

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 35.00%	1,237,989	1,313,556	1,367,671	2,279,231	2,342,445	2,412,047	3,444,847	3,544,217	3,639,806
CASH OUTFLOW AFTER TAX	2,488,011	2,331,524	2,456,513	4,166,904	4,296,797	4,426,058	6,344,113	6,544,278	6,498,529
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	61,111	107,936	83,447	65,954	53,459	53,459	53,460	37,840	11,111
Tax Deductible Expenses	3,537,111	3,753,016	3,907,631	6,512,089	6,692,701	6,891,564	9,842,420	10,126,335	10,399,446
Tax Savings at 35.00%	1,237,989	1,313,556	1,367,671	2,279,231	2,342,445	2,412,047	3,444,847	3,544,217	3,639,806

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	\$ (550,000)	\$ (250,000)	-	-	-	\$ (3,726,000)	-	\$ (4,526,000)
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	\$ (61,659,536)
Financial Returns (Before Tax)								
Net Present Value (NPV) at 15.00%		(\$ 29,035,199)						
Annual Equivalent Costs at 15.00%		(\$ 6,085,023)						

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	\$ (550,000)	\$ (250,000)	-	-	-	\$ (2,488,011)	-	\$ (3,288,011)
Year 2 Jan-Year 2 Dec	-	-	-	-	-	(2,331,524)	-	(2,331,524)
Year 3 Jan-Year 3 Dec	-	-	-	-	-	(2,456,513)	-	(2,456,513)
Year 4 Jan-Year 4 Dec	-	-	-	-	-	(4,166,904)	-	(4,166,904)
Year 5 Jan-Year 5 Dec	-	-	-	-	-	(4,296,797)	-	(4,296,797)
Year 6 Jan-Year 6 Dec	-	-	-	-	-	(4,426,058)	-	(4,426,058)
Year 7 Jan-Year 7 Dec	-	-	-	-	-	(6,344,113)	-	(6,344,113)
Year 8 Jan-Year 8 Dec	-	-	-	-	-	(6,544,278)	-	(6,544,278)
Year 9 Jan-Year 9 Dec	-	-	250,000	-	-	(6,498,529)	8,278	(6,240,251)
							Total	\$ (40,094,448)
Financial Returns (After Tax)								
Net Present Value (NPV) at 9.75%		(\$ 24,082,273)						
Annual Equivalent Costs at 9.75%		(\$ 4,140,195)						

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
		45,000
Cash Flow on Disposition (Before Tax)		25,000

Cash Flow on Disposition (After Tax)

