control review and signed approval with Circular 230 Assurance
Tax Schedules, including preparing of 3115 IRS forms
Energy Tax Certification – Federal & State, if applicable
Insurance Appraisal for lower property premiums (typically lowers PC premiums 10% or greater)
Full warranty with free audit support and report insured by Lloyds of London

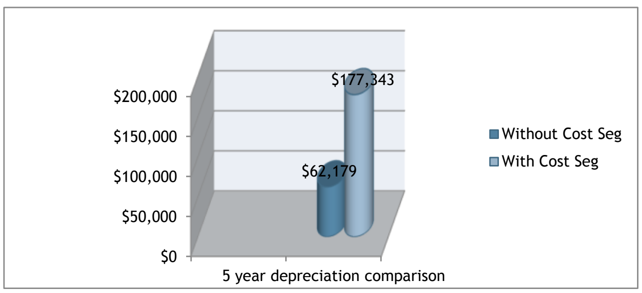
Engineering Studies Benefit Analysis Report

This Cost Segregation Benefit Analysis shows the potential range of tax benefits and cash savings from conducting a component analysis of your real estate investment property for purposes of depreciaiton under the IRS Audit Technique Guidelines for Cost Segregation. The results show a range from Optimal to Minimal results based on our expericence with similar properties. These estimates provide a conservative summary of the results you could anticipate if you engage in reclassifying personal property and land improvements from real property.

Client:
Property Name:
Property Location:
Original Date Place In Service:
CPA:

Cost Segregation Benefit Highlights

	Optimal	Median	Minimal
1st Year Cash Benefit	$ 58,047	$ 49,147	$ 40,246
5 Year Accumulated Cash Benefit	$ 57,282	$ 48,062	$ 38,841
10 Year Accumulated Cash Benefit	$ 50,308	$ 41,599	$ 32,890



	Optimal	Median	Minimal
Long Term Property for Cost Segregation	$ 485,000	$ 485,000	$ 485,000
Benefit for 179D/263a - See Page 5	$ -	$ -	$ -
Reclassification To 5 Year Property	$ 140,408	$ 121,250	$ 102,093
Reclassification To 7 Year Property	$ -	$ -	$ -
Reclassification To 15 Year Property	$ 67,658	$ 48,500	$ 29,343
Reclassification To 27.5 Year Property	$ 276,935	$ 315,250	$ 353,565
Total Reclassified Property	**$ 208,065**	**$ 169,750**	**$ 131,435**

	Optimal	Median	Minimal
Percentage Reclassification 5 Year Property	28.95%	25.00%	21.05%
Percentage Reclassification 7 Year Property	0.00%	0.00%	0.00%
Percentage Reclassification 15 Year Property	13.95%	10.00%	6.05%
Percentage Reclassification 27.5 Year Property	57.10%	65.00%	72.90%
Totals	**100.00%**	**100.00%**	**100.00%**
Detailed Engineering Insurance Replacement Appraisal - Estimate Reduction in Annual Ins. Premiums			**11.45%**
263a Detailed Engineering 1250 Property Analysis Benefit over 10 Years			**$ 21,825.00**

First Year Cash Benefits From the Engineered Study

	Optimal	Median	Minimal
1st Year Depreciation Difference	$ 120,931	$ 102,389	$ 83,846
EPAct 179D	$ -	$ -	$ -
Federal & State Tax Rate	48.0%	48.0%	48.0%
NPV Factor @ 3% Discount Factor	100.00%	100.00%	100.00%
1st Year Cash Benefit from Engineering Study	**$ 58,047**	**$ 49,147**	**$ 40,246**

