



Cost Segregation Report

Property

Client Name
Property Location

Property Owner:

Prepared For

Client Name
Property Location

Prepared By

Data Wise
1530 Descanso Drive
La Canada, Ca 91011

Client Name
Property Location

October 1st, 2022

Client Name,

In accordance with your authorization, this report summarizes the results of our cost segregation study of the 2022 Building Acquisition for:

Client Name
Property Location

The purpose of this analysis was to identify and segregate the project costs of the subject property into the appropriate Federal Income Tax Depreciation classifications according to the Modified Accelerated Cost Recovery System (MACRS) and the Alternative Depreciation System class lives, set forth in Revenue Procedure 87-56.

The classifications include:

- Personal Property - Section 1245 property depreciated over 5 or 7 years; and
- Building Improvements - Section 1250 property depreciated over 15 or 39 years.

This report describes the subject property, purpose of the analysis, tax considerations, theory, as well as definitions and procedures utilized. Also included is a detail of the real property costs identified by MACRS class life.

It is our opinion that the attached schedules fairly and reasonably segregate the project costs of the property, and that the results have been achieved by due consideration of relevant facts and data pertaining to the project analyzed. The results of our analysis follow.

Sincerely,

Bob Montes, ASA

CEO at Data Wise

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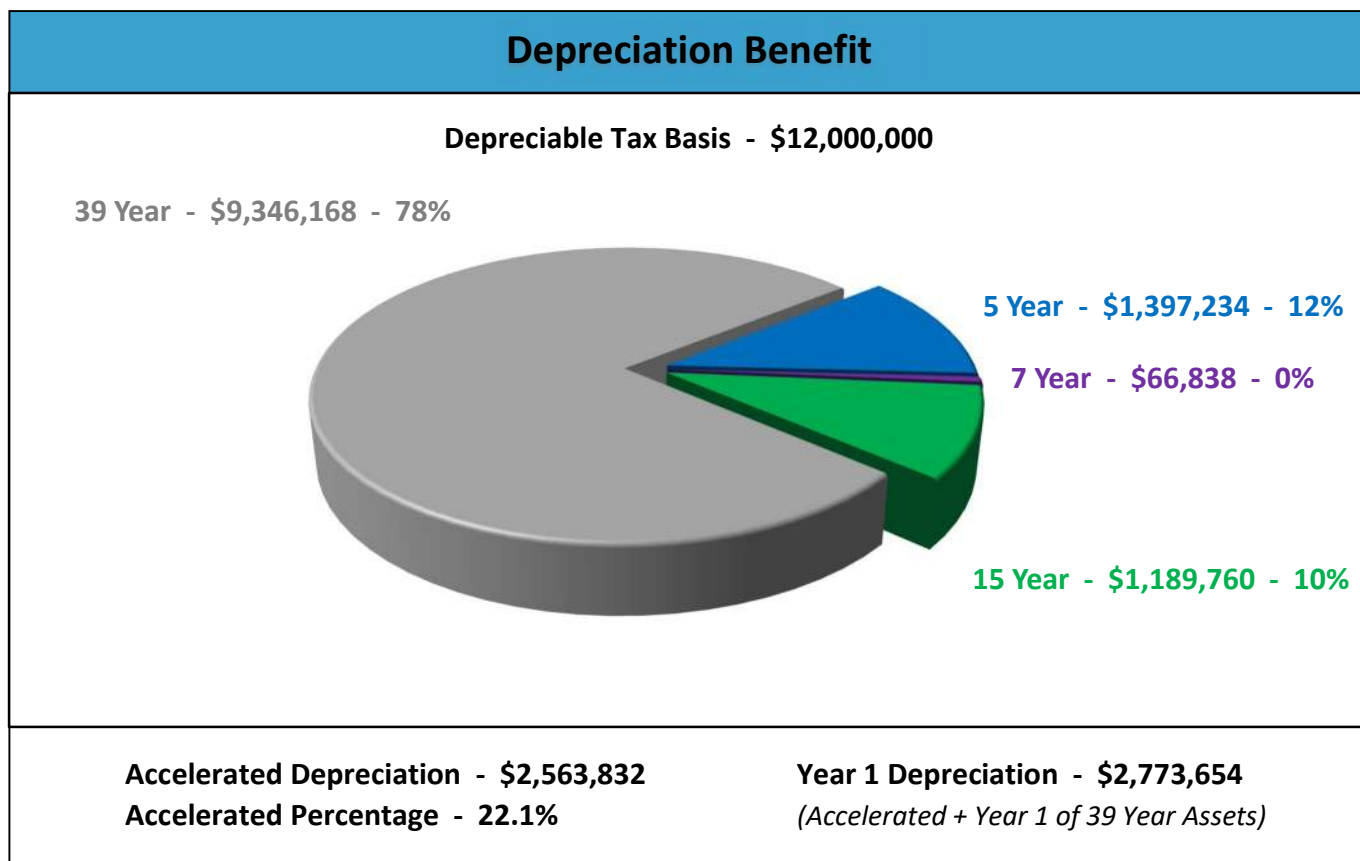
Cost Segregation Details