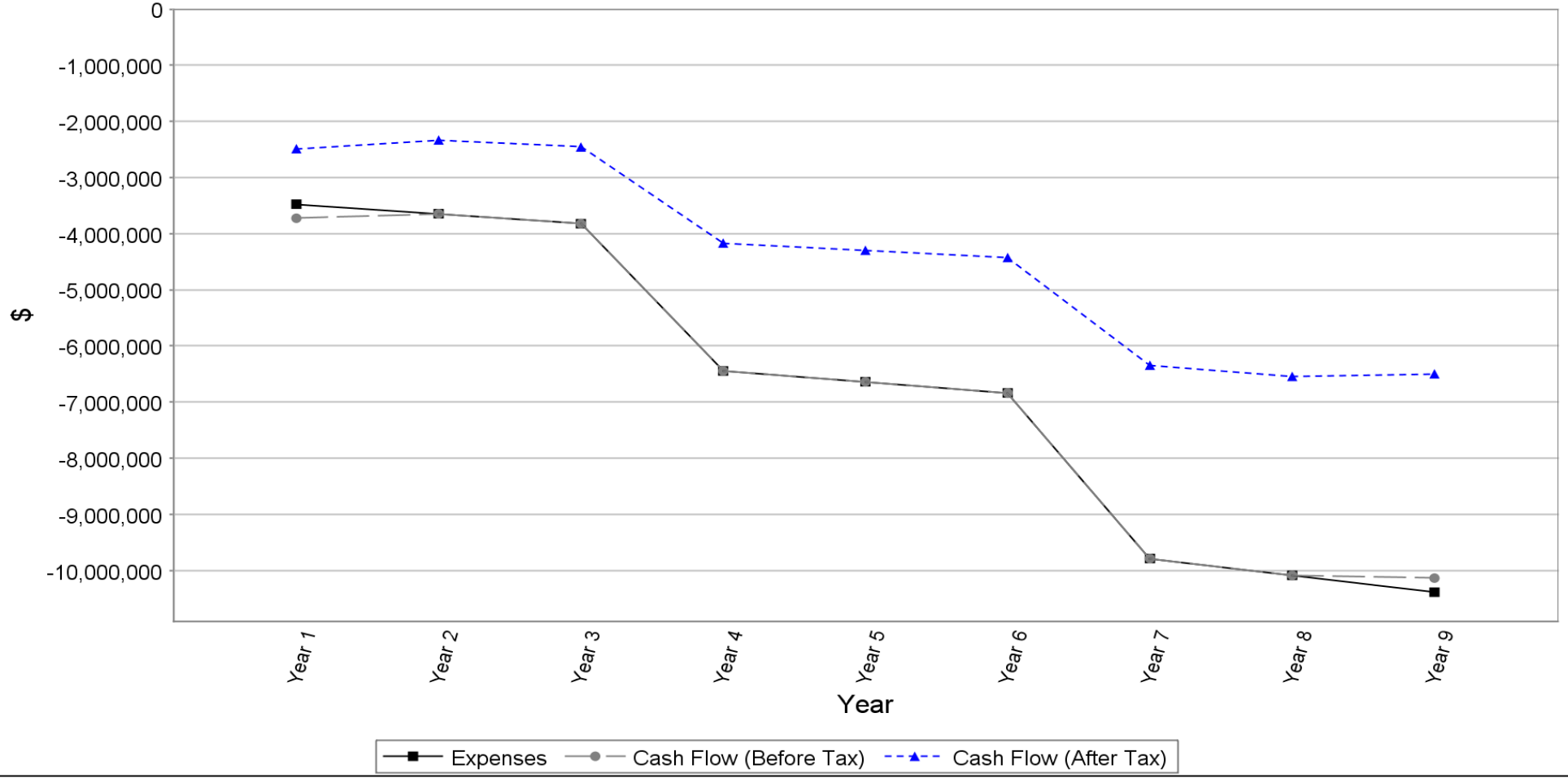
Net Salvage Value		25,000
Less: Capital Gains Tax		
Net Salvage Value	25,000	
Less Cost Basis	550,000	
Capital Gains	-	x 35.00%
		-
Less: Recaptured Depreciation Tax		
Tax Value of Investments on Sale	70,000	
Less Adjusted Basis	22,223	
Recaptured Depreciation	47,777	x 35.00%
		16,722
Cash Flow on Disposition (After Tax)		8,278

