

Adrian Apartments II1212 Main St.
Atlanta GA 30304**Cash Flow Analysis**Jeffrey Sandford
404-555-1212

Rental Activity Analysis	Year 1	Year 2	Year 3	Year 4	Year 5
Potential Rental Income	\$ 184,800	\$ 188,496	\$ 192,266	\$ 196,111	\$ 200,033
Other Income	1,800	1,836	1,873	1,910	1,948
Less: Vacancy & Credit Losses	(9,240)	(9,425)	(9,613)	(9,806)	(10,002)
Less: Operating Expenses	(21,250)	(21,463)	(21,677)	(21,894)	(22,113)
Net Operating Income (NOI)	\$ 156,110	\$ 159,445	\$ 162,848	\$ 166,322	\$ 169,867
Less: Annual Debt Service	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)
Less: Funded Reserves	(5,000)	(5,050)	(5,101)	(5,152)	(5,203)
CASH FLOW Before Taxes	\$ 48,956	\$ 52,240	\$ 55,594	\$ 59,016	\$ 62,510
Income Taxes: Benefit (Expense)	(7,680)	(5,851)	(7,320)	(8,838)	(10,405)
CASH FLOW After Taxes	\$ 41,275	\$ 46,389	\$ 48,273	\$ 50,179	\$ 52,105

Property Resale Analysis

Projected Sales Price	\$ 1,951,375	\$ 1,993,059	\$ 2,035,603	\$ 2,079,024	\$ 2,123,342
Less: Selling Expenses	(117,083)	(119,584)	(122,136)	(124,741)	(127,400)
Adjusted Projected Sales Price	\$ 1,834,293	\$ 1,873,475	\$ 1,913,467	\$ 1,954,283	\$ 1,995,941
Less: Mortgage(s) Balance Payoff	(1,298,512)	(1,283,550)	(1,267,546)	(1,250,429)	(1,232,119)
SALE PROCEEDS Before Taxes	\$ 535,780	\$ 589,925	\$ 645,920	\$ 703,854	\$ 763,822
Income Taxes from Sale: Benefit (Expense)	(24,680)	(48,589)	(72,691)	(96,990)	(121,490)
SALE PROCEEDS After Taxes	\$ 511,101	\$ 541,336	\$ 573,229	\$ 606,864	\$ 642,332

Cash Position

Cash Generated in Current Year	\$ 41,275	\$ 46,389	\$ 48,273	\$ 50,179	\$ 52,105
Cash Generated in Previous Years	n/a	41,275	87,665	135,938	186,117
Cash Generated from Property Sale	511,101	541,336	573,229	606,864	642,332
Original Initial Investment	(475,625)	(475,625)	(475,625)	(475,625)	(475,625)
Total Potential CASH Generated	\$ 76,751	\$ 153,376	\$ 233,542	\$ 317,356	\$ 404,929

Financial Measures

Debt Coverage Ratio (DCR)	1.53	1.56	1.59	1.63	1.66
Loan-to-Value Ratio (LVR)	66.5%	65.8%	65.0%	64.1%	63.1%
Capitalization Rate Based on Cost	8.79%	8.98%	9.17%	9.37%	9.57%
Value of Property Using this Cap Rate	8.00%	1,951,375	1,993,059	2,035,603	2,079,024
Net Present Value (NPV) - Before Taxes	13.50%	39,561	65,997	87,847	105,775
Net Present Value (NPV) - After Taxes	10.00%	26,535	47,622	67,180	85,274
Cash-on-Cash Return with Equity Build-up	16.14%	13.87%	12.74%	11.82%	11.04%
Cash-on-Cash Return - Before Taxes	10.29%	10.98%	11.69%	12.41%	13.14%
Cash-on-Cash Return - After Taxes	8.68%	9.75%	10.15%	10.55%	10.96%
Internal Rate-of-Return (IRR) - Before Taxes	22.94%	21.46%	20.68%	20.11%	19.65%
Internal Rate-of-Return (IRR) - After Taxes	16.14%	15.59%	15.35%	15.19%	15.06%
Modified Internal Rate-of-Return (MIRR) - Before Taxes	22.94%	20.54%	19.06%	17.92%	16.99%
Modified Internal Rate-of-Return (MIRR) - After Taxes	16.14%	15.00%	14.24%	13.63%	13.11%