Exhibit 1 – Pre-Analysis Cost Reconciliation	
Exhibit 2 – Residual Adjustments by CSI Category	
Exhibit 3 – MACRS Property Unit Detail and Indirect Cost Allocation	
Exhibit 4 – MACRS Property Unit Summary by Class Lives	

Property Summary

Property Summary			
Project Type:	2022 Building Acquisition		
Property Type:	Nonresidential Real Property – Office Building		
Property Address:	Client Name Property Location		
Building Area:	80,000 Square Feet	Site Area:	150,000 Square Feet
Property Owner:			
Site Inspection:	September 1 st , 2022		
Date of Value:	July 1 st , 2022		
Value:	\$15,000,000 Purchase <u>\$3,000,000</u> Land \$12,000,000 Depreciable Tax Basis for Cost Segregation Study		
Value Source:	Purchase and Sales Agreement		
Data Wise Project #	100		

Depreciation and Cash Flow Benefits



Present Value Cash Flow Benefit	
Year 1 Cash Flow Benefit	Year 40 Cash Flow Benefit
\$1,047,923	\$725,279
Assumptions for Deriving Benefit	
Tax Basis	\$12,000,000
Tax Rate (Federal + State)	40%
Present Value Factor	8%

Depreciation for Tax Reporting & Planning

MACRS Asset Class	Value	Life	%	Depreciation Method	Special Depreciation
NDL - Non-Depreciable Land	3,000,000	NDL	20%	NDL	
57.0 - Distributive Trades & Services	1,397,234	5	9%	200% DB	100% Bonus
00.11 - Office Furniture, Fixtures And Equipment	66,838	7	0.4%	200% DB	100% Bonus
00.3 - Land Improvements	1,189,760	15	8%	150% DB	100% Bonus
REAL - Nonresidential Real Property	9,346,168	39	62%	Straight Line	
Total	\$15,000,000		100%		

Property Tax Items by Asset Type	Value	Percent
Fixtures	965,024	6%
Land Improvements	1,189,760	8%
Structures	9,845,217	66%
Land	3,000,000	20%
Total	\$15,000,000	100%

MACRS by Property Unit

Property Unit Description	Property Unit #	Depreciation			Value
		Life	Asset Class	Method	
LAND	10	0	NDL	NDL	3,000,000
Resilient Flooring (Process)	9665	5	57.0	200%	52,996
Carpet (Process)	9685	5	57.0	200%	444,451
Wall and Corner Guards	10260	5	57.0	200%	1,305
Fire Extinguishers	10520	5	57.0	200%	9,138
Casework	12300	5	57.0	200%	187,290
Window Treatments	12500	5	57.0	200%	194,066
Custom Plumbing (Process)	15430	5	57.0	200%	21,809
Electrical Distribution (Process)	16440	5	57.0	200%	457,882
Lighting (Process)	16540	5	57.0	200%	25,679
Security System	16730	5	57.0	200%	2,618
Millwork	6220	7	00.11	200%	23,890
Wall Coverings	9950	7	00.11	200%	1,601
Detachable Mirrors	10866	7	00.11	200%	1,768
Electrical Distribution (FF&E)	16435	7	00.11	200%	39,579
Retaining Walls	2290	15	00.3	150%	80,730
Asphalt Paving	2510	15	00.3	150%	745,643
Concrete Paving	2520	15	00.3	150%	5,016
Concrete Sidewalks	2525	15	00.3	150%	45,633
Brick Pavers	2530	15	00.3	150%	3,157
Curb and Gutter	2550	15	00.3	150%	11,075
Custom Sitework (Land Improvement)	2992	15	00.3	150%	200,838
Miscellaneous Metals (Land Improvements)	5530	15	00.3	150%	1,420
Signage (Land Improvements)	10430	15	00.3	150%	794
Electrical Distribution (Land Improvements)	16430	15	00.3	150%	13,075
Lighting (Land Improvements)	16530	15	00.3	150%	82,380
Custom Sitework (Building)	2993	39	REAL	STL	0