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

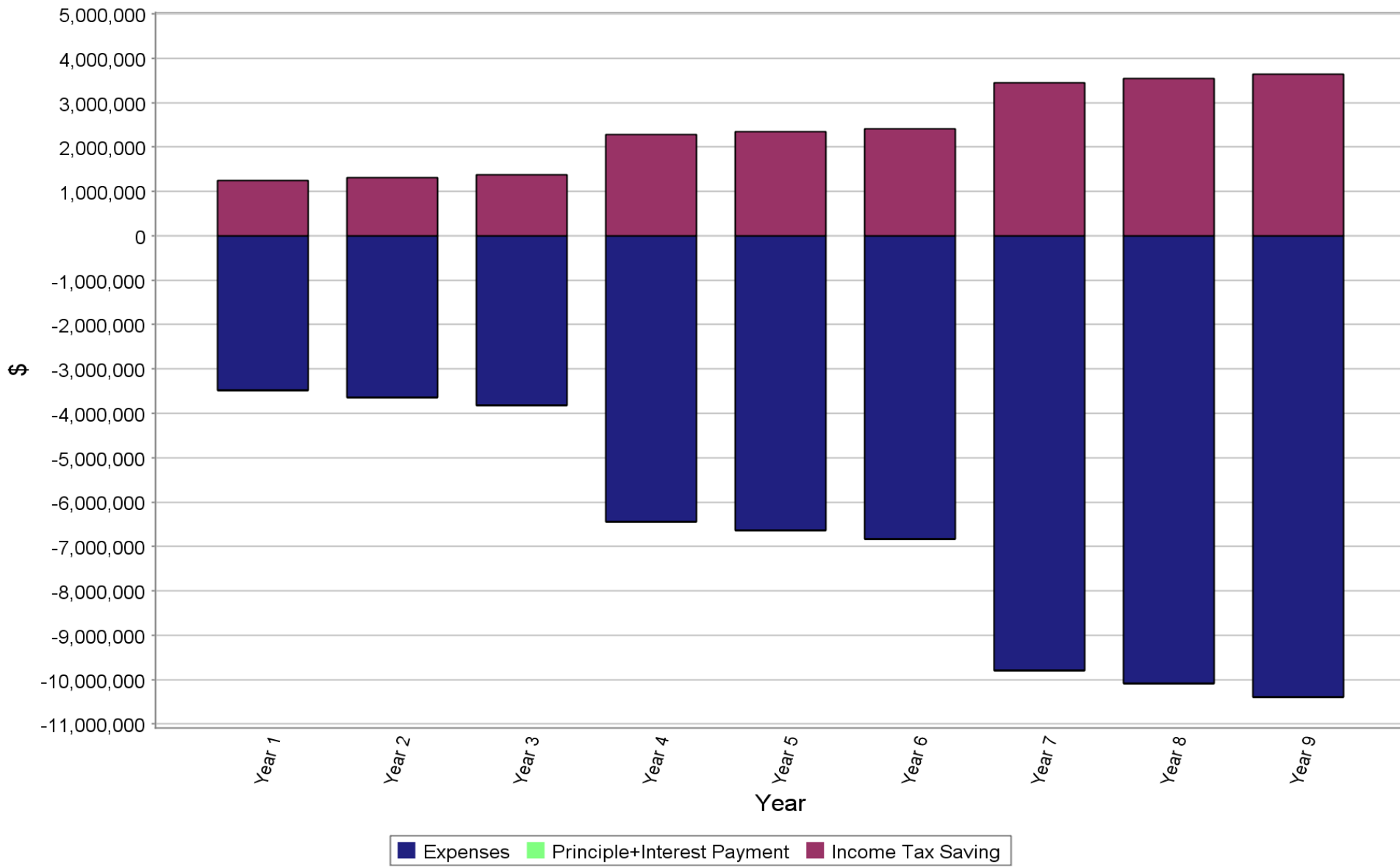
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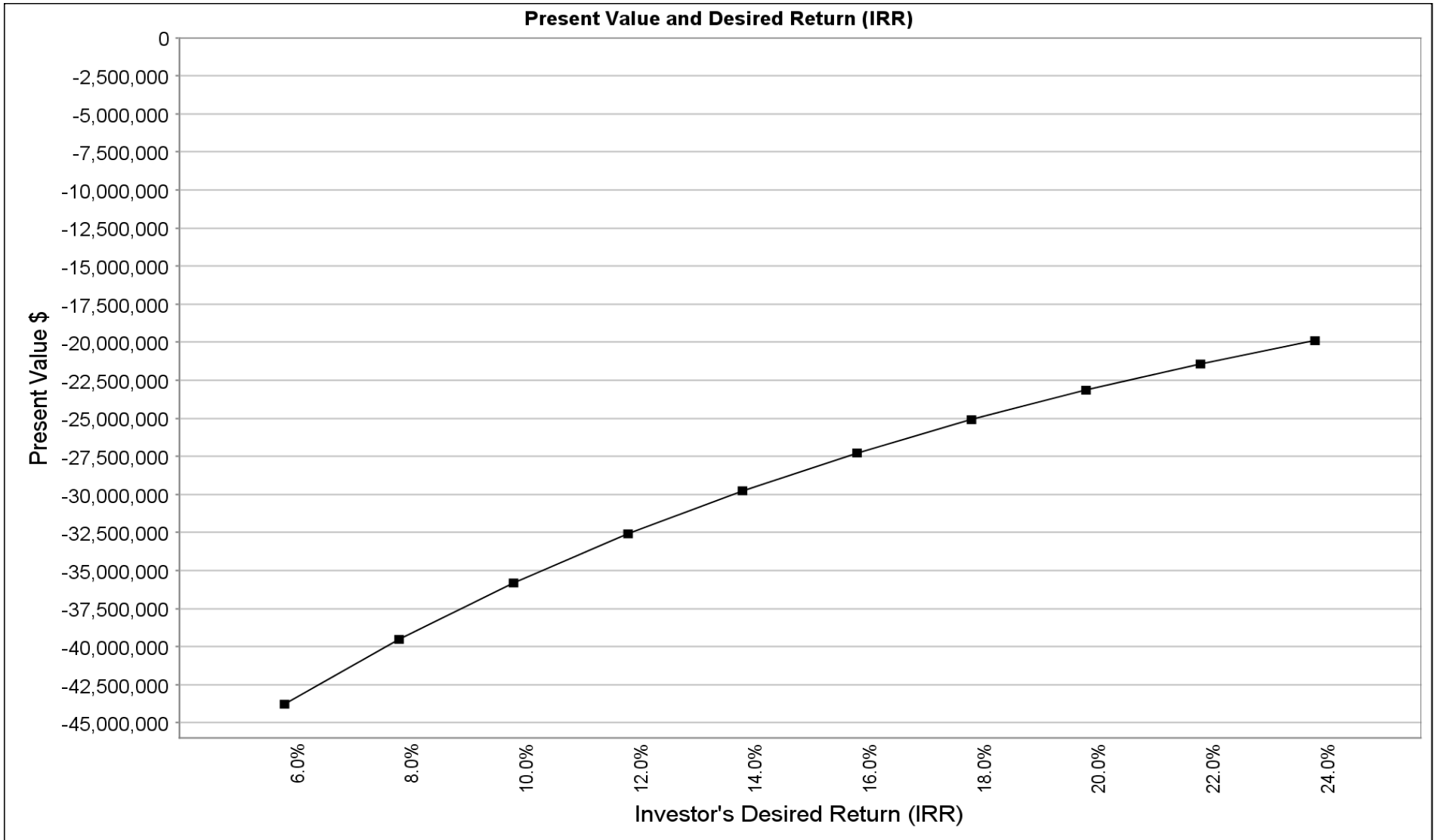
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Product Cost (China)									
\$ per Unit	3,000	3,000	3,000	5,000	5,000	5,000	7,000	7,000	7,000
Quantity	1,000	1,050	1,103	1,136	1,170	1,205	1,241	1,279	1,317
	3,000,000	3,150,000	3,309,000	5,680,000	5,850,000	6,025,000	8,687,000	8,953,000	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
Pump Casing. Outsource Analysis
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Investit Decisions
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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 35.00%
Capital Gain Tax Rate 35.00%
Recaptured Deprec. Tax Rate 35.00%

