

BARON

USING THE PROGRAM

If you haven't already done so, use the Setup and Loading Instructions on page 1 of this user's guide to set up Baron for your system.

To start playing Baron from the DOS prompt, place your program disk in drive A, type START and press ENTER. The next thing you will see is Baron's opening screen. When you are done playing Baron, you will be returned to the DOS prompt

How To PLAY

The object in Baron is to make a million dollars by speculating in the real estate market. One session of the game consists of 60 months of real estate activity. Each month you will review the newspaper, examine mortgage rate trends, research various geographic real estate trends, and buy or sell the various types of real estate investments.

GETTING STARTED

When first playing Baron, you will start out as a Novice with \$35,000 cash. As a Novice, you may buy and sell property, take out 80% loans, purchase options, invest in second mortgages, and make speculative real estate investments. As you buy and sell property, your net worth increases (you hope!). Net worth, Baron's yardstick of success, is the sum of all your assets (cash, property, 2nds, etc.), less your liabilities (taxes, loans and closing costs obligations). As your net worth increases, so does your status. For instance, when you reach a net worth of \$100,000, your status is raised to Investor, and you may take out 90% loans. When you become a Broker at \$250,000 your closing costs on a sale drop from 7 to 4%. When you reach \$1,000,000, you become a Baron.

As You PROGRESS

Figure 1 presents the four status levels and the types of investments that can be made. The advantage of being able to take out 90% loans at the Investor level is that it increases your leverage. You can buy property that requires a 25% down payment and immediately borrow money on that property to buy another property. Lower closing costs at the broker level reduces, from 10 to 7%, the increase in property value required to break even on an investment.

Net Worth	Status	Investments
\$ 35,000	Novice	Buy/sell property 80% loans Options Second Mortgages Speculative investments
\$ 100,000	Investor	Everything above 90% loans
\$ 250,000	Broker	Everything above 4% sale closing costs
\$ 1,000,000	BARON	YOU DID IT!

When you reach a new status, Baron will congratulate you. Once you achieve a new status level, it will not be reduced, even if your net worth drops below the required level. Baron allows you to advance only one status level per month. So, if you are a Novice who suddenly makes \$250,000, it will take a few months to advance to the Broker level.

IF You GET INTO TROUBLE

In the event you lose so much money that your net worth drops below \$5,000, you will be declared bankrupt, and your status will be reduced to Novice. You will be given \$20,000 and a clean slate for another shot at a million bucks.

DON'T STOP AT \$1,000,000

Upon reaching Baron status, you will be given \$100,000 to start out on a quest for your next million. The object, once you have become a Baron, is to find out how quickly you can earn another million. Be careful not to go bankrupt and lose it all!

THE ONLY CONSTANT IS CHANGE

At the start of each game, your computer creates a new real estate market environment. This environment consists of 60 months of real estate appreciation and mortgage rate changes. You start out in February 1984. With each new month, the mortgage rates and property prices change, just like they do in the real world. On the 60th month or December 1988, Baron converts your holdings into cash. This amount, along with your status, is saved by the computer. You can then start a new 60-month session with the cash and status earned during the previous session. Over a number of sessions, with a little luck and a lot of skill, you may become a Baron.

GAME STATUS AND SAVED GAMES

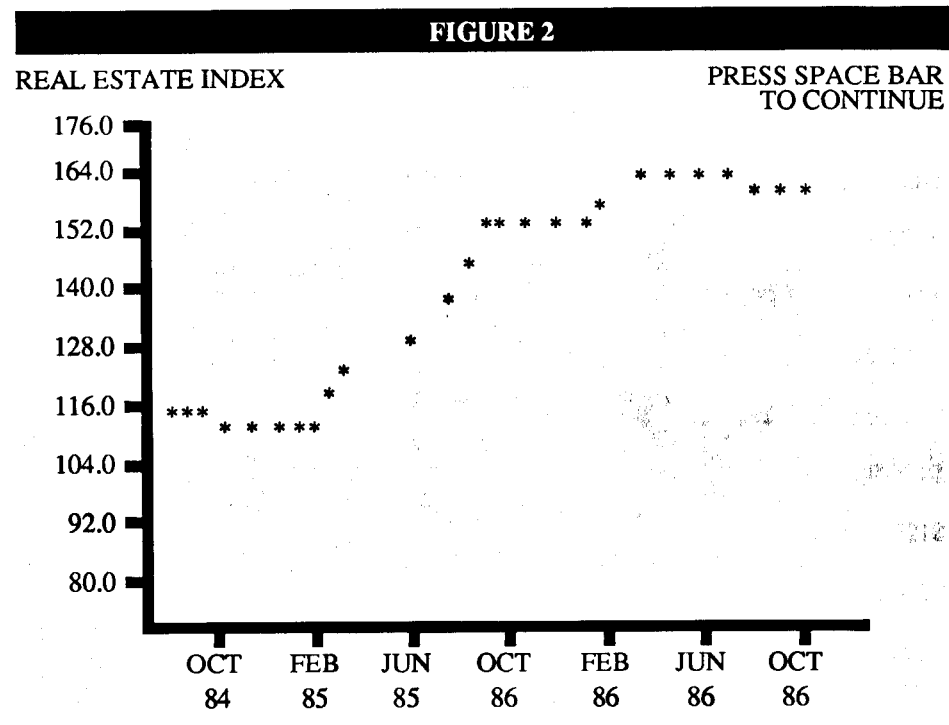
The computer can store up to 14 players' game statuses (end-of-session cash and status). If you want to stop a session before the 60th month, you can save the complete game status, including the real estate market environment, and recall it later.

Only one game can be saved on a disk at a time. If you have saved a game, and subsequently your friend saves a game, the first saved game will be erased.

READY To Go

The Main Menu is the first thing displayed when you start Baron. Here, you have the option of starting a new game, recalling a saved game or clearing the player directory. While we take you step-by-step through Baron, it is important that you sit in front of your computer, with Baron up and running. Just do what we tell you, and you'll be playing Baron before you know it. (Some of the numbers in this manual may vary slightly from what you see on your screen.)

A friend of ours, with the initials BC, has graciously left a saved game on your disk. BC was a broker with \$225,000 when he last saved his game. Let's use EC's game! Type SAVED and press ENTER. It will take a few seconds to recall a saved game.



VITAL INFORMATION

The first thing you will see each month is the real estate index graph (see Figure 2). The horizontal axis is a weighted average of all types of real estate across the country. This graph lets you know how the real estate market as a whole is doing. If a majority

of the property across the country is increasing in value, the index graph will show an upward trend. The numbers used on the vertical axis scale are weighted, and bear no relationship to actual property prices.