MACRS by Property Unit

Property Unit Description	Property Unit #	Depreciation			Value
		Life	Asset Class	Method	
Cast-in-Place Concrete (Building)	3320	39	REAL	STL	2,790,243
Miscellaneous Metals (Building)	5520	39	REAL	STL	381,354
Roofing	7500	39	REAL	STL	177,171
Doors and Frames (Building)	8120	39	REAL	STL	556,936
Windows	8500	39	REAL	STL	324,946
Custom Finishes (Building)	9991	39	REAL	STL	767,810
Elevators	14200	39	REAL	STL	997,877
Plumbing (Building)	15400	39	REAL	STL	373,350
Fire Protection Systems	15500	39	REAL	STL	375,793
HVAC (Building)	15800	39	REAL	STL	1,313,786
Electrical Distribution (Building)	16420	39	REAL	STL	262,599
Lighting (Building)	16520	39	REAL	STL	672,387
Fire Alarm	16720	39	REAL	STL	19,068
Custom Elec Equip (Building)	16791	39	REAL	STL	332,848
Total					\$15,000,000



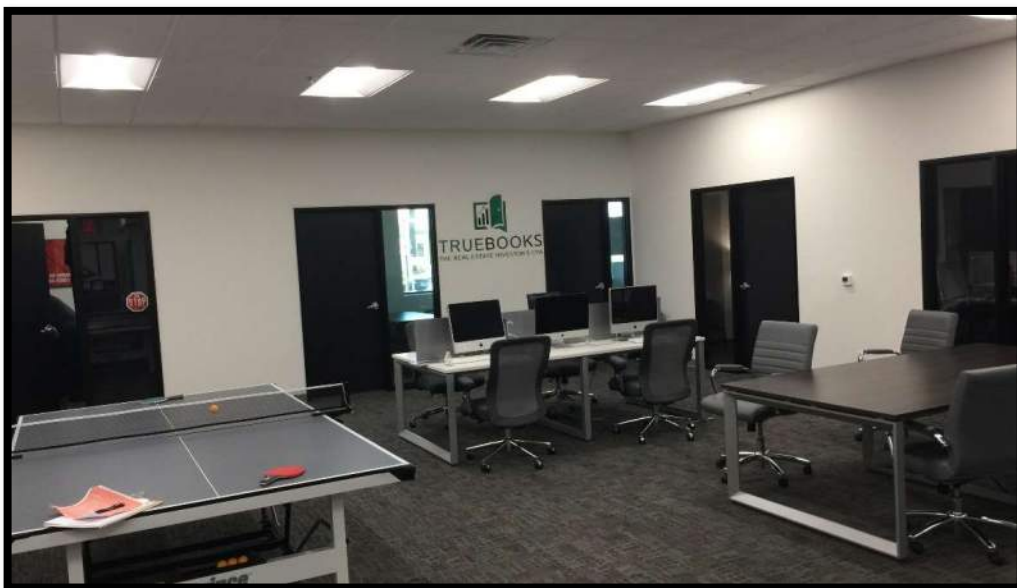
Site Improvements – Asphalt Paving, Concrete Curb & Exterior Pole Light, Building Facade