Cost Segregation Benefit Analysis Report

2nd Year Depreciation Difference	$	8,460	$	7,032	$	5,603
Federal & State Tax Rate		48.00%		48.00%		48.00%
NPV Factor @ 3% Discount Factor		97.09%		97.09%		97.09%
2nd Year Cash Benefit	**$**	**3,943**	**$**	**3,277**	**$**	**2,611**
3rd Year Depreciation Difference	$	(3,571)	$	(3,309)	$	(3,047)
Federal & State Tax Rate		48.00%		48.00%		48.00%
NPV Factor @ 3% Discount Factor		94.26%		94.26%		94.26%
3rd Year Cash Benefit	**$**	**(1,616)**	**$**	**(1,497)**	**$**	**(1,379)**
4th Year Depreciation Difference	$	(3,571)	$	(3,309)	$	(3,047)
Federal & State Tax Rate		48.00%		48.00%		48.00%
NPV Factor @ 3% Discount Factor		91.51%		91.51%		91.51%
4th Year Cash Benefit	**$**	**(1,569)**	**$**	**(1,453)**	**$**	**(1,338)**
5th Year Depreciation Difference	$	(3,571)	$	(3,309)	$	(3,047)
Federal & State Tax Rate		48.00%		48.00%		48.00%
NPV Factor @ 3% Discount Factor		88.85%		88.85%		88.85%
5th Year Cash Benefit	**$**	**(1,523)**	**$**	**(1,411)**	**$**	**(1,299)**
5 Year Accumulated Cash Benefit	**$**	**57,282.39**	**$**	**48,061.79**	**$**	**38,841.19**
6th Year Depreciation Difference	$	(3,571)	$	(3,309)	$	(3,047)
Federal & State Tax Rate		48.00%		48.00%		48.00%
NPV Factor @ 3% Discount Factor		86.26%		86.26%		86.26%
6th Year Cash Benefit	**$**	**(1,479)**	**$**	**(1,370)**	**$**	**(1,262)**
7th Year Depreciation Difference	$	(3,571)	$	(3,309)	$	(3,047)
Federal & State Tax Rate		48.00%		48.00%		48.00%
NPV Factor @ 3% Discount Factor		83.75%		83.75%		83.75%
7th Year Cash Benefit	**$**	**(1,435)**	**$**	**(1,330)**	**$**	**(1,225)**
8th Year Depreciation Difference	$	(3,571)	$	(3,309)	$	(3,047)
Federal & State Tax Rate		48.00%		48.00%		48.00%
NPV Factor @ 3% Discount Factor		81.31%		81.31%		81.31%
8th Year Cash Benefit	**$**	**(1,394)**	**$**	**(1,291)**	**$**	**(1,189)**
9th Year Depreciation Difference	$	(3,571)	$	(3,309)	$	(3,047)
Federal & State Tax Rate		48.00%		48.00%		48.00%
NPV Factor @ 3% Discount Factor		78.94%		78.94%		78.94%
9th Year Cash Benefit	**$**	**(1,353)**	**$**	**(1,254)**	**$**	**(1,154)**
10th Year Depreciation Difference	$	(3,571)	$	(3,309)	$	(3,047)
Federal & State Tax Rate		48.00%		48.00%		48.00%
NPV Factor @ 3% Discount Factor		76.64%		76.64%		76.64%
10th Year Cash Benefit	**$**	**(1,314)**	**$**	**(1,217)**	**$**	**(1,121)**
10 Year Accumulated Cash Benefit	**$**	**50,307.99**	**$**	**41,599.19**	**$**	**32,890.39**

Annual Reclassification Summary Chart

This chart shows the estimated difference in depreciation under the median result classification. The chart outlines the accumulative depreciation difference on an annual basis and the NPV cash benefits of the timing difference generated from Energy Tax study at a discount rate of 3%.

Original Placed In Service Date	Depreciation Without Analysis	Depreciation With CSS Analysis	Accumulated Depreciation Difference	NPV Cash Benefit
2011	$ 4,409	$ 16,203	$ 11,794	$ 5,661
2012	$ 17,636	$ 59,842	$ 54,000	$ 25,920
2013	$ 17,636	$ 41,910	$ 78,273	$ 37,571
2014	$ 17,636	$ 31,008	$ 91,645	$ 43,990
2015	$ 17,636	$ 28,380	$ 102,389	$ 49,147
2016	$ 17,636	$ 24,668	$ 109,420	$ 52,423
2017	$ 17,636	$ 14,328	$ 106,112	$ 50,926
2018	$ 17,636	$ 14,328	$ 102,803	$ 49,473
2019	$ 17,636	$ 14,328	$ 99,494	$ 48,062
2020	$ 17,636	$ 14,328	$ 96,185	$ 46,692
2021	$ 17,636	$ 14,328	$ 92,876	$ 45,362
2022	$ 17,636	$ 14,328	$ 89,567	$ 44,070
2023	$ 17,636	$ 14,328	$ 86,258	$ 42,816
2024	$ 17,636	$ 14,328	$ 82,950	$ 41,599
2025	$ 17,636	$ 14,328	$ 79,641	$ 40,417
2026	$ 17,636	$ 13,612	$ 75,616	$ 39,022
2027	$ 17,636	$ 11,464	$ 69,443	$ 36,944
2028	$ 17,636	$ 11,464	$ 63,270	$ 34,926
2029	$ 17,636	$ 11,464	$ 57,098	$ 32,967
2030	$ 17,636	$ 11,464	$ 50,925	$ 31,065
2031	$ 17,636	$ 11,464	$ 44,752	$ 29,219
2032	$ 17,636	$ 11,464	$ 38,580	$ 27,426
2033	$ 17,636	$ 11,464	$ 32,407	$ 25,686
2034	$ 17,636	$ 11,464	$ 26,234	$ 23,996
2035	$ 17,636	$ 11,464	$ 20,061	$ 22,356
2036	$ 17,636	$ 11,464	$ 13,889	$ 20,763
2037	$ 17,636	$ 11,464	$ 7,716	$ 19,217
2038	$ 17,636	$ 11,464	$ 1,543	$ 17,715
2039	$ 4,409	$ 2,866	$ 0	$ 17,351
2040	$ -	$ -	$ 0	$ 17,351
2041	$ -	$ -	$ 0	$ 17,351
2042	$ -	$ -	$ 0	$ 17,351
2043	$ -	$ -	$ 0	$ 17,351
2044	$ -	$ -	$ 0	$ 17,351
2045	$ -	$ -	$ 0	$ 17,351
2046	$ -	$ -	$ 0	$ 17,351
2047	$ -	$ -	$ 0	$ 17,351
2048	$ -	$ -	$ 0	$ 17,351
2049	$ -	$ -	$ 0	$ 17,351
2050	$ -	$ -	$ 0	$ 17,351
2051	$ -	$ -	$ 0	$ 17,351
Totals	**$ 485,000**	**$ 485,000**		

