

Expense Statement Yearly
 Pump Casing. Outsource Analysis
 Casing for Excel Pump Line

September 25, 2009
 Investit Decisions
 A1 Outsource Example. Expenses Only Yearly Proj

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
EXPENSES									
Product Cost (China)	3,000,000	3,150,000	3,309,000	5,680,000	5,850,000	6,025,000	8,687,000	8,953,000	9,219,000
Additional Labor	72,000	74,160	76,380	80,196	84,204	88,416	92,844	97,488	102,360
Insurance	4,000	4,120	4,244	4,371	4,502	4,637	4,776	4,919	5,067
Incremental Overhead	60,000	61,800	63,660	65,568	67,536	69,552	71,640	73,788	76,008
Rent	40,000	40,000	40,000	48,000	48,000	48,000	64,000	64,000	64,000
Transportation & Handling	300,000	315,000	330,900	568,000	585,000	602,500	868,700	895,300	921,900
Total Expenses	3,476,000	3,645,080	3,824,184	6,446,135	6,639,242	6,838,105	9,788,960	10,088,495	10,388,335

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EXPENSES

- Product Cost (China)
- Additional Labor
- Insurance
- Incremental Overhead
- Rent
- Transportation & Handling

Total Expenses

Operating Cash Flow Yearly
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	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
CASH OUTFLOW BEFORE TAX									
Expenses	3,476,000	3,645,080	3,824,184	6,446,135	6,639,242	6,838,105	9,788,960	10,088,495	10,388,335
Plus: Principle Payments	-	-	-	-	-	-	-	-	-
Interest payments	-	-	-	-	-	-	-	-	-
Working Capital Additions	250,000	-	-	-	-	-	-	-	(250,000)
CASH OUTFLOW BEFORE TAX	3,726,000	3,645,080	3,824,184	6,446,135	6,639,242	6,838,105	9,788,960	10,088,495	10,138,335
Less: Tax Savings at 33.00%	1,164,405	1,232,329	1,282,597	2,141,656	2,201,052	2,263,646	3,235,307	3,332,668	3,430,576
CASH OUTFLOW AFTER TAX	2,561,595	2,412,751	2,541,587	4,304,479	4,438,190	4,574,459	6,553,653	6,755,827	6,707,759
INCOME TAX SAVINGS									
Expenses	3,476,000	3,645,080	3,824,184	6,446,135	6,639,242	6,838,105	9,788,960	10,088,495	10,388,335
Plus: Interest Payments	-	-	-	-	-	-	-	-	-
Depreciation & Amortization	52,500	89,250	62,475	43,733	30,613	21,429	15,000	10,500	7,350
Tax Deductible Expenses	3,528,500	3,734,330	3,886,659	6,489,868	6,669,855	6,859,534	9,803,960	10,098,995	10,395,685
Tax Savings at 33.00%	1,164,405	1,232,329	1,282,597	2,141,656	2,201,052	2,263,646	3,235,307	3,332,668	3,430,576

Note: The cash flows are Cash Outflows or Negative Cash Flows.

Working Capital Yearly
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	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Working Capital									
Balance. Beginning of Year	-	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Additions to Working Capital	250,000	-	-	-	-	-	-	-	(250,000)
Balance. End of Year	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	-
Working Capital Summary									
Balance. Beginning of Year	-	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Additions to Working Capital	250,000	-	-	-	-	-	-	-	(250,000)
Balance. End of Year	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	-