REMEMBER THE THREE TYPES OF PROPERTIES

In Baron, you can purchase three distinct types of properties: Residential property such as apartments, duplexes, houses, Business property such as shopping centers, warehouses, manufacturing buildings, and Land and acreage used for building or income. Offers for land and acreage will say something like "5 Acre Residential Lot." Each type of property is affected by unique influence factors. Land prices could be going up while business properties plummet.

CONSIDER NATIONAL AND REGIONAL TRENDS

In Baron, you may purchase property in five states: California, Texas, Kansas, Florida, and New York. Each geographic area has a unique set of influence factors. There could be a real estate boom in California, while property values in Kansas are dropping.

Therefore, each real estate type in each state, has a unique set of influence factors that affect the price that real estate is selling for.

MOVING ALONG

Now press the SPACE BAR to continue. Next, as shown in Figure 3, is a graph of the average property prices in California. We call this a composite average because normally, residential, business, and land prices are not averaged. This graph will give you a feel for how real estate in general is performing in the state. The vertical axis is the average sale price of property in the state.

Each month, as you play the game, you will see a graph of one of the five states' composite average. Press the SPACE BAR to continue.

INTERPRETING CURRENT EVENTS

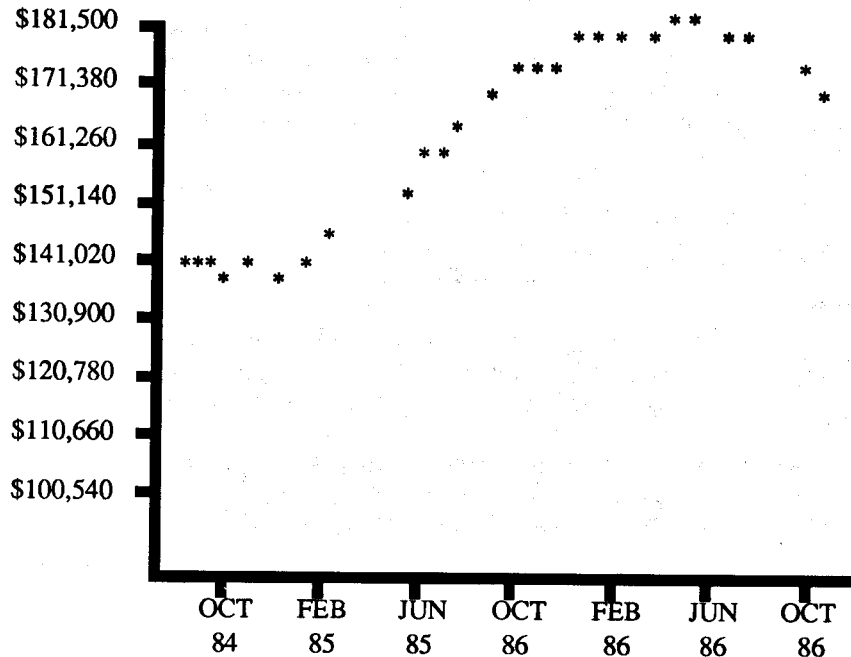
Next is the month's newspaper report. News items can signal upward price trends, downward price trends or may be inconclusive. Both property price patterns and mortgage interest rates are tied to these news items. If you properly interpret the changes in the real estate market that these news events signify, you will do quite well. Press the SPACE BAR to continue.

Figure 4 shows the average property prices across the country. Reading from left to right, Figure 4 shows the property location using the state name abbreviation, the investment type, the current average price of property for the particular state and investment type, and the change in average property price since the start of the session.

FIGURE 3

CALIFORNIA
COMPOSITE AVG.

PRESS SPACE BAR
TO CONTINUE



*** AVERAGE PROPERTY PRICES***

Loc		Current	Change	High
CA	RESI	\$78,805	-6,394	\$85,199
	BUSI	\$323,817	-4,888	\$328,705
	LAND	\$94,058	-3,196	\$97,254
TX	RESI	\$72,680*	-2,743	\$120,266
	BUSI	\$298,646	+7,661	\$345,622
	LAND	\$86,746	+653	\$89,387
KS	RESI	\$101,522	-6,890	\$112,501
	BUSI	\$417,160	-1,098	\$418,258
	LAND	\$121,171	-2,579	\$123,750
FL	RESI	\$69,234	-1,998	\$74,507
	BUSI	\$284,487	+9,668	\$297,783
	LAND	\$82,634	+1,323	\$83,999
NY	RESI	\$71,467	-3,756	\$75,223
	BUSI	\$293,664	+3,449	\$297,245
	LAND	\$85,299	-566	\$85,866

Current interest rate is 11.0% (15.0%)

PRESS SPACE BAR TO CONTINUE

Baron

Notice the asterisk (*) next to the average price of residential property in Texas. This indicates a new high or low average property price. To determine whether it is new high or low, compare the current price to the high price. If the two are the same, the asterisk signifies a new high. Displayed at the bottom of the screen is the current first mortgage rate. A minus sign in the change column means that the average price of a piece of property has dropped since last month. Press the SPACE BAR to continue,

NOW's YOUR CHANCE TO MAKE IT PAY

You are now in the command mode as seen in Figure 5. This is where you research, buy, and sell your real estate investments. An easy-to-understand menu is displayed whenever you are in the command mode.

FIGURE 5

NET: \$255,000	NOV86	BROKE
CASH: \$255,000		CHANGE:

MENU SELECTION

MONTH	Advance to next month.
QUICK	Fast month advance.
GRAPH	Display graphs.
BUY	Buy real estate.
SELL	See/sell real estate.
OPTION	Sec/exercise options.
LOAN	Take out or pay back loans.
NEWS	Display news/price changes.
END	Save or quit game.
DESC	Real estate descriptions.
PORT	Display property portfolio.
INVEST	Alternate investments

ENTER DESIRED ACTION...

READING THE RESULTS

Displayed at the top of the screen is your current net worth (NET), available cash (CASH), the date, and your status. The item below your status requires special explanation. Change is the net cash flow change, after any transaction. If you buy a house and the total cash out of your pocket is \$10,000, the change will show a negative cash flow of \$10,000. Change is most valuable when you advance a month, since it instantly calculates the net effect of all your various investments on your cash position. If you go to a new month, and Change shows -\$5,000, that means that you are spending \$5,000 more than you earn each month. You can use this to estimate how many months of cash you have available if you are in a heavy negative cash flow position.

MASTER the MARKETS

The prompt area at the bottom of the screen displays information requests and error messages. The center of the screen displays various investment information while you are buying and selling real estate.

Pressing the first letter of each command results in the action described in the menu. For instance, pressing P will display your property portfolio. Let's go through the various commands on the menu.

