

## CVS Property Investment Vs. CVS Corporate Bond

**CVS Property, Knoxville TN**  
**7.75% CAP Rate, .50/Sqft Increase every 5 years**

**Initial Investment**  
**(\$3,500,000)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Cash Flow	\$277,232	\$277,232	\$277,232	\$277,232	\$277,232	\$284,337	\$284,337	\$284,337	\$284,337	\$284,337
Less: Depr	(\$71,795)	(\$71,795)	(\$71,795)	(\$71,795)	(\$71,795)	(\$71,795)	(\$71,795)	(\$71,795)	(\$71,795)	(\$71,795)
Taxable Income	\$205,437	\$205,437	\$205,437	\$205,437	\$205,437	\$212,542	\$212,542	\$212,542	\$212,542	\$212,542
Less: Taxes @ 30%	(\$61,631)	(\$61,631)	(\$61,631)	(\$61,631)	(\$61,631)	(\$63,763)	(\$63,763)	(\$63,763)	(\$63,763)	(\$63,763)
Add: Depr	\$71,795	\$71,795	\$71,795	\$71,795	\$71,795	\$71,795	\$71,795	\$71,795	\$71,795	\$71,795
<b>After Tax Cash Flow</b>	<b>\$215,601</b>	<b>\$215,601</b>	<b>\$215,601</b>	<b>\$215,601</b>	<b>\$215,601</b>	<b>\$220,574</b>	<b>\$220,574</b>	<b>\$220,574</b>	<b>\$220,574</b>	<b>\$220,574</b>
After Tax Yield	6.16%	6.16%	6.16%	6.16%	6.16%	6.30%	6.30%	6.30%	6.30%	6.30%

**Terminal Cash Flow**

Sales Price	\$3,500,000
Less: Taxes	(\$179,487) <sup>1</sup>
<b>After Tax Cash Flow</b>	<b>\$3,320,513</b>

**CVS Corporate Bond 3/15/19 Maturity**  
**6.6% Coupon, Price \$111.45/5.04% YTM**

**Initial Investment**  
**(\$3,500,000)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Coupon Payment	\$207,200	\$207,200	\$207,200	\$207,200	\$207,200	\$207,200	\$207,200	\$207,200	\$207,200	\$207,200
Less: Taxes @ 30%	(\$62,160)	(\$62,160)	(\$62,160)	(\$62,160)	(\$62,160)	(\$62,160)	(\$62,160)	(\$62,160)	(\$62,160)	(\$62,160)
<b>After Tax Cash Flow</b>	<b>\$145,040</b>	<b>\$145,040</b>	<b>\$145,040</b>	<b>\$145,040</b>	<b>\$145,040</b>	<b>\$145,040</b>	<b>\$145,040</b>	<b>\$145,040</b>	<b>\$145,040</b>	<b>\$145,040</b>
After Tax Yield	4.14%	4.14%	4.14%	4.14%	4.14%	4.14%	4.14%	4.14%	4.14%	4.14%

**Terminal Cash Flow**

Redemption Value	\$3,140,422 <sup>4</sup>
Less: Taxes	\$0
<b>After Tax Cash Flow</b>	<b>\$3,140,422</b>

Cash Flow Summary			
Period	CVS Property	CVS Bond	Difference
0	(\$3,500,000)	(\$3,500,000)	\$0
1	\$215,601	\$145,040	\$70,561
2	\$215,601	\$145,040	\$70,561
3	\$215,601	\$145,040	\$70,561
4	\$215,601	\$145,040	\$70,561
5	\$215,601	\$145,040	\$70,561
6	\$220,574	\$145,040	\$75,534
7	\$220,574	\$145,040	\$75,534
8	\$220,574	\$145,040	\$75,534
9	\$220,574	\$145,040	\$75,534
10	\$3,541,087	\$3,285,462	\$255,625
<b>Total Cash Flow</b>	<b>\$2,001,389</b>	<b>\$1,090,822</b>	<b>\$910,567</b>
<b>After Tax IRR</b>	<b>5.8%</b>	<b>3.3%</b>	<b>78.9%</b>

**Notes:**

- 1.) Assumes Unrecaptured Sec. 1250 Gain is taxed at 25%.
- 2.) Assumes no transaction costs.
- 3.) Assumes annual cash flows.
- 4.) Assumes a redemption of the face value of the bonds in 2019, not a sale.
- 5.) Assumes a depreciable basis equal to 80% of purchase price.
- 6.) Bond information as of 12/10/09

**Figure # 1**