Net Cash Flow (Before Tax)
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Year	Investment	Working Capital		Financing		Operating Cash Flow (Before Tax)	Sale Proceeds (Before Tax)	Net Cash Flow (Before Tax)
		Additions	Reductions	Borrow	Paid Back			
Year 1 Jan-Year 1 Dec	\$ (350,000)	\$ (250,000)	-	-	-	\$ (3,726,000)	-	\$ (4,326,000)
Year 2 Jan-Year 2 Dec	-	-	-	-	-	(3,645,080)	-	(3,645,080)
Year 3 Jan-Year 3 Dec	-	-	-	-	-	(3,824,184)	-	(3,824,184)
Year 4 Jan-Year 4 Dec	-	-	-	-	-	(6,446,135)	-	(6,446,135)
Year 5 Jan-Year 5 Dec	-	-	-	-	-	(6,639,242)	-	(6,639,242)
Year 6 Jan-Year 6 Dec	-	-	-	-	-	(6,838,105)	-	(6,838,105)
Year 7 Jan-Year 7 Dec	-	-	-	-	-	(9,788,960)	-	(9,788,960)
Year 8 Jan-Year 8 Dec	-	-	-	-	-	(10,088,495)	-	(10,088,495)
Year 9 Jan-Year 9 Dec	-	-	250,000	-	-	(10,138,335)	25,000	(9,863,335)
							Total	\$ (61,459,536)
Financial Returns (Before Tax)								
Net Present Value (NPV) at 15.00%		(\$ 28,835,199)						
Annual Equivalent Costs at 15.00%		(\$ 6,043,108)						

Net Cash Flow (After Tax)
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Year	Investment	Working Capital		Financing		Operating Cash Flow (After Tax)	Sale Proceeds (After Tax)	Net Cash Flow (After Tax)
		Additions	Reductions	Borrow	Paid Back			
Year 1 Jan-Year 1 Dec	\$ (350,000)	\$ (250,000)	-	-	-	\$ (2,561,595)	-	\$ (3,161,595)
Year 2 Jan-Year 2 Dec	-	-	-	-	-	(2,412,751)	-	(2,412,751)
Year 3 Jan-Year 3 Dec	-	-	-	-	-	(2,541,587)	-	(2,541,587)
Year 4 Jan-Year 4 Dec	-	-	-	-	-	(4,304,479)	-	(4,304,479)
Year 5 Jan-Year 5 Dec	-	-	-	-	-	(4,438,190)	-	(4,438,190)
Year 6 Jan-Year 6 Dec	-	-	-	-	-	(4,574,459)	-	(4,574,459)
Year 7 Jan-Year 7 Dec	-	-	-	-	-	(6,553,653)	-	(6,553,653)
Year 8 Jan-Year 8 Dec	-	-	-	-	-	(6,755,827)	-	(6,755,827)
Year 9 Jan-Year 9 Dec	-	-	250,000	-	-	(6,707,759)	7,560	(6,450,199)
							Total	\$ (41,192,739)
Financial Returns (After Tax)								
Net Present Value (NPV) at 9.75%		(\$ 24,650,290)						
Annual Equivalent Costs at 9.75%		(\$ 4,237,848)						

Cash Flow on Disposition
 Pump Casing. Outsource Analysis
 Casing for Excel Pump A in Outsource Example. Expenses Only Yearly Proj

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Cash Flow on Disposition (Before Tax)

Salvage Value		\$	70,000
Less: Selling Expenses			-
Legal Fees			-
Removal Costs			45,000
Cash Flow on Disposition (Before Tax)			25,000

Cash Flow on Disposition (After Tax)