Enter X to return to command mode

Mortgage
Residential
Business
Land
California
Texas
Kansas
Florida
New York

ENTER DESCRIPTION DESIRED...

REQUESTING INFORMATION

Press D for DESCRIPTIONS and you will see the menu in Figure 6. By pressing the first letter of the menu item, you can select the desired description.

Press C for California, and you will see the description shown in Figure 7. These descriptions will give you a better understanding of the locations and investment types you are putting your money into. Press the SPACE BAR any time you want to return to the command mode.

FIGURE 7

CALIFORNIA

California has more people than any other state. The warm, dry weather permits a year-round outdoor way of life. The terrain ranges from redwood forests to barren deserts. California has a strong economy that produces more goods than any other state in the union. It is also number one in agriculture.

Cabrillo, a Portuguese explorer, was the first European to see California in 1543. In 1812 the Russians established a colony on the west coast called Fort Ross. The Monroe Doctrine helped force the Russians to limit their colonies to Alaska.

Sacramento is the capital and Los Angeles is the largest city. Floods, earthquakes, and droughts are all potential disasters. The center for micro-computer research is located in 'Silicon Valley' below San Francisco.

PRESS SPACE BAR TO CONTINUE

HEED THAT NEWS

Now press N for NEWS. This redisplay the month's news reports, and price changes. While reviewing the news, look at the prompt at the bottom of the screen. By pressing B for BACK, you can look at the previous month's news. Try pressing B a few times. Now press the SPACE BAR to examine the average property prices for this month again. Please note that even if you go back 10 months reviewing news reports, when the average property prices are displayed, it will be for the current month. Now press the SPACE BAR to return to the command mode.

FIGURE 8

Enter X to return to command mode

- Mortgage
- Residential
- Business
- Land
- California
- Texas
- Kansas
- Florida
- New York

ENTER GRAPH DESIRED...

VITAL INFORMATION

Press G for GRAPH to see the menu shown in Figure 8. From this menu, you can select a graph of mortgage rates, investment-type property prices, and the property prices in each state. You can select any item on the menu by pressing the first letter of the command.

THE COST OF MONEY

Press M for MORTGAGE, and you will see the graph shown in Figure 9. This graph shows you 28 months of interest rate fluctuations. The interest rates on the vertical axis are for first mortgages. Remember that second mortgage rates in Baron are always 4% greater than first mortgage rates. You can use this graph to project interest rate trends. Press the SPACE BAR to return to the graph menu.

NATIONAL TRENDS

Now press B for BUSINESS, and you will see the graph shown in Figure 10. This graph shows the average price of business property across the country. In the upper right hand corner of the graph is a list of commands that can now be entered.

FIGURE 9

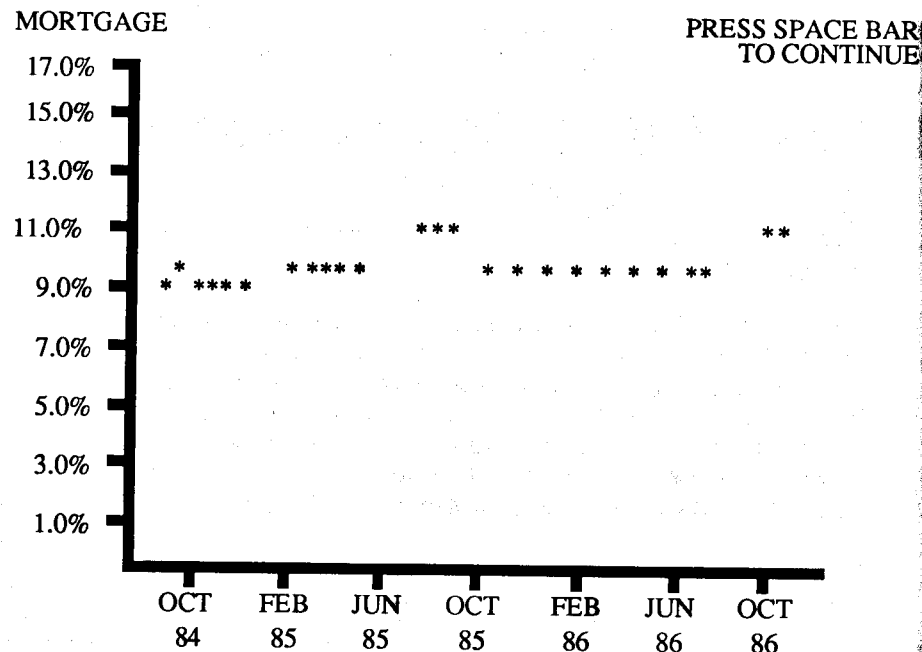


FIGURE 10

BUSINESS AVERAGE

AVG CA TX
FL NY KS
MENU

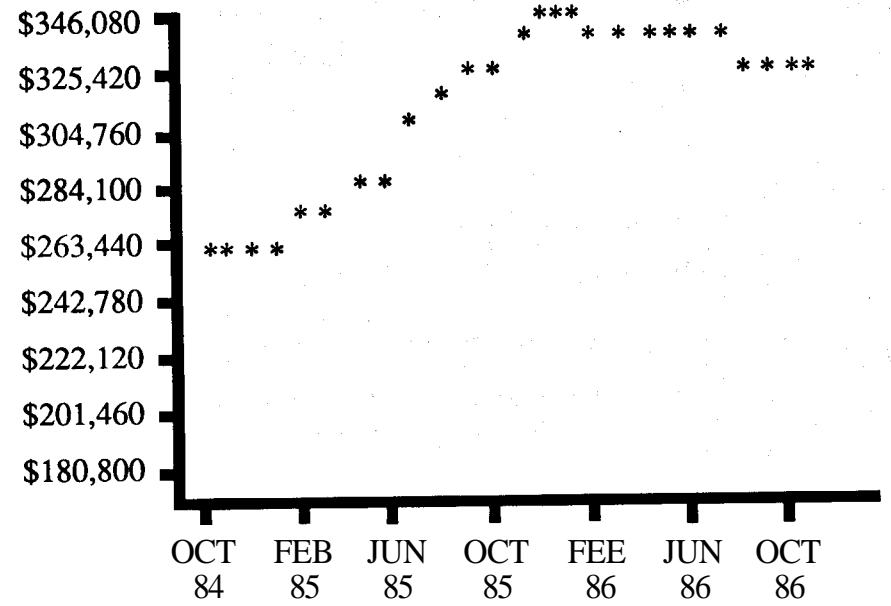
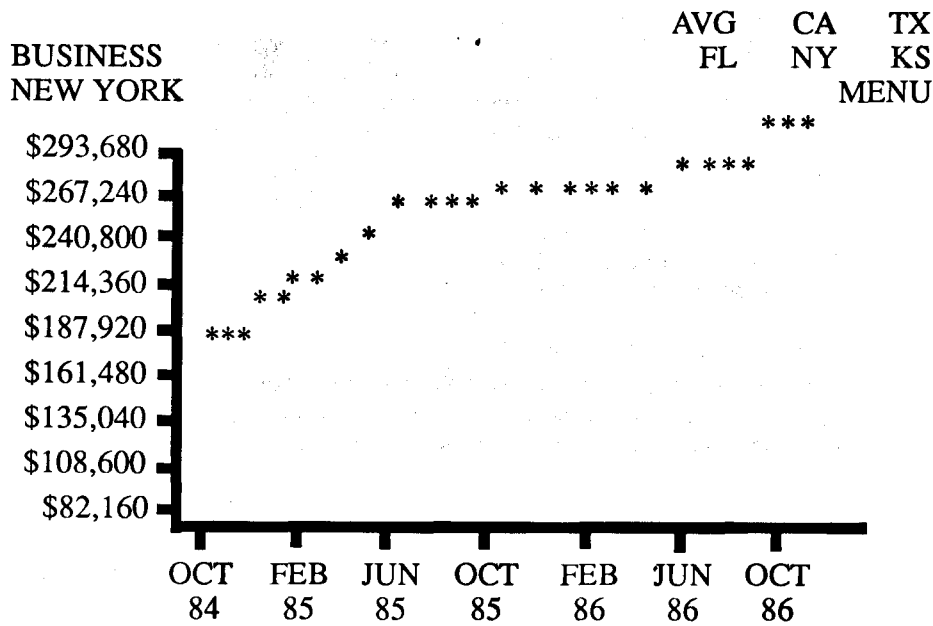