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 \$ 550,000

	<u>Investment Type</u>	<u>Date</u>	<u>Amount</u>	<u>Recovery Period Years</u>
Equipment & Facilities	Personal Property. 200% Declining Bal.	Jan, Year 1	\$ 350,000	7.00
Leasehold Improvements	Personal Property. Straight Line	Jan, Year 1	\$ 200,000	9.00

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%
Leasehold Improvements	\$ 200,000	-	-

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

Depreciation Schedules
 Pump Casing. Outsource Analysis
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Equipment & Facilities

Starting Date: Year 1 January
 Depreciation Method: Personal Property. 200% Declining Bal.
 Recovery Period: 7.0 Year(s)
 First Year Convention: Half-Year 50.0%
 Last Year Convention: 50.0%
 Amount \$ 350,000

Period	Cost Basis	Adjusted Cost Basis	Depreciation	Undepreciated Balance
Yr. 1 Jan-Yr. 1 Dec	\$ 350,000	\$ 350,000	\$ 50,000	\$ 300,000
Yr. 2 Jan-Yr. 2 Dec		300,000	85,714	214,286
Yr. 3 Jan-Yr. 3 Dec		214,286	61,225	153,061
Yr. 4 Jan-Yr. 4 Dec		153,061	43,732	109,329
Yr. 5 Jan-Yr. 5 Dec		109,329	31,237	78,092
Yr. 6 Jan-Yr. 6 Dec		78,092	31,237	46,855
Yr. 7 Jan-Yr. 7 Dec		46,855	31,237	15,618
Yr. 8 Jan-Yr. 8 Dec		15,618	15,618	-
Total	\$ 350,000		\$ 350,000	

Depreciation Schedules
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Leasehold Improvements

Starting Date: Year 1 January
 Depreciation Method: Personal Property. Straight Line
 Recovery Period: 9.0 Year(s)
 First Year Convention: Half-Year 50.0%
 Last Year Convention: 50.0%
 Amount \$ 200,000

<u>Period</u>	<u>Cost Basis</u>	<u>Adjusted Cost Basis</u>	<u>Depreciation</u>	<u>Undepreciated Balance</u>
Yr. 1 Jan-Yr. 1 Dec	\$ 200,000	\$ 200,000	\$ 11,111	\$ 188,889
Yr. 2 Jan-Yr. 2 Dec		188,889	22,222	166,667
Yr. 3 Jan-Yr. 3 Dec		166,667	22,222	144,445
Yr. 4 Jan-Yr. 4 Dec		144,445	22,222	122,223
Yr. 5 Jan-Yr. 5 Dec		122,223	22,222	100,001
Yr. 6 Jan-Yr. 6 Dec		100,001	22,222	77,779
Yr. 7 Jan-Yr. 7 Dec		77,779	22,223	55,556
Yr. 8 Jan-Yr. 8 Dec		55,556	22,222	33,334
Yr. 9 Jan-Yr. 9 Dec		33,334	11,111	22,223
Total	\$ 200,000		\$ 177,777	

Depreciation Schedules
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Combined Depreciation Schedule

<u>Period</u>	<u>Cost Basis</u>	<u>Adjusted Cost Basis</u>	<u>Depreciation</u>	<u>Undepreciated Balance</u>
Yr. 1 Jan-Yr. 1 Dec	\$ 550,000	\$ 550,000	\$ 61,111	\$ 488,889
Yr. 2 Jan-Yr. 2 Dec	-	488,889	107,936	380,953
Yr. 3 Jan-Yr. 3 Dec	-	380,953	83,447	297,506
Yr. 4 Jan-Yr. 4 Dec	-	297,506	65,954	231,552
Yr. 5 Jan-Yr. 5 Dec	-	231,552	53,459	178,093
Yr. 6 Jan-Yr. 6 Dec	-	178,093	53,459	124,634
Yr. 7 Jan-Yr. 7 Dec	-	124,634	53,460	71,174
Yr. 8 Jan-Yr. 8 Dec	-	71,174	37,840	33,334
Yr. 9 Jan-Yr. 9 Dec	-	33,334	11,111	22,223
Total	\$ 550,000		\$ 527,777	