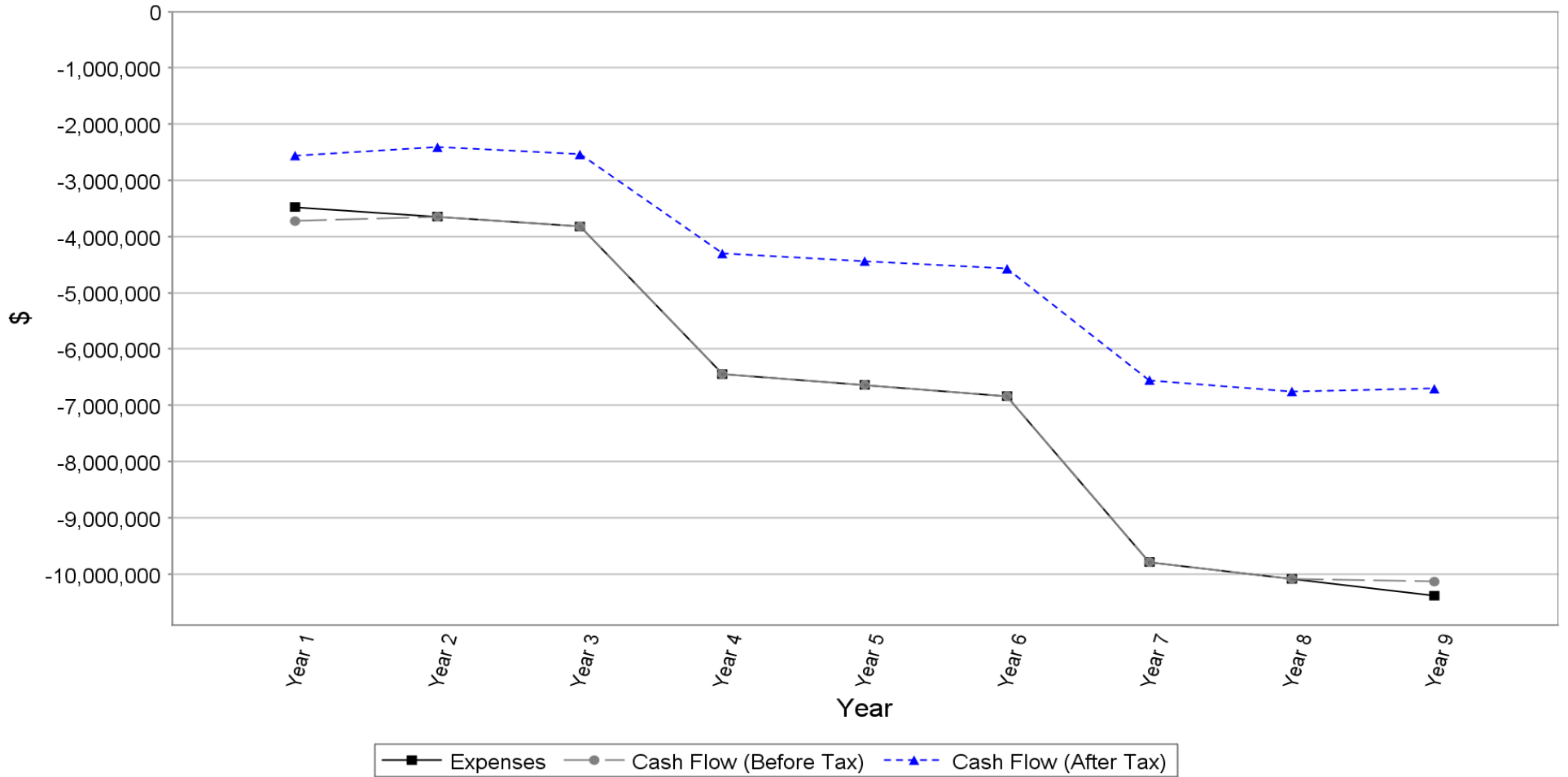
Net Salvage Value			25,000
Less: Capital Gains Tax			
Net Salvage Value	25,000		
Less Cost Basis	350,000		
Capital Gains	-	x 33.00%	x 50.00%
			-
Less: Recaptured Depreciation Tax			
Tax Value of Investments on Sale	70,000		
Less Undepreciated Balance	17,150		
Recaptured Depreciation	52,850	x 33.00%	
			17,441
Cash Flow on Disposition (After Tax)			7,560

Expense Calculations Yearly
 Pump Casing. Outsource Analysis
 Casing for Excel Pump Line