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Rental Activity Analysis	Year 6	Year 7	Year 8	Year 9	Year 10
Potential Rental Income	\$ 204,034	\$ 208,115	\$ 212,277	\$ 216,523	\$ 220,853
Other Income	1,987	2,027	2,068	2,109	2,151
Less: Vacancy & Credit Losses	(10,202)	(10,406)	(10,614)	(10,826)	(11,043)
Less: Operating Expenses	(22,334)	(22,557)	(22,783)	(23,011)	(23,241)
Net Operating Income (NOI)	\$ 173,486	\$ 177,179	\$ 180,948	\$ 184,795	\$ 188,721
Less: Annual Debt Service	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)
Less: Funded Reserves	(5,255)	(5,308)	(5,361)	(5,414)	(5,468)
CASH FLOW Before Taxes	\$ 66,077	\$ 69,717	\$ 73,433	\$ 77,226	\$ 81,098
Income Taxes: Benefit (Expense)	(12,025)	(13,700)	(15,433)	(17,226)	(19,082)
CASH FLOW After Taxes	\$ 54,051	\$ 56,017	\$ 58,000	\$ 60,001	\$ 62,017

Property Resale Analysis

Projected Sales Price	\$ 2,168,573	\$ 2,214,736	\$ 2,261,850	\$ 2,309,935	\$ 2,359,010
Less: Selling Expenses	(130,114)	(132,884)	(135,711)	(138,596)	(141,541)
Adjusted Projected Sales Price	\$ 2,038,458	\$ 2,081,852	\$ 2,126,139	\$ 2,171,339	\$ 2,217,469
Less: Mortgage(s) Balance Payoff	(1,212,534)	(1,191,586)	(1,169,179)	(1,145,211)	(1,119,576)
SALE PROCEEDS Before Taxes	\$ 825,924	\$ 890,266	\$ 956,961	\$ 1,026,127	\$ 1,097,894
Income Taxes from Sale: Benefit (Expense)	(146,195)	(171,108)	(196,233)	(221,575)	(247,137)
SALE PROCEEDS After Taxes	\$ 679,730	\$ 719,159	\$ 760,728	\$ 804,553	\$ 850,757

Cash Position

Cash Generated in Current Year	\$ 54,051	\$ 56,017	\$ 58,000	\$ 60,001	\$ 62,017
Cash Generated in Previous Years	238,221	292,273	348,290	406,290	466,291
Cash Generated from Property Sale	679,730	719,159	760,728	804,553	850,757
Original Initial Investment	(475,625)	(475,625)	(475,625)	(475,625)	(475,625)
Total Potential CASH Generated	\$ 496,377	\$ 591,823	\$ 691,393	\$ 795,219	\$ 903,440

Financial Measures

Debt Coverage Ratio (DCR)	1.70	1.73	1.77	1.81	1.85
Loan-to-Value Ratio (LVR)	62.1%	61.1%	59.9%	58.7%	57.4%
Capitalization Rate Based on Cost	9.77%	9.98%	10.19%	10.41%	10.63%
Value of Property Using this Cap Rate	8.00%	2,168,573	2,214,736	2,261,850	2,309,935
Net Present Value (NPV) - Before Taxes	13.50%	132,076	141,373	148,614	154,118
Net Present Value (NPV) - After Taxes	10.00%	117,331	131,429	144,329	156,099
Cash-on-Cash Return with Equity Build-up	10.39%	9.82%	9.33%	8.90%	8.52%
Cash-on-Cash Return - Before Taxes	13.89%	14.66%	15.44%	16.24%	17.05%
Cash-on-Cash Return - After Taxes	11.36%	11.78%	12.19%	12.62%	13.04%
Internal Rate-of-Return (IRR) - Before Taxes	19.26%	18.93%	18.63%	18.36%	18.13%
Internal Rate-of-Return (IRR) - After Taxes	14.95%	14.85%	14.75%	14.66%	14.58%
Modified Internal Rate-of-Return (MIRR) - Before Taxes	16.19%	15.50%	14.90%	14.36%	13.87%
Modified Internal Rate-of-Return (MIRR) - After Taxes	12.65%	12.24%	11.87%	11.54%	11.23%