FIGURE 11



LOCAL TRENDS

The first letter of each of the commands will display the graph indicated. Press N for NY. You are now looking at a graph of the average business property prices in New York, as shown in Figure 11. From this point you can research business property prices in each of the states by pressing the key corresponding to the first letter of each state. Now press M for MENU. (Pressing the SPACE BAR will do the same thing).

Now press T for TEXAS, to look at the average property prices in Texas, as shown in Figure 12. This graph is called a composite average because it averages residential, business, and land prices in the state of Texas. In the upper right hand corner of the graph is a list of commands that can be entered.

FIGURE 12

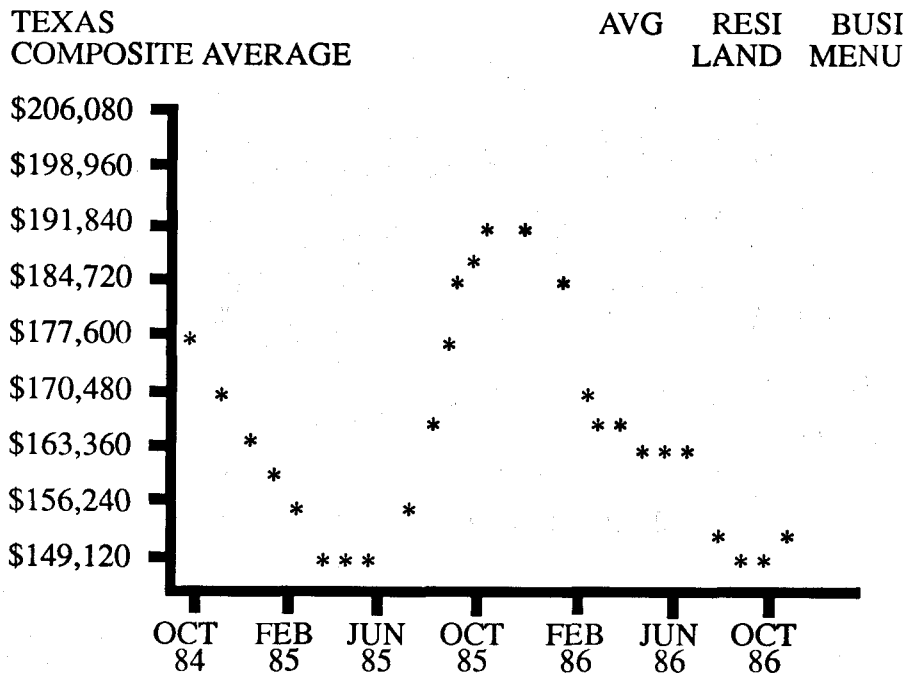
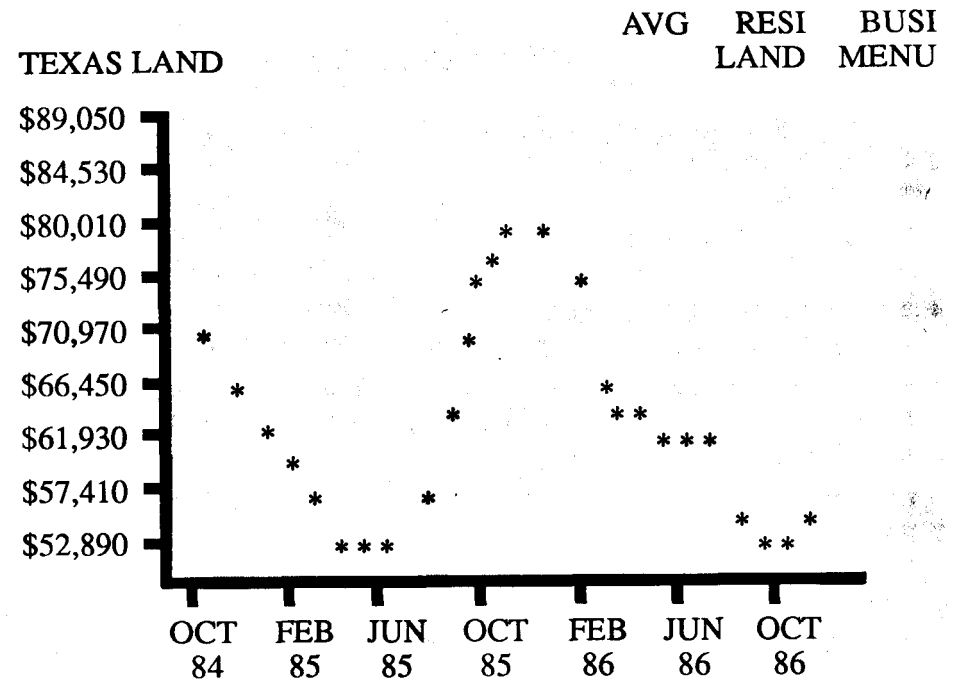


FIGURE 13



Press L for LAND, to see the average price of land in Texas as shown in Figure 13. From this point, you can research various investment types in the state of Texas by pressing the key corresponding to the first letter of the investment type. Now, press M for MENU, to return to the main graph menu. By selecting a general category such as Texas to research, and then narrowing your search to a specific investment type, you can find a real winner! Now press the SPACE BAR to return to the command mode.

