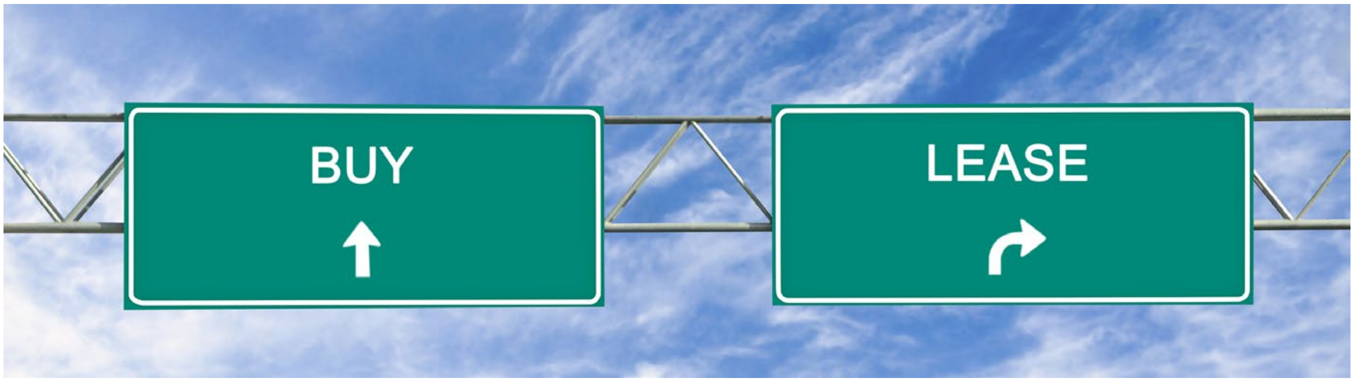
THOUSANDS OF DOLLARS IN TAX SAVINGS AVAILABLE FOR BUSINESSES AND INVESTORS PURCHASING AT MONTEREY MOTORSPORT PARK

The significant potential benefits of using a “cost segregation” study to accelerate tax write-offs.

CONTENTS

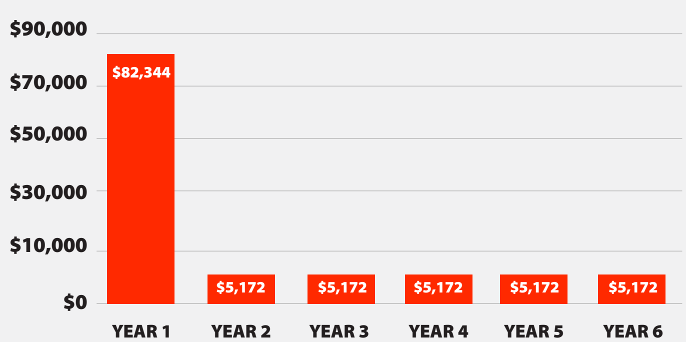


IRS-RECOGNIZED COST SEGREGATION PRACTICE PROPERLY CLASSIFIES BUILDING COMPONENTS TO ACCELERATE DEPRECIATION

For tax purposes, commercial buildings are generally considered to have a useful life of 39 years. In the past, to calculate depreciation on a given commercial real estate asset, buyers would subtract the value of the land (which is non-depreciable) from the total purchase price, and then would depreciate the remaining amount on a straight-line basis over 39 years. This relatively small annual deduction did little to offset the substantial investment required for many commercial properties.

This changed with the advent of cost segregation accounting, a practice that has been consistently upheld in a number of key IRS rulings over the past decade, beginning with Hospital Corporation of America [HCA] v. Commissioner, 109 TC 21 in 1997. Please check with your CPA or tax counsel regarding cost segregation's applicability to your individual situation.

DEPRECIATION DEDUCTIONS WITH 2020 TAX ADVANTAGES



This example is for illustration purposes only. Prospective buyers should consult with their CPA or tax counsel regarding the tax implications for their particular situation. In the above graph, depreciation deductions would continue out for 39 years.