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Rental Activity Analysis	Year 11	Year 12	Year 13	Year 14	Year 15
Potential Rental Income	\$ 225,270	\$ 229,776	\$ 234,371	\$ 239,059	\$ 243,840
Other Income	2,194	2,238	2,283	2,328	2,375
Less: Vacancy & Credit Losses	(11,264)	(11,489)	(11,719)	(11,953)	(12,192)
Less: Operating Expenses	(23,473)	(23,708)	(23,945)	(24,184)	(24,426)
Net Operating Income (NOI)	\$ 192,728	\$ 196,817	\$ 200,990	\$ 205,250	\$ 209,596
Less: Annual Debt Service	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)
Less: Funded Reserves	(5,523)	(5,578)	(5,634)	(5,690)	(5,747)
CASH FLOW Before Taxes	\$ 85,050	\$ 89,084	\$ 93,202	\$ 97,405	\$ 101,695
Income Taxes: Benefit (Expense)	(21,004)	(22,996)	(25,061)	(27,203)	(29,426)
CASH FLOW After Taxes	\$ 64,046	\$ 66,088	\$ 68,141	\$ 70,202	\$ 72,269

Property Resale Analysis

Projected Sales Price	\$ 2,409,095	\$ 2,460,211	\$ 2,512,379	\$ 2,565,620	\$ 2,619,955
Less: Selling Expenses	(144,546)	(147,613)	(150,743)	(153,937)	(157,197)
Adjusted Projected Sales Price	\$ 2,264,550	\$ 2,312,599	\$ 2,361,636	\$ 2,411,683	\$ 2,462,758
Less: Mortgage(s) Balance Payoff	(1,092,155)	(1,062,825)	(1,031,452)	(997,896)	(962,002)
SALE PROCEEDS Before Taxes	\$ 1,172,395	\$ 1,249,774	\$ 1,330,184	\$ 1,413,787	\$ 1,500,756
Income Taxes from Sale: Benefit (Expense)	(272,924)	(298,940)	(325,190)	(351,677)	(378,408)
SALE PROCEEDS After Taxes	\$ 899,471	\$ 950,834	\$ 1,004,994	\$ 1,062,110	\$ 1,122,348

Cash Position

Cash Generated in Current Year	\$ 64,046	\$ 66,088	\$ 68,141	\$ 70,202	\$ 72,269
Cash Generated in Previous Years	528,308	592,354	658,442	726,583	796,785
Cash Generated from Property Sale	899,471	950,834	1,004,994	1,062,110	1,122,348
Original Initial Investment	(475,625)	(475,625)	(475,625)	(475,625)	(475,625)
Total Potential CASH Generated	\$ 1,016,200	\$ 1,133,651	\$ 1,255,953	\$ 1,383,270	\$ 1,515,777

Financial Measures

Debt Coverage Ratio (DCR)	1.89	1.93	1.97	2.01	2.05
Loan-to-Value Ratio (LVR)	56.0%	54.5%	52.9%	51.1%	49.3%
Capitalization Rate Based on Cost	10.86%	11.09%	11.32%	11.56%	11.81%
Value of Property Using this Cap Rate	8.00%	2,409,095	2,460,211	2,512,379	2,565,620
Net Present Value (NPV) - Before Taxes	13.50%	160,974	162,766	163,709	163,952
Net Present Value (NPV) - After Taxes	10.00%	176,507	185,271	193,155	200,217
Cash-on-Cash Return with Equity Build-up	8.18%	7.87%	7.60%	7.35%	7.30%
Cash-on-Cash Return - Before Taxes	17.88%	18.73%	19.60%	20.48%	21.38%
Cash-on-Cash Return - After Taxes	13.47%	13.90%	14.33%	14.76%	15.19%
Internal Rate-of-Return (IRR) - Before Taxes	17.91%	17.72%	17.54%	17.38%	17.23%
Internal Rate-of-Return (IRR) - After Taxes	14.50%	14.42%	14.35%	14.28%	14.21%
Modified Internal Rate-of-Return (MIRR) - Before Taxes	13.44%	13.04%	12.67%	12.34%	12.03%
Modified Internal Rate-of-Return (MIRR) - After Taxes	10.95%	10.69%	10.45%	10.23%	10.02%

