

Scenario: Borrower Benefit with LGIS Insurance

Assumption: Investment grade guarantee will allow more favorable rate and debt dollars.

Assumptions						
Deal Size			10,000,000			
Cost of Equity			20.0%			
Cost of Debt			5.00%			
Without LGIS Insurance						
		K		Cap. %	Weighted K	
Equity	20.00%	X		35.00%	= 7.00%	
Debt	5.00%	X		65.00%	= 3.25%	
				100.00%	10.25%	
				Year 1	Year 2	Year 3
Cost of Capital				1,025,000	1,025,000	1,025,000
NPV @	10%		\$2,549,023			
With LGIS Insurance						
Less Rate			0.50%			
More Debt			5.00%			
		K		Cap. %	Weighted K	
Equity	20.00%	X		30.00%	= 6.00%	
Debt	4.50%	X		70.00%	= 3.15%	
				100.00%	9.15%	
				Year 1	Year 2	Year 3
Cost of Capital				915,000	915,000	915,000
NPV @	10%		\$2,275,470			
Savings (Cost)	10%		273,554	110,000	110,000	110,000
LESS:						
Debt			7,000,000			
LGIS Premium	3.25%		227,500			
NET Savings (Cost)			46,054			
Difference			1.81%			

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