Using a cost segregation study, a commercial real estate investment such as buying one of the luxury garage-condos at Monterey Motorsport Park can be broken down into not only land and buildings, but also tangible personal property and land improvements — the latter two of which are assumed to be used to support business activities or create the appropriate ambiance for business, rather than make the building habitable or functional. These classifications can include relatively well-recognized components such as carpeting, cabinets, and wall coverings, as well as other qualifying assets such as paving and concrete, fences, interior partitions, and electrical and plumbing infrastructures. Tangible personal property and land improvements may be depreciated for business or investment purposes over considerably shorter recovery periods — from as little as 5 years to 15 years — than the building itself, enabling larger deductions to be taken sooner and generating substantial tax savings in the early years for owners.

To break out these various classes of assets, highly experienced engineering consultants must prepare a detailed cost segregation study, often created during construction when it's simpler to identify the cost of various building components. Cost segregation studies are essential to provide the appropriate documentation to support the accelerated deductions for personal property and land improvements in a commercial real estate transaction.

Cost segregation doesn't offer any additional deductions over what buyers have been able to take in the past. But by recognizing these deductions in the first few years of ownership when cash outlays tend to be higher, this accounting method can make a real estate purchase much more affordable by allowing a buyer to claim as much as $1,040,000 in federal tax deductions. These benefits are available for all taxpaying businesses.

TAX BENEFITS ADD UP TO THOUSANDS OF DOLLARS IN SAVINGS

The IRC Section 179 deduction allows for federal write-offs of up to $1,040,000 across all qualified business assets with useful lives of 20 years or less. This begins to phase out once an investor's businesses have purchased in excess of $2,590,000 of qualifying Section 179 assets during the year 2020. (This is subject to change in future years.)

Let's look at how these deductions add up in this hypothetical example for an individual who buys a garage-condo unit at Monterey Motorsport Park for his or her business or who invests in a unit and leases it to another user. Assume that on January 1, 2020 the owner bought and occupied or leased a 981 sq. ft. unit costing $315,000 at Monterey Motorsport Park.

$315,000 CONDO PURCHASE ON JANUARY 1, 2020	
COST SEGREGATION STUDY	**2020 DEDUCTION**
• $9,439 in 5-year Section 179 property - 100% bonus depreciation (Full 5-year amount can be taken in year of purchase)	$9,439
• $1,504 in 7-year Section 179 property - 100% bonus depreciation (Full 7-year amount can be taken in year of purchase)	$1,504
• $68,815 in 15-year Section 179 property - 100% bonus depreciation (Full 15-year amount can be taken in year of purchase)	$68,815
• $201,694 in 39-year property (Depreciated in standard way)	$2,586
TOTAL 1ST YEAR DEDUCTION	**$82,344**

Annual depreciation is based upon a detailed cost segregation study for the entire Monterey Motorsport Park facility. The above figures are a prorated percentage based upon purchase of a 981 sq. ft. unit. 5-year, 7-year, and 15-year property can be fully depreciated in year 1 due to bonus depreciation. This example is for illustration purposes only and accounts for federal depreciation deductions only. State depreciation deductions will be different. Prospective buyers should consult with their CPA or tax counsel regarding the tax implications for their particular situation. All figures were computed by tax specialist, James F. Butera, CPA.

In this example, because a cost segregation study has identified more than $79,758 worth of building components that could be depreciated over five, seven or 15 years, this would have enabled the business buyer/investor to deduct $82,344 in the first year — compared with $3,608 if he or she had depreciated the property's entire cost (minus the land) as 39-year property. **That's more than 22x the deduction in the initial year of ownership!**

MONTEREY MOTORSPORT PARK				
PROPERTY CLASS	**PERCENTAGE ASSUMED**	**DEPRECIABLE BASIS**	**PERCENTAGE ASSUMED**	**DEPRECIABLE BASIS**
5-Year Property	6.56%	$1,728,920	0%	0
7-Year Property	0.51%	$134,413	0%	0
15-Year Property	24.58%	$6,478,180	0%	0
39-Year Property	68.35%	$18,013,980	100%	$26,355,494
	TOTAL	**$26,355,494**	**TOTAL**	**$26,355,494**

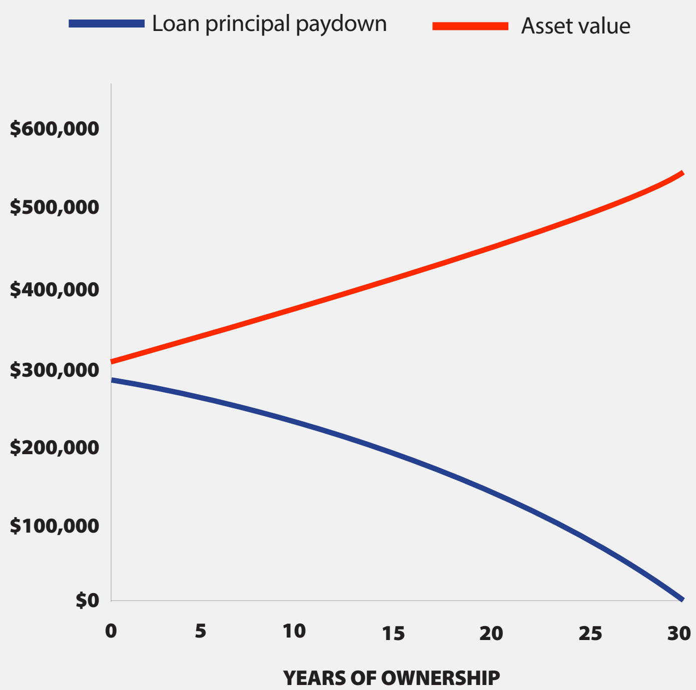
By segregating a building into components that can be classified as five, seven, or 15 year property in addition to 39-year property, you can accelerate depreciation on more than one-sixth of the building's value (excluding the land value). Note that the figures shown are for the entire Monterey Motorsport Park complex. Each individual unit would be allocated the appropriate pro-rata share of this accelerated depreciation, which can be used to reduce taxes in the early years.

If an owner chooses to finance his purchase with an SBA loan of up to 25 years, he would need only 10% down — or approximately $31,500. One can see how the available tax write-offs for an owner in the highest (37% and 13.3%) tax brackets help offset his down payment in after-tax dollars.

Clearly, the accelerated depreciation available through IRC Section 179 is an opportunity that makes it very attractive for an individual to buy a garage-condo for business or investment purposes at Monterey Motorsport Park.

Page 5 | Thousands of Dollars in Tax Savings Available

OWNERSHIP ADVANTAGE



Should you lease or buy storage space? That's the question — and your answer can significantly impact your personal wealth. As the above graph illustrates, if you purchase a garage-condo at Monterey Motorsport Park, in 30 years you could own over $570,579 worth of business property. Example assumes 2% annual property appreciation, 90% loan to value, 5% interest rate, and 30-year term. If you lease at $17,658 per year, with three percent annual increases, you'll have paid $840,087 in rent over the same 30-year timeline, and have nothing to show for it. Which path is best for you, your business and your family?

GET THE GARAGE-CONDO YOU WANT AT MONTEREY MOTORSPORT PARK

Located adjacent to the Monterey Regional Airport exit along Highway 68, Monterey Motorsport Park represents the next evolution in upscale, luxury garage-condos. The four-building, 90,000 sq. ft. complex offers a total of 86 units ranging from slightly less than 700 sq. ft. to nearly 2,100 sq. ft.

The distinctive garage-condos are designed to accommodate cars, motorcycles, some RVs, or boats, as well as any type of business or personal storage one might find in a garage — from business files to furniture from a vacation home or even holiday decorations. The complex features a fully fenced perimeter with 24x7 access-controlled entry, abundant lighting, and video covering common areas. Pro-active remote guarding by Elite Interactive Solutions is designed to stop break-ins before they occur.

The impressive design of these units also differentiates Monterey Motorsport Park from other storage alternatives. Ceilings soar to approximately 25 ft. There are large roll-up doors for moving vehicles into and out of every unit, as well as walk-in doors for owners and their guests. Plus, you'll love the lofty mezzanines 13 feet above the garage floors, accessible via an internal staircase, which can serve as an ideal place to operate a business (see CC&Rs for guidelines), create a personal office or furnish a luxury retreat — with fiber-optic connections for blazingly fast Internet and VoIP phone service, as well as an optional cable TV connection.

These uniquely conceived spaces mean that Monterey Motorsport Park will be much more than a standard storage facility — but rather will become a vibrant car community where owners and business associates gather to watch motorsports events, wrench on their cars, or simply hang with friends.

A WORD OF WARNING TO PROCRASTINATORS

If you've been considering purchasing commercial real estate, now's the time to do it. Remember, to qualify for the tax write-offs in a particular year, a transaction must not only be closed by the end of that year, but the business must also have begun operating in the new space by then. There are many steps that must be taken before a business can own and occupy a new condo unit: finding the right space, negotiating the purchase contract, handling any due diligence, arranging for financing, making design improvements, obtaining a building permit, completing improvements, and moving in — so you would be wise not to delay.

Even if you haven't been thinking about making a real estate investment for your business, if you have capital on hand, you might want to strongly consider investing in one of these garage-condos for its future appreciation potential and the ability to lock in today's low interest rates.

Once again, investors are reminded to consult with their tax advisors before making any decisions. But with the tax benefits of the IRC Section 179 deduction, all investors and business people should carefully consider the possibilities of purchasing a business condominium or other commercial property now while interest rates are low. The sooner that you close a purchase transaction and move in, the greater your deductions will be.

TAX SPECIALIST: JAMES F. BUTERA, CPA

Jim has over twenty years professional experience in public accounting with an emphasis in tax planning, business planning and litigation support services. His expertise in accounting and tax matters has been recognized by attorneys and judges who have retained him to provide expert testimony.

Jim graduated from San Jose State University with a degree in Business Administration with a concentration in Accounting in 1977 and was certified as a CPA in 1980 by the State of California.

McCahan, Helfrick, Thiercof & Butera
www.mhtb.com
(408) 266-4755
1655 Willow Street, San Jose, CA 95125

COST SEGREGATION STUDY EXPERT: JAMES CHANG, CPE

James has more than 20 years of experience conducting cost segregation studies, which building owners and accounting firms share with their clients for improved tax and cash flow management purposes. He has handled studies of office buildings, commercial lofts, malls and shopping centers, apartments, and industrial and manufacturing facilities across the U.S.

James is a licensed general contractor in California as well as a certified professional estimator (CPE). He has eight years of construction management experience, performing tasks such as estimating, value engineering, project management, and site supervision.

Everstandard Valuations, Inc.
http://everstandardvaluations.com
Office (213) 341-1868 • Cell (626) 278-1919
1107 Fair Oaks Ave. #58, South Pasadena, CA 91030

MONTEREY MOTORSPORT PARK ★★★★★

MAHONEY & ASSOCIATES COMMERCIAL REAL ESTATE
JOSH JONES
BRE# 01352818
jjones@mahoneycommercial.com
(831) 233-2196

CUSHMAN & WAKEFIELD
RYAN CLARK
BRE# 02012007
ryan.p.clark@cushwake.com
(605) 228-6402

DENNIS CHAMBERS INC.
COMMERCIAL REAL ESTATE
BRE# 00475577
dennis-chambers@outlook.com
(408) 605-6760

Developed by

BORELLI INVESTMENT COMPANY Est. 1955 — SWENSON — McCALL