THE MOMENT OF TRUTH

I think it's about time we bought some property. Press B for BUY and you will see the real estate listings shown in Figure 14. Each month, you will have up to nine properties that you can purchase. On the left side of the screen is a reference number for each available property. Pressing this number will give you a detailed listing for each property. On the right side of the screen is the state and investment type for each property. In the center of the screen is a short description of each property, along with the purchase price and required down payment, expressed as a percentage of the purchase price. Let's take a look at the industrial building in Florida.

FIGURE 14

REAL ESTATE LISTINGS

Description

1	HOUSE—3 BDRM/1 BATH	NY
	Price: \$60,000 Down: 12%	RESI
2	LARGE LOT/VIEW 85 x 500	CA
	Price: \$29,000 Down: 25%	LAND
3	TRIPLEX—3 2BDRMUNITS	NY
	Price: \$65,000 Down: 20%	RESI
4	TRIPLEX PLUS 1 BDRM HOUSE	NY
	Price: \$62,000 Down: 25%	RESI
5	FLAT LOT—90x180	TX
	Price: \$131,000 Down: 25%	LAND
6	INDUSTRIAL BUILDING—7100 sq. ft.	FL
	Price: \$414,000 Down: 30%	BUSI
7	PANORAMIC VIEW HOME SITE—50 x 100	TX
	Price: \$61,000 Down: 25%	LAND
8	3 RETAIL SHOPS	NY
	Price: \$221,000 Down: 20%	BUSI
9	APARTMENT—3 UNITS (2 BDRM/1 SGL)	TX
	Price: 68,000 Down: 30%	RESI

ENTER REFERENCE NUMBER or X for MENU...

CHECK OUT THE PROPERTY

The reference number next to "Industrial Building" is 6. Press 6 to see a detailed listing, as shown in Figure 15. Working from the top of the screen down, we have: your available cash in thousands of dollars (between asterisks), a short description of

the property, the location of the property, a detailed description of the property, the sale price of the property, the down payment required, the first mortgage amount and interest, the second mortgage amount and interest (if any), the closing costs to the buyer, and the net cash required to purchase the property. Next to the sale price title, you will see the word "option" enclosed in parentheses. To the right of the sale price itself, enclosed in parentheses, is the price of a 6-month option of the property.

CAN YOUR INVESTMENT PAY?

Below the "Cash Required" line is a breakdown of your monthly income and expenses as follows: your monthly income from rentals, your monthly first mortgage payment, your monthly second mortgage payment, your operating expenses for maintaining the property, and the net cash flow the property will generate. At this point, you should carefully review two factors. First, do you have enough cash to purchase the property? Look for the arrow next to cash required. Second, how much cash will you receive or pay out, each month you own this property? Look for the arrow next to net cash flow.

FIGURE 15

255

INDUSTRIAL BUILDING - 7100 SQ. FT.
Golden St., Key West, FL

This spectacular building includes 2000 sq. ft. of luxury offices. Current tenant has long term lease. Pride of ownership!!!

Sale price (option):	\$414,000(14490)
Down payment:	\$124,200
First mortgage:	\$289,800 @ 11.0%
Second mortgage:	N/A
Closing costs:	\$12,420
Cash required:	\$ 136,620 <-
Monthly income:	\$3,105
1st Mortgage Payment:	\$2,759
2nd Mortgage Payment:	\$0
Operating expenses:	\$690
Net cash flow:	\$-344 <-

B for BUY, O for OPTION, L for LISTING

REVIEW YOUR CHOICES

At this point we have three choices: go back to the main listing and look for more property, buy the building or purchase a 6-month option on the property. Let's buy the property. Press B for BUY. After a short delay, you will see a congratulatory message displayed at the bottom of the screen, and you will be returned to the command mode.

CAN YOU AFFORD TO WAIT?

Please note that at the top of the screen Change now says - \$136,620 because that is the amount your cash was reduced by to purchase the property. Now, press B for BUY again, and you will see the real estate listings shown in Figure 16. Notice that the industrial building you just bought has a big *****SOLD***** under it. Next month, a new property will take its place. If you don't buy a property, and go forward to the next month, you can't count on the property being available in the new month. The computer sells off a few properties every month to keep things interesting. Let's say you were interested in the New York triplex but you didn't want to commit yourself this month.

FIGURE 16

REAL ESTATE LISTINGS

R	Description		
1	HOUSE— 3 BDRM/1 BATH	NY	
	Price: \$60,000	RESI	Down: 12%
2	LARGE LOT/VIEW 85 x 500	CA	
	Price: \$29,000	LAND	Down: 25%
3	TRIPLEX—3 2BDRMUNITS	NY	
	Price: \$65,000	RESI	Down: 20%
4	TRIPLEX PLUS 1 BDRM HOUSE	NY	
	Price: \$62,000	RESI	Down: 25%
5	FLAT LOT—90x180	TX	
	Price: \$131,000	LAND	Down: 25%
6	INDUSTRIAL BUILDING— 7100 sq. ft	FL	
		BUSI	
7	PANORAMIC VIEW HOME SITE— 50 x 100	TX	
	Price: \$61,000	LAND	Down: 25%
8	3 RETAIL SHOPS	NY	
	Price: \$221,000	BUSI	Down: 20%
9	APARTMENT— 3 UNITS (2 BDRM/1 SGL)	TX	
	Price: 68,000	RESI	Down: 30%

ENTER REFERENCE NUMBER or X for MENU...

PICK UP AN OPTION

Press 3 and you will see the detailed listing shown in Figure 17. To buy an option on the property, just press O. After a short pause, a congratulatory message will be displayed at the bottom of the screen, and you will be returned to the command mode.

FIGURE 17

118

TRIPLEX-3 2BDRMUNITS

Sol Vista Ln., Yonkers, NY

Never had a vacant unit - never will! Local U.S. Army munitions plant keeps demand high!! Don't miss out on this explosive growth opportunity!!!!