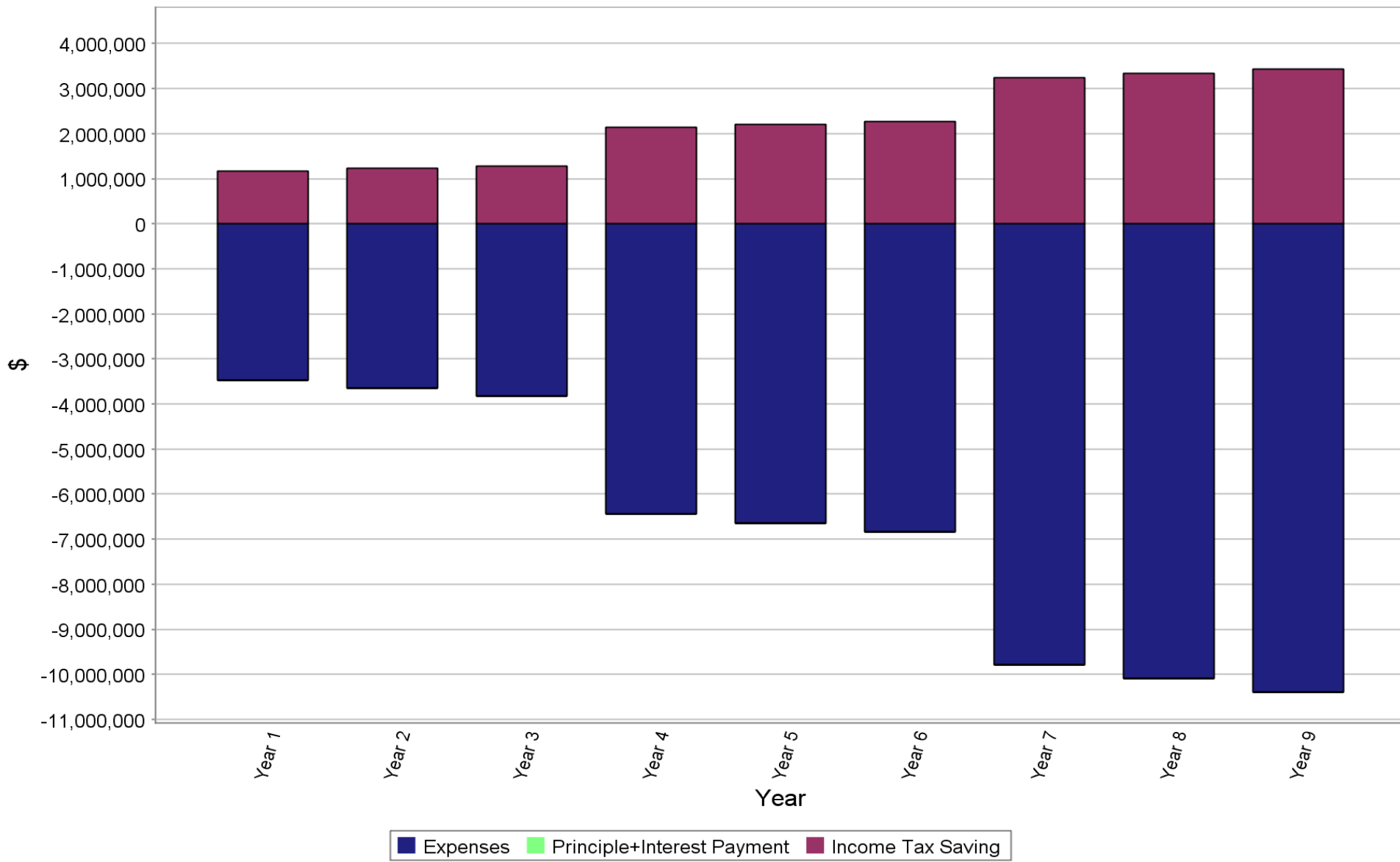
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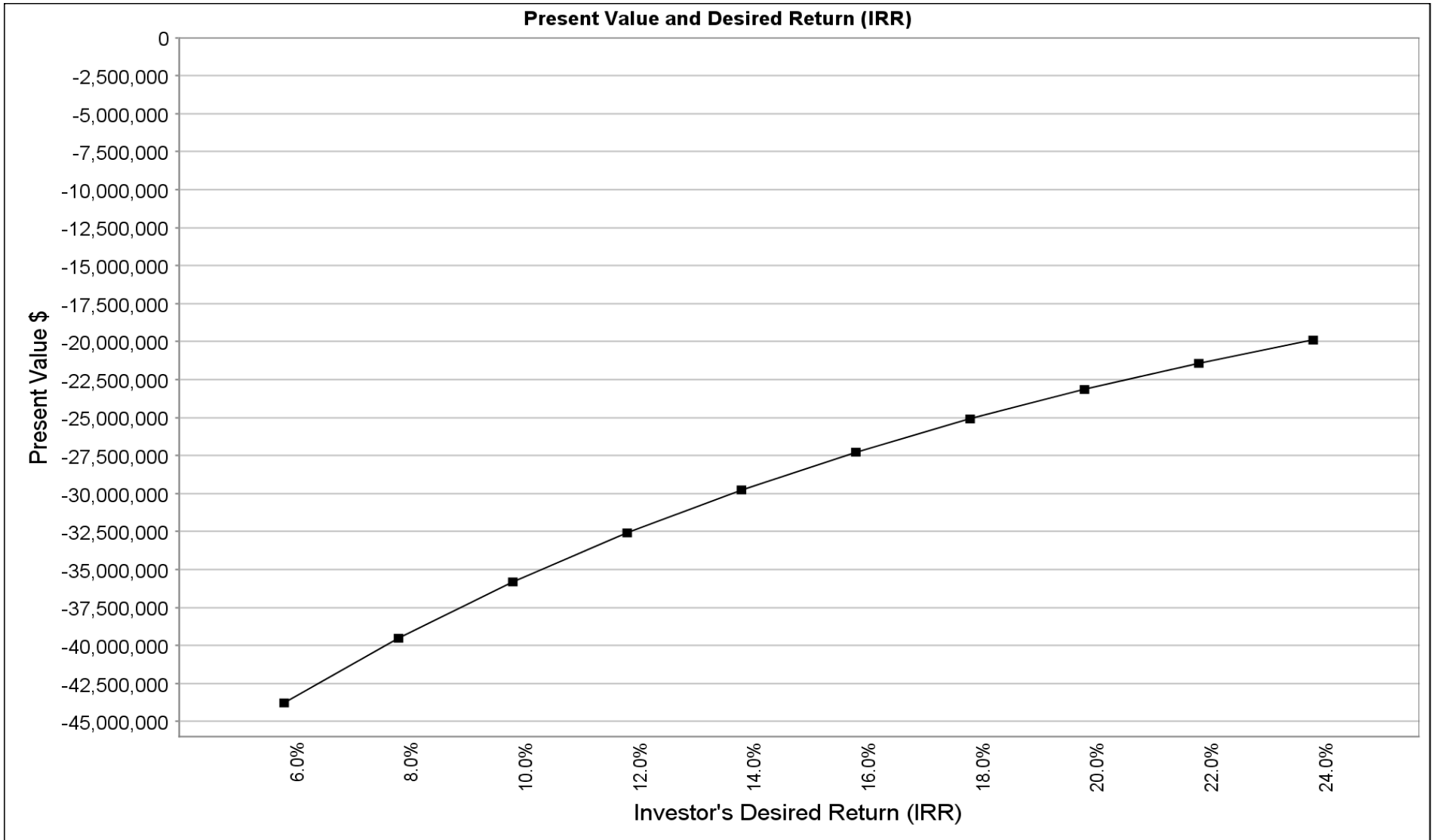
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Product Cost (China)									
\$ per Unit	3,000	3,000	3,000	5,000	5,000	5,000	7,000	7,000	7,000
Quantity	1,000	1,050	1,103	1,136	1,170	1,205	1,241	1,279	1,317
	3,000,000	3,150,000	3,309,000	5,680,000	5,850,000	6,025,000	8,687,000	8,953,000	9,219,000
Additional Labor	72,000	74,160	76,380	80,196	84,204	88,416	92,844	97,488	102,360
Insurance	4,000	4,120	4,244	4,371	4,502	4,637	4,776	4,919	5,067
Incremental Overhead	60,000	61,800	63,660	65,568	67,536	69,552	71,640	73,788	76,008
Rent	40,000	40,000	40,000	48,000	48,000	48,000	64,000	64,000	64,000
Transportation & Handling									
Product Cost (China)	3,000,000	3,150,000	3,309,000	5,680,000	5,850,000	6,025,000	8,687,000	8,953,000	9,219,000
Total	3,000,000	3,150,000	3,309,000	5,680,000	5,850,000	6,025,000	8,687,000	8,953,000	9,219,000
Percentage	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Transportation & Handling	300,000	315,000	330,900	568,000	585,000	602,500	868,700	895,300	921,900
Total	3,476,000	3,645,080	3,824,184	6,446,135	6,639,242	6,838,105	9,788,960	10,088,495	10,388,335