Depreciation Reconciliation Chart

This chart shows the annual depreciation reconciliation with estimated median results generated from the Cost Segregation Study.

Original Placed In Service Date	Original Depreciation	Reclassified 5 Year Depreciation *	Reclassified 15 Year Depreciation *	Reclassified 27.5 Year Depreciation **
2011	$ 4,409	$ 12,125	$ 1,213	$ 2,866
2012	$ 17,636	$ 43,650	$ 4,729	$ 11,464
2013	$ 17,636	$ 26,190	$ 4,256	$ 11,464
2014	$ 17,636	$ 15,714	$ 3,830	$ 11,464
2015	$ 17,636	$ 13,469	$ 3,447	$ 11,464
2016	$ 17,636	$ 10,102	$ 3,103	$ 11,464
2017	$ 17,636	$ -	$ 2,864	$ 11,464
2018	$ 17,636	$ -	$ 2,864	$ 11,464
2019	$ 17,636	$ -	$ 2,864	$ 11,464
2020	$ 17,636	$ -	$ 2,864	$ 11,464
2021	$ 17,636	$ -	$ 2,864	$ 11,464
2022	$ 17,636	$ -	$ 2,864	$ 11,464
2023	$ 17,636	$ -	$ 2,864	$ 11,464
2024	$ 17,636	$ -	$ 2,864	$ 11,464
2025	$ 17,636	$ -	$ 2,864	$ 11,464
2026	$ 17,636	$ -	$ 2,148	$ 11,464
2027	$ 17,636	$ -	$ -	$ 11,464
2028	$ 17,636	$ -	$ -	$ 11,464
2029	$ 17,636	$ -	$ -	$ 11,464
2030	$ 17,636	$ -	$ -	$ 11,464
2031	$ 17,636	$ -	$ -	$ 11,464
2032	$ 17,636	$ -	$ -	$ 11,464
2033	$ 17,636	$ -	$ -	$ 11,464
2034	$ 17,636	$ -	$ -	$ 11,464
2035	$ 17,636	$ -	$ -	$ 11,464
2036	$ 17,636	$ -	$ -	$ 11,464
2037	$ 17,636	$ -	$ -	$ 11,464
2038	$ 17,636	$ -	$ -	$ 11,464
2039	$ 4,409	$ -	$ -	$ 2,866
2040	$ -	$ -	$ -	$ -
2041	$ -	$ -	$ -	$ -
2042	$ -	$ -	$ -	$ -
2043	$ -	$ -	$ -	$ -
2044	$ -	$ -	$ -	$ -
2045	$ -	$ -	$ -	$ -
2046	$ -	$ -	$ -	$ -
2047	$ -	$ -	$ -	$ -
2048	$ -	$ -	$ -	$ -
2049	$ -	$ -	$ -	$ -
2050	$ -	$ -	$ -	$ -
2051	$ -	$ -	$ -	$ -
Totals	$ 485,000	$ 121,250	$ 48,500	$ 315,250

NOTES:
* U.S.Master Tax Guide, Sec.1243, Table 1, Half Year Convention.
** U.S.Master Tax Guide, Sec.1243, Table 8, Half Year Convention.