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Rental Activity Analysis	Year 16	Year 17	Year 18	Year 19	Year 20
Potential Rental Income	\$ 248,716	\$ 253,691	\$ 258,765	\$ 263,940	\$ 269,219
Other Income	2,423	2,471	2,520	2,571	2,622
Less: Vacancy & Credit Losses	(12,436)	(12,685)	(12,938)	(13,197)	(13,461)
Less: Operating Expenses	(24,671)	(24,917)	(25,166)	(25,418)	(25,672)
Net Operating Income (NOI)	\$ 214,033	\$ 218,560	\$ 223,180	\$ 227,896	\$ 232,708
Less: Annual Debt Service	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)
Less: Funded Reserves	(5,805)	(5,863)	(5,922)	(5,981)	(6,041)
CASH FLOW Before Taxes	\$ 106,074	\$ 110,543	\$ 115,105	\$ 119,761	\$ 124,513
Income Taxes: Benefit (Expense)	(31,733)	(34,130)	(36,621)	(39,212)	(41,906)
CASH FLOW After Taxes	\$ 74,340	\$ 76,413	\$ 78,483	\$ 80,549	\$ 82,607

Property Resale Analysis

Projected Sales Price	\$ 2,675,408	\$ 2,732,000	\$ 2,789,754	\$ 2,848,695	\$ 2,908,846
Less: Selling Expenses	(160,524)	(163,920)	(167,385)	(170,922)	(174,531)
Adjusted Projected Sales Price	\$ 2,514,883	\$ 2,568,080	\$ 2,622,369	\$ 2,677,774	\$ 2,734,316
Less: Mortgage(s) Balance Payoff	(923,610)	(882,544)	(838,620)	(791,636)	(741,382)
SALE PROCEEDS Before Taxes	\$ 1,591,273	\$ 1,685,535	\$ 1,783,750	\$ 1,886,137	\$ 1,992,934
Income Taxes from Sale: Benefit (Expense)	(405,385)	(432,614)	(460,100)	(487,848)	(515,862)
SALE PROCEEDS After Taxes	\$ 1,185,888	\$ 1,252,921	\$ 1,323,650	\$ 1,398,290	\$ 1,477,072

Cash Position

Cash Generated in Current Year	\$ 74,340	\$ 76,413	\$ 78,483	\$ 80,549	\$ 82,607
Cash Generated in Previous Years	869,054	943,394	1,019,807	1,098,290	1,178,839
Cash Generated from Property Sale	1,185,888	1,252,921	1,323,650	1,398,290	1,477,072
Original Initial Investment	(475,625)	(475,625)	(475,625)	(475,625)	(475,625)
Total Potential CASH Generated	\$ 1,653,658	\$ 1,797,103	\$ 1,946,315	\$ 2,101,504	\$ 2,262,893

Financial Measures

Debt Coverage Ratio (DCR)	2.10	2.14	2.18	2.23	2.28
Loan-to-Value Ratio (LVR)	47.3%	45.2%	43.0%	40.6%	38.0%
Capitalization Rate Based on Cost	12.06%	12.31%	12.57%	12.84%	13.11%
Value of Property Using this Cap Rate	8.00%	2,675,408	2,732,000	2,789,754	2,848,695
Net Present Value (NPV) - Before Taxes	13.50%	162,831	161,667	160,211	158,529
Net Present Value (NPV) - After Taxes	10.00%	212,094	217,011	221,313	225,045
Cash-on-Cash Return with Equity Build-up	6.75%	6.74%	6.57%	6.41%	6.26%
Cash-on-Cash Return - Before Taxes	22.30%	23.24%	24.20%	25.18%	26.18%
Cash-on-Cash Return - After Taxes	15.63%	16.07%	16.50%	16.94%	17.37%
Internal Rate-of-Return (IRR) - Before Taxes	17.10%	16.97%	16.86%	16.75%	16.66%
Internal Rate-of-Return (IRR) - After Taxes	14.14%	14.08%	14.02%	13.96%	13.90%
Modified Internal Rate-of-Return (MIRR) - Before Taxes	11.74%	11.47%	11.22%	10.99%	10.77%
Modified Internal Rate-of-Return (MIRR) - After Taxes	9.82%	9.64%	9.46%	9.30%	9.15%