Sale price (option):	\$65,000 (2275)
Down payment	\$13,000
First mortgage:	\$52,000 @ 11.0%
Second mortgage:	N/A
Closing costs:	\$1,950
Cash required:	\$14,950 <-

Monthly income:	\$487
1st Mortgage Payment:	\$495
2nd Mortgage Payment:	\$0
Operating expenses:	\$108
Net cash flow:	

B for BUY, O for OPTION, L for LISTING

WHERE YOU STAND

When you purchase a property, your net worth is reduced by the purchase closing costs, plus your obligation to pay taxes and closing costs when you sell the property. When you buy a property, you can expect to see your net worth drop by approximately 10% of the property purchase price. When you buy an option, your net worth is reduced by the amount of the option, as it has no value until it is exercised.

GETTING CREATIVE

Now we will invest some money in second mortgages and speculative ventures. Press I for INVEST, and you will see the alternate investments shown in Figure 18. To select the investment activity you desire, you must press the letter (A, B or C) adjacent to the description of the investment. Press A to invest money in second mortgages. Note that the current second mortgage interest rate is shown next to "CURRENT RATE." The computer will now prompt you to enter the amount of money you would like to invest. Enter 75000 and press ENTER. You can use the backspace key to correct any entry errors. After you press ENTER, you will see a congratulatory message at the bottom of the screen and you will be returned to the command mode.

FIGURE 18

NET: \$235,337 NOV86 BROKER
 CASH: SI 16,105 CHANGE: -2,275

- A) Invest in the second mortgage market.
 Current rate: 15.0%
- B) Sell second mortgages.
 - 1)
 - 2)
 - 3)
- C) Invest in speculative ventures.
 - 1) Limited partnership.
 - 2) Real Estate investment trust.
 - 3) Uncle Herman's R. E. project.

ENTER REFERENCE LETTER or X for MENU

Press "I" for INVEST to return to the alternate investment menu. Now press C to invest in speculative ventures. The computer will now prompt you to select the number of the investment you want. Let's invest in Uncle Herman's real estate project. Press 3 and you will be prompted for the amount to invest. Enter 15000 and press ENTER. You will see a brief message at the bottom of the screen and you will be returned to the command mode.

Do You NEED REGULAR INCOME?

Second mortgages provide you with a steady monthly income, and even if interest rates rise after you have purchased it, you really can't lose much money when you sell the second mortgage. Investing in a second mortgage will not reduce your net worth, but will, of course, reduce your cash. As interest rates move up and down in future months, your net worth will be affected slightly, as the sale price of the second mortgage will move up and down.

HIGH YIELD MEANS HIGH RISK

Speculative investments are very risky. There is at least a 50% chance you will lose your money. If you are very lucky, you will receive a spectacular return on your investment (as much as 10 times). Because of the significant risk involved, the computer will reduce your net worth by the amount of the speculative investment

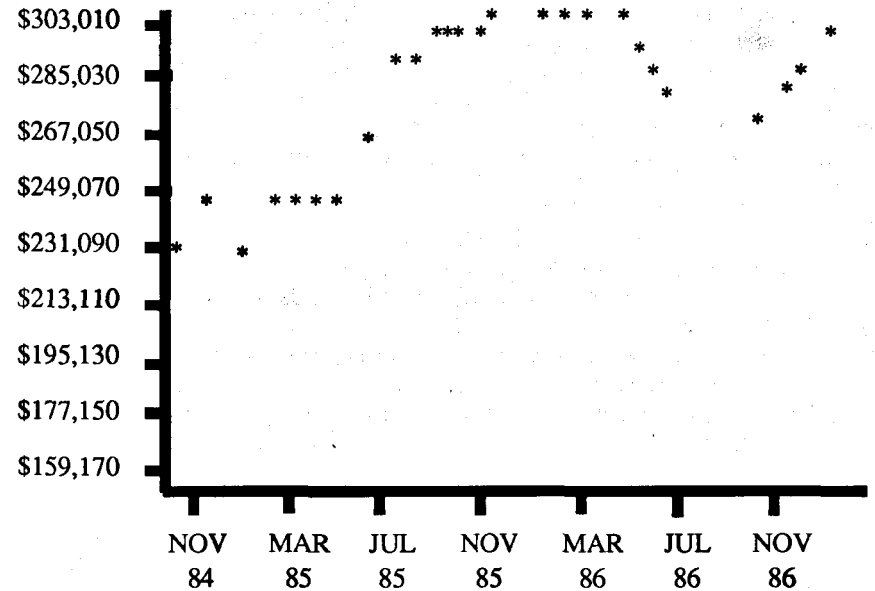
YOUR PROGRESS

Now let's go to the next month and see if we can make some money on our various investments. Press "M" for MONTH. Press the SPACE BAR after seeing the real estate index graph. Press the SPACE BAR again after the Texas composite average graph, and after seeing the news messages. Baron will display a graph of each property you own or have an option on, when you advance to a new month. The graphs are displayed in between the news messages and the average property price table. You should now be looking at a graph of Florida business (Figure 19), as you own an industrial building in Florida. Looks like the prices of business properties are on the way up! Now press the SPACE BAR.

FIGURE 19

FLORIDA BUSINESS

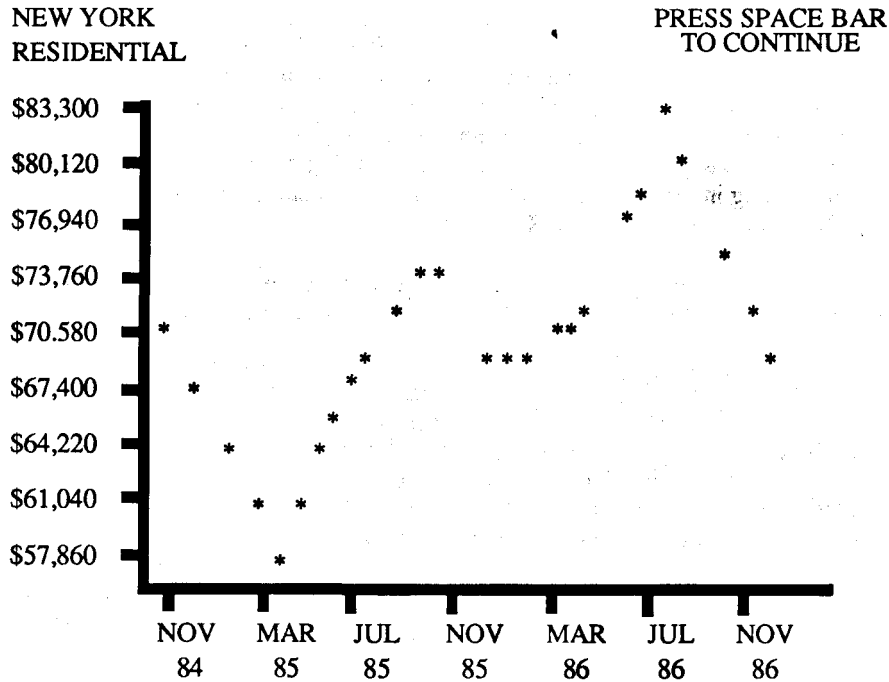
PRESS SPACE BAR TO CONTINUE



LIVE AND LEARN

You will now see a graph of New York residential property (Figure 20). It looks like buying that option on the New York triplex was a bad idea. Prices are plummeting! Press the SPACE BAR.