Operating Cash Outflow Incl. Working Capital



Operating Cash Flow Distribution





Input Data Summary
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Decision Outsource

Note: For information on Revenue, Expenses and Working Capital inputs and projections see the Revenue, Expense and projections description reports and the Working Capital report.

Project Information

Analysis Period 9 years
Starting date January Year 1

Investor Information

Marginal Tax Rate 33.00%
Capital Gain. 50.00% added to income

Desired Return on Investment (Discount Rate)

Before Tax: 15.00%
After Tax: 9.75%

Input Data Summary
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Investment information

Total Invested in Year 1 is \$ 350,000

	CCA Class	Date	Amount	CCA Rate	First Year	Claim CCA in Last Year
Equipment & Facilities	Equipment/Machinery	Jan, Year 1	\$ 350,000	30.00%	50.00%	Yes

Input Data Summary
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SALVAGE VALUE

Disposition Costs	
Selling Expenses	0% of the Salvage Value
Legal Fees	0% of the Salvage Value
Removal Costs	\$ 45,000

	Capital Investment	Salvage Value	% of Capital Investment
Equipment & Facilities	\$ 350,000	\$ 70,000	20.00%

Projection Descriptions
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EXPENSES PROJECTIONS

Product Cost (China)

Entry Choice: \$ per Unit

Year 1 Jan Stepped Projection
 Term 1: \$3,000 per Unit for 3 years
 Term 2: Changed to \$5,000 per Unit for 3 years
 Term 3: Changed to \$7,000 per Unit for 3 years

Product Cost (China)

Entry Choice: Quantity

Year 1 1,000
 Compounding at 5.00% per year for next 2 years
 then Compounding at 3.00% per year for next 6 years

Additional Labor

Entry Choice: \$ per Month

Year 1 \$6,000 per Month for 1 year
 Compounding at 3.00% per year for next 2 years
 then Compounding at 5.00% per year for next 6 years

Insurance

Entry Choice: \$ per Year

Year 1 \$4,000 per Year
 Compounding at 3.00% per year for next 8 years

Incremental Overhead

Entry Choice: \$ per Month

Year 1 \$5,000 per Month for 1 year
 Compounding at 3.00% per year for next 8 years

Rent

Entry Choice: \$ per Sq. Ft per Year

Quantity: 4,000

Year 1 Jan Stepped Projection
 Term 1: \$10.00 per Sq. Ft per Year for 3 years
 Term 2: Changed to \$12.00 per Sq. Ft per Year for 3 years
 Term 3: Changed to \$16.00 per Sq. Ft per Year for 3 years

Transportation & Handling

Entry Choice: % of Expense(s)

Product Cost (China)

Projection Descriptions
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Year 1 10.00% of Expense(s)
Constant per year for next 8 years

Capital Cost Allowance Schedules

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Pump Casing. Outsource Analysis

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Equipment & Facilities

Starting Date: Year 1 January
 Amount \$ 350,000
 CCA Claim: Full CCA Claim
 CCA Method: Equipment/Machinery
 CCA Rate: 30.0%
 First Year Rate: 50.0%
 Claim CCA in last Year: Yes

<u>Comencing</u>	<u>Value of Improvements</u>	<u>CCA Available</u>	<u>CCA Claimed</u>	<u>Undepreciated Balance</u>
Yr. 1 Jan-Yr. 1 Dec	\$ 350,000	\$ 52,500	\$ 52,500	\$ 297,500
Yr. 2 Jan-Yr. 2 Dec		89,250	89,250	208,250
Yr. 3 Jan-Yr. 3 Dec		62,475	62,475	145,775
Yr. 4 Jan-Yr. 4 Dec		43,733	43,733	102,042
Yr. 5 Jan-Yr. 5 Dec		30,613	30,613	71,429
Yr. 6 Jan-Yr. 6 Dec		21,429	21,429	50,000
Yr. 7 Jan-Yr. 7 Dec		15,000	15,000	35,000
Yr. 8 Jan-Yr. 8 Dec		10,500	10,500	24,500
Yr. 9 Jan-Yr. 9 Dec		7,350	7,350	17,150
Total	\$ 350,000		\$ 332,850	