Site Improvements – Metal Carport & CMU Wall



1st & 2nd Floor Lobby – Carpet & VCT Floor, Chandelier & Wall Sconce



Tenant Improvements – Suite 204



Tenant Improvements – Suite 100



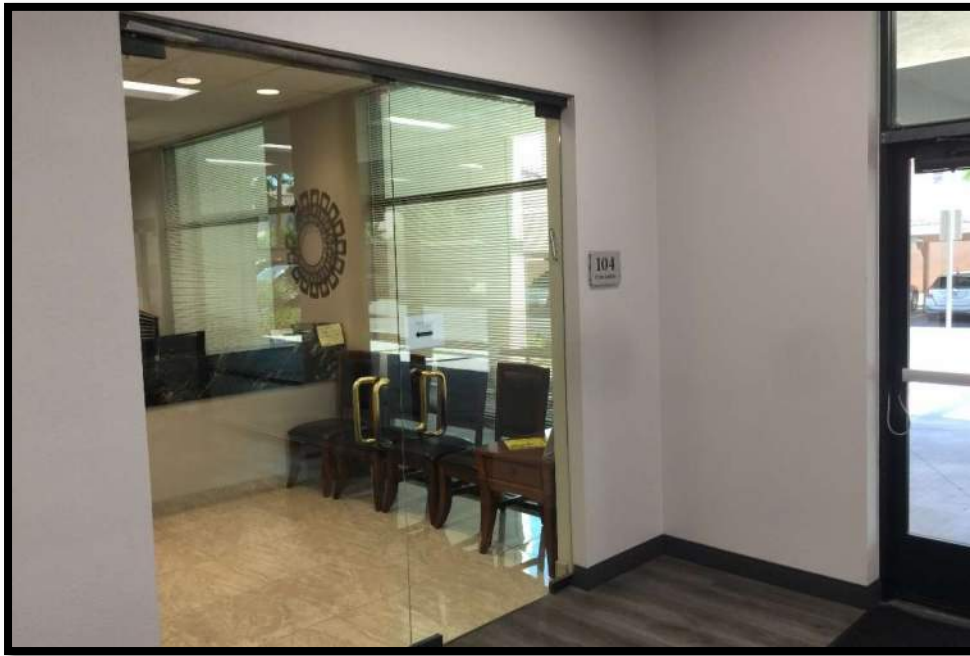
Tenant Improvements – Suite 200-200A



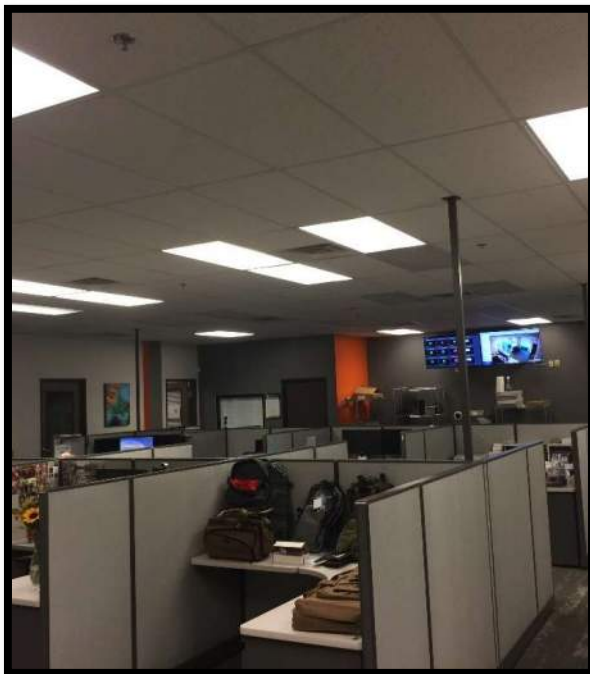
Tenant Improvements – Suite 103



Tenant Improvements – Suite 201



Tenant Improvements – Suite 104



Tenant Improvements – Suite 102



Tenant Improvements – Suite 203

Scope of Services

The purpose of our study was to identify and segregate the project costs for the subject property into the appropriate Federal Income Tax Depreciation classifications. The classifications include:

- Personal Property - Section 1245 property depreciated over 5 or 7 years.
- Building Improvements - Section 1250 property depreciated over 15 or 39 years.

This was accomplished according to the Modified Accelerated Cost Recovery System (MACRS) and the Alternative Depreciation System class lives set forth in Revenue Procedure 87-56.

The scope of our study included, but was not limited to:

- Obtaining and analyzing available project cost detail for the subject property;
- Reviewing Property (Owner) Category Codes, Opening Balance Sheet, Trial Balance, Construction-In-Progress Account Detail, and Depreciation Schedule, as applicable;
- Reviewing Appraiser Land Value;
- Review historical information, including Property Description, Appraisal, Offering Memorandum or Financing Pro Forma, Purchase Agreement, Final Closing Statement, and Property Tax Records, as applicable;
- Conducting a site inspection of the facility on September 1st, 2022 by Datawise Design Inc. personnel;
- Establishment and reconciliation of the tax basis of specific items of Section 1245 and Section 1250 property with the assistance of Property Owner personnel;
- Reviewing construction documents (blueprints), including Civil, Architectural, Structural, MEP (Mechanical, Electrical, Plumbing) fixtures and distribution schedules, load calculations, Title 24 design documents, as available;
- Estimating construction costs as needed for real (structural) and personal property, as applicable;
- Segregation of significant components and property units to include Building Structure and Building Systems (i.e., HVAC System, Plumbing System, Electrical System, Conveyance Systems, Fire Protection and Alarm Systems, and Security Systems. Segregate Qualified Improvement Property, Land Improvements, and Other Structural Components or Systems, as applicable;
- Segregation of property tax items to include Land, Structures, Fixtures, Personal Property, Land Improvements, Mineral Rights, Trees and Vines, No Value Added, and Other Components or Systems, as applicable;
- Allocate, pro-rata, the indirect costs to direct costs to establish the tax basis of the Section 1245 property and Section 1250 property;
- Depreciation consideration, including Bonus Depreciation, as applicable; and
- Issue a report that specifies the tax basis and tax life for each identified item of personal property. The report is suitable for submission to the IRS during an audit, if requested.