FIGURE 20



PROPERTY PRICES

You should now be looking at this month's average property prices. Look under Honda business to see how much average business property went up in Florida since last month. This should give you a relative idea of how your specific piece of property is performing. Press the SPACE BAR to enter the command mode. Every month, you will receive \$1,000 in salary from Baron. Look upon this as the expendable portion of a person's income that could be set aside for investment activity. Look at the Change value at the top of the screen. Your net cash flow was a positive \$1,593. This is your salary, plus interest from your second mortgage investment, less the negative cash flow on your Florida property.

PORTFOLIO REVIEW

When you buy a property, Baron records your purchase in your portfolio, which is simply a list of all your property holdings. You may have up to seven properties in your portfolio at one time. Press "P" for PORT to see your property portfolio as shown in Figure 21. Notice that the only item in your portfolio is the industrial building you bought last month. On left side of the screen is a reference number you will

FIGURE 21

NET: \$233,484 DEC 86 BROKER
 CASH: \$27,698 CHANGE: 1,593

PROPERTY PORTFOLIO

R	Description	FL
1	INDUSTRIAL BUILDING—7100 SQ.FT.	FL
	PFT: -\$5,772	Cash: \$131,056
		EQ: 30%

ENTER REFERENCE LETTER or X for MENU

use to refer to that item in your portfolio. To the right of the reference number is a short description of the property, and the state it is located in. Below the property description is the net profit (PFT) you would make if you sold the property today, the cash (CASH) you would receive if you sold it today, and your equity in the property. Equity is the difference between what a property could be sold for, and what you owe on that property. If you own a property that could be sold for \$100,000 and your loans and tax obligations, plus sale closing costs total \$70,000, you would have an equity of \$30,000 or 30%. The higher your equity, the more money you can borrow on the property. Now press 1, the reference number, to see a detailed portfolio report on your property, as shown in Figure 22.

FIGURE 22

NET: \$233,484 DEC 86 BROKER
 CASH: \$27,698 CHANGE: 1,593

INDUSTRIAL BUILDING—7100 SQ. FT.

Location:	Florida
Investment type:	Business
Date purchased:	Nov 86
Purchase price:	\$414,000
Current value:	\$434,000
Equity:	\$131,056(30%)
First mortgage:	\$289,800 @ 11.0%
Second mortgage:	N/A
Tax obligation:	\$4,008 credit
Net cash flow:	- \$ 344

If you sell this property today you will receive \$131,056 for a loss of \$5,772.

PRESS SPACE BAR TO CONTINUE

THE BOTTOM LINE

Reading from top to bottom on the detailed portfolio report we have a short description of the property, the investment type, the date purchased, the purchase price of the property, the current value of the property, your equity in the property, your first mortgage amount and interest rate, your second mortgage amount and interest rate, your tax obligation, and your net cash flow each month. Note that your tax obligation is a credit of \$4,008, because, if you sold the property this month, you would lose money. Below net cash flow is a statement about what the effect of selling the property would be.

In this case, you would receive \$131,056, for a loss of \$5,772 dollars. Press the SPACE BAR to return to the command mode.

SPEND SOMEONE ELSE'S MONEY

Now let's borrow some money against our Florida industrial building. Press L for LOAN, and you will see the portfolio shown in Figure 21. Now press the reference number 1. Figure 23 shows a detailed portfolio report identical to that shown in Figure 22, except that the lower third of the screen tells you how much money you can borrow, the loan fee you must pay, and the current second mortgage rate. A Novice

FIGURE 23

NET: \$233,484	DEC 86	BROKER
CASH: \$27,698		CHANGE: 1,593
INDUSTRIAL BUILDING— 7100 SQ. FT.		
Location:	Florida	
Investmenttype:	Business	
Date purchased:	Nov86	
Purchase price:	\$414,000	
Current value:	\$434,000	
Equity:	\$131,056 (30%)	
First mortgage:	\$289,800 @ 11.0%	
Second mortgage:	N/A	
Tax obligation:	\$4,008credit	
Net cash flow:	-\$344	

If you take out a second mortgage today you will receive \$87,656 and you will pay a loan fee of \$2,630. The current rate on seconds is 15.4%.

L for LOAN, R for REPAY, X for MENU

may take out 80% loans, and an Investor, Broker or Baron may take 90% loans. If you have 30% equity, and may take out a 90% loan, you will receive 20% of the property value as a loan. Please beware that taking out a large second mortgage at high interest rates can create a severe negative cash flow.

At the bottom of the screen, you have three options: take out a loan, repay a loan or return to the menu. You may repay a second mortgage loan anytime you wish. You may also refinance an existing second mortgage, as long as you have adequate equity. You refinance a second the same way you take out a new second, by pressing L. Press I, and you will see a brief message at the bottom of the screen, and then be returned to the command mode. Notice that the proceeds from the loan have been added to your cash.

TIME TO SELL

Let's go ahead and sell the Florida industrial building. Press S for SELL, and you will again see the portfolio shown in Figure 21. Now press the reference number 1, and you will again see the detailed portfolio shown in Figure 22. (The amounts will reflect the changes from your loan.) At this point we can sell the property or press the SPACE BAR to return to the command mode. Press "S" to sell the property. There is a chance at this point that you will see the message, "Sorry, I cannot find a buyer" at the bottom of the screen. The higher the interest rates are, the greater the probability you will not be able to sell your property. After the message is displayed, you will be returned to the command mode. You must go ahead to the next month, and try to sell the property again.

Assuming Baron found a buyer, then a complete sell transaction report, as shown in Figure 24, will appear on the screen. Reading from top to bottom, we have the sale price, the sale closing costs, the purchase price, the purchase closing costs, the taxes paid on the profit or loss from the sale, and the net short- (or long-) term loss (or gain). Remember that if you hold the property for more than 12 months, you will receive long term capital gains treatment on your taxes (i.e., 15% instead of 40%).

FIGURE 24

SELL TRANSACTION REPORT			
Sale price:	\$	434,000	
Sale closing costs:	\$	17,360	
Purchase price:	\$	414,000	
Purch closing costs:	\$	12,420	
Taxes:	\$	3,912	credit
<hr/>			
Net short term loss:	\$	5,868	
Total income:	\$	3,105	
Total expenses:	\$	690	
Total interest paid:	\$	2,656	
Taxes on income:	\$	96	credit
<hr/>			
Net loss on income:	\$	144	

Baron
RESULTS

Below "Net short-term loss" is an analysis of the income-producing aspects of your property, while you owned it. We have total income received from rents, total operating expenses, total interest paid on loans against the property, taxes paid on the loss or gain, and the net loss on income. An investor would normally pay taxes once a year on the income aspect of his property. In Baron, you settle up with Uncle Sam when you sell the property. Note that the interest paid on a loan is considered an expense of the business, and can be deducted from the total income for tax purposes. Press the SPACE BAR to return to the command mode.

OPTIONS, YES?

Now, let's exercise that option we purchased on the triplex in New York. Press O for OPTION to see the option portfolio shown in Figure 25.

On the left side of the screen, we have a reference number that we will use to refer to the specific option. To the right of the reference number, we have a short description of the property and the state it is located in. Below the short description, we have the option price (OPT), the current value (CNT:) of the property, and the date the option will expire (EX). If the current price is substantially higher than the option price, it is a good idea to exercise the option, as you will realize an instant profit. You may only have seven options in your option portfolio at one time. Press the reference number 1.

FIGURE 25

NET: \$230,854	DEC 86	BROKER
CASH: \$156,124		CHANGE: 43,400
OPTION PORTFOLIO		
<u>Description</u>		
1 TRIPLEX-3 BDRM UNITS		NY
OPT: \$65,000	CNT: \$62,000	EX: MAY 87

ENTER REFERENCE LETTER or X for MENU...

OPTION, No!!

As shown in Figure 26, you are presented with all the necessary information you need to decide whether or not to exercise the option. Reading from top to bottom, we have a short property description, the property location, investment type, the option expiration date, the optioned price, and the current value. The balance of the information is identical to the detailed buy listing shown in Figure 17, except for the mortgage payments and net cash flow. (These may vary due to fluctuating interest rates.) The two arrows point to the cash required, and the net cash flow. At this point, we can press E to EXERCISE to add the triplex to our property portfolio or press X, and we will be returned to the command mode. Since we will show a loss if we exercise this option, let's return to the command mode. Press X or the SPACE BAR to return to the command mode.

FIGURE 26

NET: \$230,854	DEC 86	BROKER
CASH: \$156,124		CHANGE: 43,400
TRIPLEX - 3 2 BDRM UNITS		
Location:	New York	
Investment type:	Residential	
Expiration date:	May 87	
Optioned price:	\$ 65,000	
Current value:	\$ 62,000	
Down payment:	\$ 13,000	
First mortgage:	\$ 52,000 @ 11.4%	
Second mortgage:	N/A	
Closing costs:	\$ 1,950	
Cash required:	\$14,950	
Monthly income:	\$ 487	
Mortgage payments:	\$ 510	
Operating expenses:	\$ 108	
Net cash flow:	\$ -131	

ENTER E for EXERCISE or X for MENU

When an unexercised option gets within 2 months of its expiration date, an asterisk will appear between the month and year while you are in the command mode (MAY *87) as a warning that an option is about to expire. If you let the option expire, you will see the message shown in Figure 27 when you go to the month after the expiration date.

FIGURE 27

The following option has expired:

TRIPLEX - 3 2 BDRM UNITS NY

PRESS SPACE BAR TO CONTINUE

SELLING YOUR SECOND MORTGAGE

Now, let's sell that \$75,000 second mortgage we bought last month. Press I for INVEST. As shown in Figure 28, your second mortgage can be sold this month for \$74,730. Also note in the speculative venture area that you still have a \$15,000 investment in Uncle Herman's project. Press B to select "sell second mortgages." Now press the reference number to sell your second mortgage. A sale report will be displayed in the lower third of the screen, and then you will be returned to the command mode. The sell report shows the cash you received, the taxes you paid on the profit or loss from the sale, and the net short- (or long-) term loss (or gain). As with property, if you hold the second mortgage for 12 months you will receive long-term gains tax treatment.

FIGURE 28

NET: \$230,854
 CASH: \$156,124
 DEC 86
 BROKER
 CHANGE: 43,400'

A) Invest in the second mortgage market
 Current rate: 15.4%

B) Sell second mortgages.
 1) \$75,000 @ 15.0% SELL: \$74,730
 2)
 3)

C) Invest in speculative ventures.
 1) Limited partnership.
 2) Real Estate investment trust.
 3) Current investment: \$15,000.

SALE REPORT

Cash received:	\$	74,730	
Taxes:	\$	180	credit
Net short term loss	\$	270	

ENTER REF. NUMBER to SELL or X for MENU

UNCLE HERMAN'S PROJECT

When you make a speculative investment, you will find out the results of that investment at some time in the next year. As shown in figure 29, you will receive a speculative investment report. Reading from top to bottom, we have the amount you invested, the amount of money the investment returned (RETURN), the taxes on your profit or loss, and the cash you received.

FIGURE 29

SPECULATIVE INVESTMENT REPORT

Uncle Herman's R. E. project.
 Amount invested: \$ 15,000
 Return: \$ 0
 Taxes: \$ 6,000 credit
 Cash received: \$ 6,000

Don't be a sore loser!

PRESS SPACE BAR TO CONTINUE

RENTAL PROPERTY CAN HOLD SURPRISES

If you own residential property, you will occasionally be burdened with some unusual maintenance costs. This can occur as shown in Figure 30 anytime you own residential property. The cost is taken out of your available cash.

FIGURE 30

HOUSE - 3 BDRM/1 BATH NY

While getting your place ready for a new tenant you discover the brown carpet has turned yellow and it must be replaced.

Is

COST: \$947

PRESS SPACE BAR TO CONTINUE

QUICK MONTH

This feature advances the game one month without displaying any graphs or news messages and updates the screen to reflect current overall status

TAKE A BREAK

Now we are going to quit playing for a moment. Press E for END, and Baron asks you if you're sure that you want to stop playing. Press Y. Next, Baron asks if you would like to save this game. Press N. If you press Y, Baron stores the complete real estate market environment and your portfolio for future use.

OVER AND OUT

Next, Baron gives you a complete end-of-game report, as shown in Figure 31. You receive this report only when ending a session without saving it or when December 1988 rolls around. At this point, remove your Baron diskette if you don't plan to play any more. If you would like to restart the game, press the SPACE BAR.

FIGURE 31

Your ending net worth was \$230,85

Your net worth decreased \$24,146

Your status is BROKER

Your high score is \$255,000

You must increase your net worth
 by \$769,146 to become a BARON

PRESS SPACE BAR TO CONTINUE