Methodology

The methodology utilized, and outlined below, is predicated on fully documented professional engineering and cost estimating procedures for allocating costs to Section 1245 and Section 1250 property units.

The methodology consists of the following:

- Obtained Category Codes, Job Cost Report (JCR) Detail, and other relevant and contemporaneous documentation for selected assets provided by the following entities: Property Owner
- Analyzed detailed project cost information consisting of itemized quantities and amounts for specific project elements within each construction division, when available;
- Identified and classified property into the recovery classes defined in the 1986 Tax Reform Act Cost Recovery System, the 1993 Revenue Reconciliation Act, the American Recovery and Reinvestment Act of 2009, Protecting Americans from Tax Hikes Act of 2015 (the PATH Act), Tax Cuts and Jobs Act of 2018 (TCJA), Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, and subsequent tax acts;
- Identified those components and their respective costs which, under the provisions of the Internal Revenue Code, are considered Section 1245;
- Reconciled total asset costs found in contemporaneous documentation to the total asset capitalized costs.
- **Bonus depreciation** relates to the Section 1245 tangible personal property of the subject property. The acquisition (contract) date is July 1st, 2022, and date placed in service is July 1st, 2022; therefore, said property does meet the qualified property description, original use requirement, acquisition requirement, and date placed in service to qualify improvements related to Section 1245 tangible personal property as 100% bonus depreciation eligible.

Statement of Assumptions and Limiting Conditions

This report has been produced with the following general assumptions and limiting conditions:

1. An investigation has not been made of, and no responsibility is assumed for, the legal description of the property or legal matters, including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated.
2. Project and cost information furnished by others, upon which all or portions of this report are based, is believed to be reliable. No warranty is implied as to the accuracy of such information. The figures represented in this report are based on the cost basis for the improvements provided by the taxpayer.
3. This report has been produced only for the purpose stated and shall not be used for any other purpose. Neither this report nor any portions thereof (including, without limitation, any conclusions, the identity of Datawise Design Inc., or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) may be disseminated to third parties, except outside tax counsel and/or the tax court of compliant jurisdiction by any means without the prior written consent and approval of Datawise Design Inc.
4. Neither Datawise Design Inc. nor any individual signing or associated with this report shall be required by reason to give further consultation, provide testimony, or appear in court or at other legal proceedings, unless specific arrangements therefore have been made.
5. The recovery periods, conventions and classes are deemed to represent the allowable ADR classes to the taxpayer and the taxpayer has made a thorough review of the recovery period assumptions prior to the issuance of the final report.
6. Based upon proper application of P.L. 99-514, recovery periods and conventions of less than one year (as in the case of month-by-month recovery allowance on real property and the first-year recovery allowance on personal property) are not shown in the report and are to be adjusted at the discretion of the taxpayer.
7. Areas and dimensions of the property were obtained from surveys and/or public records. Maps or sketches, if included in this report, are only to assist the reader in visualizing the property. Datawise Design Inc. did not verify their accuracy. Independent surveys were not conducted.
8. The scope of our analysis does not include environmental issues.
9. This report considers only the costs paid to third parties and does not consider the effect of IRC Section 263(A) on any additional costs (including interest), if any, which must be capitalized as a result of the application of IRC Section 263(A).
10. Acceptance and or use of this report constitutes acceptance of all the forgoing Assumptions and Limiting Conditions.
11. Specific prohibitions regarding the use of this report include, but are not limited to, inclusion of reference in any filings with the Securities and Exchange Commission or in any other public offering documents.
12. This report has been prepared based on our interpretation of the applicable provisions of the IRC and related administrative rules, relevant Income Tax Regulations and court decisions. However, subsequent to issuance of this report, certain building components currently viewed as the IRS may challenge personal property and affect the conclusions stated in this report.
13. The conclusions contained herein are based on the facts and circumstances as presented and known by us at the time this report is issued. We assume no obligation to update this report.

Circular 230 Disclosure

This report is issued under the terms of Other Written Advice as defined by Circular 230. Accordingly, unless otherwise prohibited or we agree to issue a Covered Opinion as defined by Circular 230, the advice included in this report is not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed.