

Adrian Apartments II

1212 Main St
Atlanta GA 30304

Newly Renovated
14 units in the Heart of Atlanta
11% Cash on Cash Return
Pool & Recreation Area
Gated Community

Presented by

Sandford Realty Group

Jeffrey Sandford
404-555-1212
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Suite 1700
190 Peachtree St NW
Atlanta GA 30303



Executive Summary



Adrian Apartments II

1212 Main St
Atlanta GA 30304



Property Information

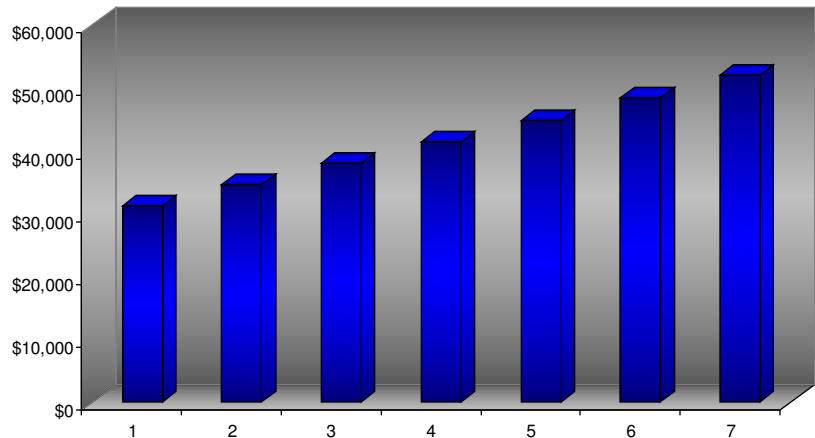
Financial Information

Type	Apartments	No. of Units	14	Down Payment: \$	475,625	% of Asking	27.18%	% of Cost	26.80%
Purchase Price	\$ 1,775,000	Price Per Unit	\$ 126,786	Initial Loan Balance: \$	1,312,500		75.00%		73.94%
Cap Rate (Cost)	8.79%	Total Square Feet	12,920	<u>Loan Amount</u>		<u>Interest Rate</u>		<u>Term</u>	
		Price Per Sq. Ft.	\$ 137.38	\$	1,312,500	6.75%		20	\$
								<u>Payment</u>	
								\$	9,979.78

Income & Expenses

Projected Cash Flow Before Taxes

Monthly Rents:	\$ 15,400
Annual Rents:	\$ 184,800
Other Annual Income:	\$ 1,800
Annual Vacancy:	\$ (9,240)
Annual Expenses:	\$ (21,250)
Annual Reserves:	\$ (5,000)
Annual Debt Service:	\$ (119,757)
Net Operating Income (NOI)	\$ 156,110



Assumptions:

Rental Growth Rate:	2.00%
Expense Growth Rate:	1.00%
Capitalization Rate (Resale):	8.00%
Marginal Tax Rate:	34.00%
Capital Gain Tax Rate:	21.00%

Financial Measurements

Year 1

Year 4

Year 7

Summary Description & Notes

Debt Coverage Ratio (DCR)	1.30	1.39	1.48
Loan-to-Value Ratio (LVR)	65.6%	56.3%	46.7%
Capitalization Rate Based on Cost	8.79%	9.37%	9.98%
Capitalization Rate Based on Resale Price	8.00%	8.00%	8.00%
Net Present Value (NPV) - B/ Taxes	13.50%	40,050	102,508
Net Present Value (NPV) - A/Taxes	10.00%	26,922	82,170
Cash on Cash Return - Before Taxes	6.59%	8.71%	10.96%
Cash on Cash Return - After Taxes	4.96%	6.54%	7.42%
Internal Rate of Return Before Taxes		19.64%	18.12%
Internal Rate of Return After Taxes		14.78%	14.07%
Modified Internal Rate of Return Before Taxes		18.25%	15.92%
Modified Internal Rate of Return After Taxes		13.88%	12.58%

Adrian Apartments II is a one, two and three bedroom garden style apartment complex with a total of 14 units.

The property is comprised of studio unit types. Complex amenities consist of laundry facilities and controlled vehicular access.

An November 1, 2009 appraisal places the value of this property at \$2.5 million.

Disclaimer: All information presented is believed to be accurate.

The information, calculations and data presented in this report are believed to be accurate but are not guaranteed. The information contained in this report shall not be considered as a substitution for legal, accounting or other professional advice. Please seek proper legal and tax advice as appropriate before making investments.

Property Description



Adrian Apartments II

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This 214 site all age community is a well located property offering many scenic home sites situated around a beautiful lake in the center of the park. Although, the park is nearly full it does offer affordable new and pre-owned coaches on the few available vacant sites. The property provides a desirable amenities package including a community clubhouse offering billiards, cards, bingo and a TV/VCR used for community movie nights. Additionally, there is the five acre fishing lake, a solar heated pool, basketball court and a playground for the children living in and visiting the park.

HIGHLIGHTS

Four to Five Star Quality

100% Renovated

Well Occupied

All Age Community

Attractive Ammenties Package

Great Location

Although, the park is classified as an all age community about 70% of the residents are seniors or 'empty nester' adults, making this property more stable and easy to manage. Because the park is one of the nicest in the county it attracts a higher clientele and can demand some of the highest market rents and still maintain a high occupancy level. Additionally, municipal sewer and water services are billed directly to the residents by the utility companies, allowing for the elimination of what would otherwise be a major operating expense. The park also passes through the costs for lawn and cable services.

Due to the upscale location and high quality, this community should continue to be a very stable investment for years to come, providing an owner with a low maintenance asset and solid returns.

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Adrian Apartments II



Main Office



Pool



Parking Lot



Park Across the Main St



3/2 Bedroom



Child-Friendly Recreation Area



South View



North View

Adrian Apartments II

1212 Main St

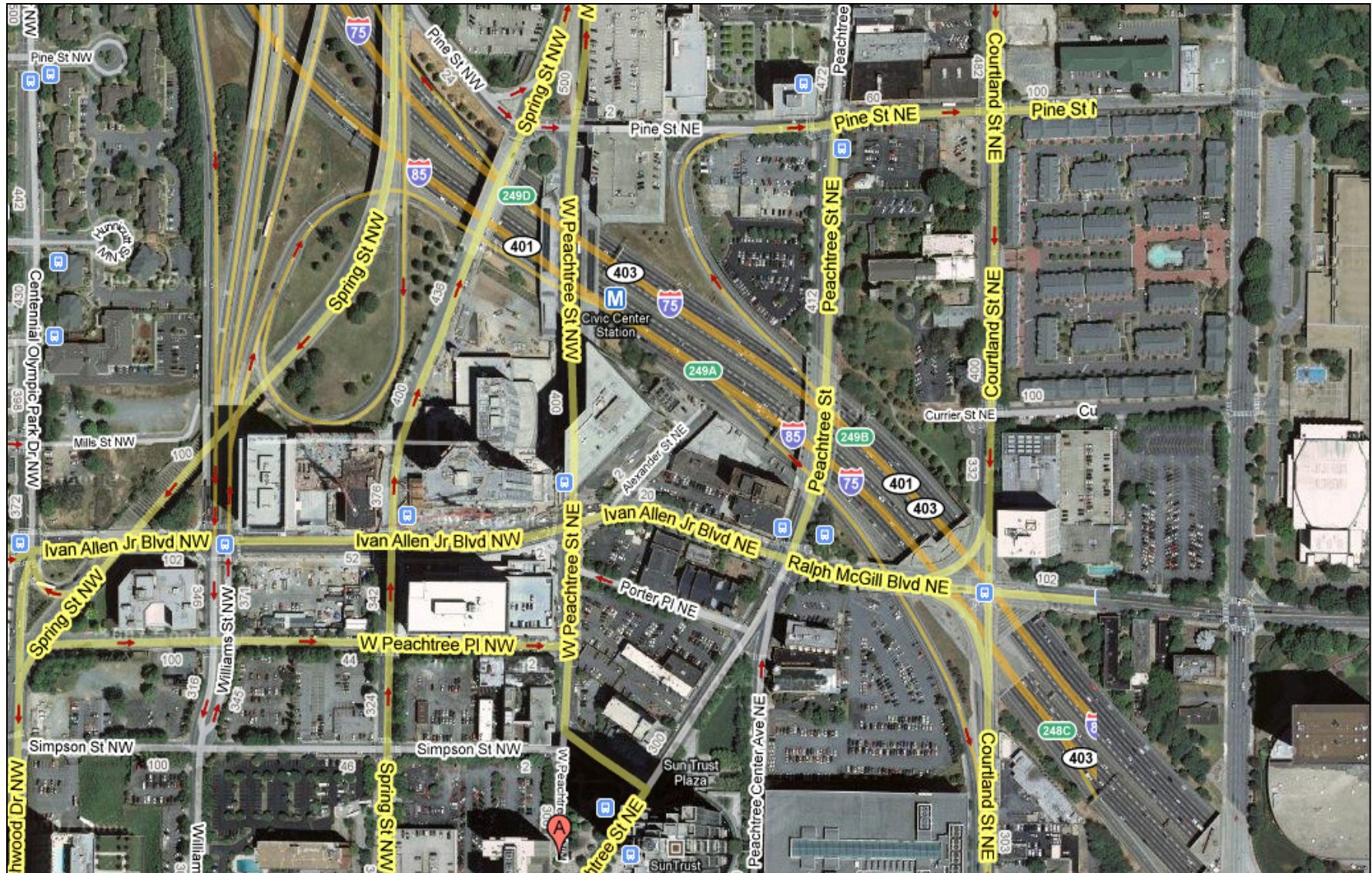
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Map/Aerial View



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Cash Flow Analysis



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	(119,757)	(119,757)	(119,757)	(119,757)	(119,757)
Less: Funded Reserves	(5,000)	(5,050)	(5,101)	(5,152)	(5,203)
CASH FLOW Before Taxes	\$ 31,353	\$ 34,637	\$ 37,990	\$ 41,413	\$ 44,907
Income Taxes: Benefit (Expense)	(7,766)	(6,358)	(8,285)	(10,291)	(12,382)
CASH FLOW After Taxes	\$ 23,587	\$ 28,279	\$ 29,706	\$ 31,122	\$ 32,525

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	(1,280,354)	(1,245,970)	(1,209,191)	(1,169,852)	(1,127,774)
SALE PROCEEDS Before Taxes	\$ 553,939	\$ 627,506	\$ 704,275	\$ 784,431	\$ 868,167
Income Taxes from Sale: Benefit (Expense)	(24,724)	(48,679)	(72,827)	(97,172)	(121,718)
SALE PROCEEDS After Taxes	\$ 529,215	\$ 578,827	\$ 631,448	\$ 687,259	\$ 746,450

Cash Position					
Cash Generated in Current Year	\$ 23,587	\$ 28,279	\$ 29,706	\$ 31,122	\$ 32,525
Cash Generated in Previous Years	n/a	23,587	51,866	81,571	112,693
Cash Generated from Property Sale	529,215	578,827	631,448	687,259	746,450
Original Initial Investment	(475,625)	(475,625)	(475,625)	(475,625)	(475,625)
Total Potential CASH Generated	\$ 77,177	\$ 155,068	\$ 237,395	\$ 324,327	\$ 416,043

Financial Measures					
Debt Coverage Ratio (DCR)	1.30	1.33	1.36	1.39	1.42
Loan-to-Value Ratio (LVR)	65.6%	62.5%	59.4%	56.3%	53.1%
Capitalization Rate Based on Cost	8.79%	8.98%	9.17%	9.37%	9.57%
Value of Property Using this Cap Rate	2,014,323	2,057,351	2,101,267	2,146,090	2,191,837
Net Present Value (NPV) - Before Taxes	40,050	65,995	86,545	102,508	114,584
Net Present Value (NPV) - After Taxes	26,922	47,558	65,923	82,170	96,445
Cash-on-Cash Return on Equity	16.23%	14.72%	14.22%	13.77%	13.35%
Cash-on-Cash Return - Before Taxes	6.59%	7.28%	7.99%	8.71%	9.44%
Cash-on-Cash Return - After Taxes	4.96%	5.95%	6.25%	6.54%	6.84%
Internal Rate-of-Return (IRR) - Before Taxes	23.06%	21.33%	20.36%	19.64%	19.06%
Internal Rate-of-Return (IRR) - After Taxes	16.23%	15.49%	15.08%	14.78%	14.51%
Modified Internal Rate-of-Return (MIRR) - Before Taxes	23.06%	20.75%	19.33%	18.25%	17.35%
Modified Internal Rate-of-Return (MIRR) - After Taxes	16.23%	15.15%	14.45%	13.88%	13.39%

Adrian Apartments II

212 Main St
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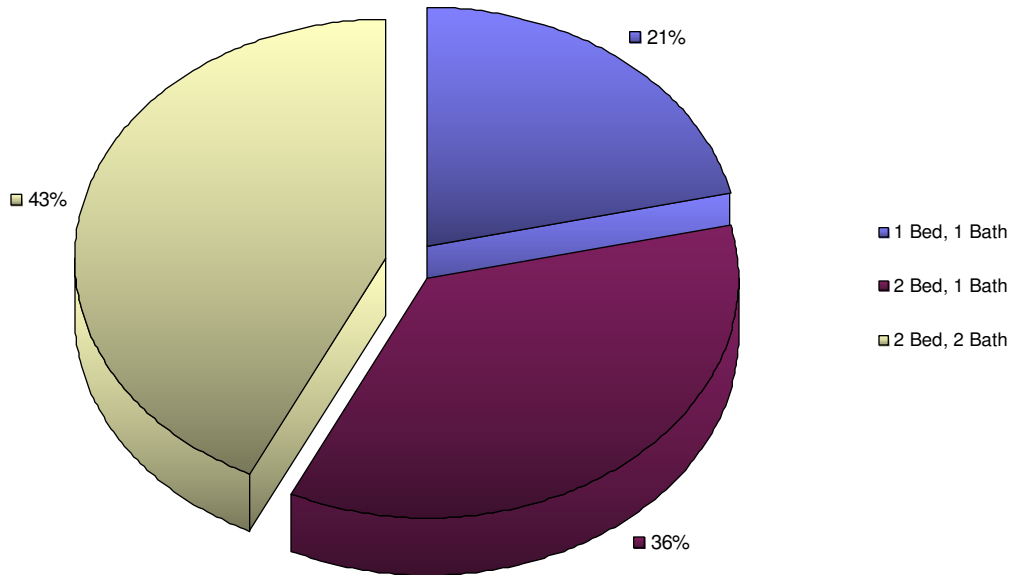
Rent Roll Summary



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404-555-1212

Unit Description	Number of Units	Per unit Sq. Ft.	Total Sq. Ft.	Percent of Total	Annual Rev/Sq. Ft.	Rent Per Unit	Monthly Rent	Annual Rent
1 Bed, 1 Bath	3	650	1,950	15.09%	16.620	\$ 900	\$ 2,700	\$ 32,400
2 Bed, 1 Bath	5	850	4,250	32.89%	15.530	\$ 1,100	\$ 5,500	\$ 66,000
2 Bed, 2 Bath	6	1,120	6,720	52.01%	12.860	\$ 1,200	\$ 7,200	\$ 86,400
Totals	14	2,620	12,920	100.0%	14.303	3,200	\$ 15,400	\$ 184,800

Unit Mix



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Other Income



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Description	Monthly Amount	Per Unit	Per Unit Sq. Ft.	Total Sq. Ft.
Laundry	\$ 100	\$ 7.14	\$ 0.04	\$ 0.01
Parking	50	3.57	0.02	0.00
Totals	\$ 150	\$ 10.71	\$ 0.06	\$ 0.01

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Annual Expenses



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Expense Description	Annual Amount	Annual Increase	Per Unit	Per Sq. Ft.	% of Expenses	% of Revenue
Advertising	500	1.0%	35.71	0.04	2.4%	0.3%
Insurance	4,250	1.0%	303.57	0.33	20.0%	2.4%
Landscaping	750	1.0%	53.57	0.06	3.5%	0.4%
Maintenance	3,500	1.0%	250.00	0.27	16.5%	2.0%
Pest Control	3,500	1.0%	250.00	0.27	16.5%	2.0%
Property Taxes	7,500	1.0%	535.71	0.58	35.3%	4.2%
Electricity	1,250	1.0%	89.29	0.10	5.9%	0.7%
Total Annual Operating Expenses	\$ 21,250		\$ 1,517.86	12,920	100.0%	12.0%

Adrian Apartments II1212 Main St
Atlanta GA 30304**Income Tax Analysis**Jeffrey Sandford
404-555-1212

Tax Analysis - Operations	Year 1	Year 2	Year 3	Year 4	Year 5
Net Operating Income (NOI) from CFA	\$ 156,110	\$ 159,445	\$ 162,848	\$ 166,322	\$ 169,867
Expense Portion of Capital Reserve	(2,500)	(2,525)	(2,550)	(2,576)	(2,602)
Tax Depreciation	(49,659)	(51,818)	(51,818)	(51,818)	(51,818)
Tax Depreciation - Reserve/Improvements	(87)	(179)	(272)	(365)	(460)
Amortization of Loan Origination Points	(629)	(656)	(656)	(656)	(656)
Interest Expense - Mortgage #1	(80,394)	(85,565)	(83,185)	(80,638)	(77,914)
Operating Taxable Income (Loss)	<u>\$ 22,841</u>	<u>\$ 18,701</u>	<u>\$ 24,367</u>	<u>\$ 30,268</u>	<u>\$ 36,417</u>
Federal & State Tax Rate	34.00%	34.00%	34.00%	34.00%	34.00%
Income Tax Benefit (Expense)	<u>\$ (7,766)</u>	<u>\$ (6,358)</u>	<u>\$ (8,285)</u>	<u>\$ (10,291)</u>	<u>\$ (12,382)</u>
Subject to Suspended Loss Rules?	Yes				

Tax Analysis - Property Sale	Year 1	Year 2	Year 3	Year 4	Year 5
Adjusted Projected Sales Price	\$ 1,834,293	\$ 1,873,475	\$ 1,913,467	\$ 1,954,283	\$ 1,995,941
Original Cost of Property	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)
Less: Funded Reserves	(2,500)	(5,025)	(7,575)	(10,151)	(12,753)
Loan Origination Points Paid	(13,125)	(13,125)	(13,125)	(13,125)	(13,125)
Gain (Loss) on Property	<u>\$ 43,668</u>	<u>\$ 80,325</u>	<u>\$ 117,766</u>	<u>\$ 156,007</u>	<u>\$ 195,064</u>
Accumulated Depreciation/Amortization	50,288	102,850	155,503	208,249	261,089
Accumulated Dep - Reserve/Improvements	87	179	272	365	460
Total Accumulated Depreciation	<u>\$ 50,375</u>	<u>\$ 103,028</u>	<u>\$ 155,774</u>	<u>\$ 208,614</u>	<u>\$ 261,548</u>
Taxable Gain (Loss) on Property Sale	<u>\$ 94,043</u>	<u>\$ 183,354</u>	<u>\$ 273,541</u>	<u>\$ 364,621</u>	<u>\$ 456,612</u>
Capital Gain & State Rate on Sale	21.00%	21.00%	21.00%	21.00%	21.00%
Income Tax Benefit (Expense)	(19,749)	(38,504)	(57,444)	(76,570)	(95,889)
Recapture Tax	(4,975)	(10,174)	(15,383)	(20,602)	(25,829)
Income Tax Benefit (Expense)	<u>\$ (24,724)</u>	<u>\$ (48,679)</u>	<u>\$ (72,827)</u>	<u>\$ (97,172)</u>	<u>\$ (121,718)</u>

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Annual Property Operating Data



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404-555-1212

	Year 1	\$/Sq Ft	Year 2	\$/Sq Ft	Year 3	\$/Sq Ft	Year 4	\$/Sq Ft	Year 5	\$/Sq Ft
Potential Rental Income	\$ 184,800	14.30	\$ 188,496	14.59	\$ 192,266	14.88	\$ 196,111	15.18	\$ 200,033	15.48
Less: Vacancy & Credit Losses	(9,240)	(0.72)	(9,425)	(0.73)	(9,613)	(0.74)	(9,806)	(0.76)	(10,002)	(0.77)
Effective Rental Income	<u>\$ 175,560</u>	<u>13.59</u>	<u>\$ 179,071</u>	<u>13.86</u>	<u>\$ 182,653</u>	<u>14.14</u>	<u>\$ 186,306</u>	<u>14.42</u>	<u>\$ 190,032</u>	<u>14.71</u>
Other Income	1,800	0.14	1,836	0.14	1,873	0.14	1,910	0.15	1,948	0.15
Gross Operating Income	<u>\$ 177,360</u>	<u>13.73</u>	<u>\$ 180,907</u>	<u>14.00</u>	<u>\$ 184,525</u>	<u>14.28</u>	<u>\$ 188,216</u>	<u>14.57</u>	<u>\$ 191,980</u>	<u>14.86</u>
Operating Expenses										
Advertising	500	0.04	505	0.04	510	0.04	515	0.04	520	0.04
Insurance	4,250	0.33	4,293	0.33	4,335	0.34	4,379	0.34	4,423	0.34
Landscaping	750	0.06	758	0.06	765	0.06	773	0.06	780	0.06
Maintenance	3,500	0.27	3,535	0.27	3,570	0.28	3,606	0.28	3,642	0.28
Pest Control	3,500	0.27	3,535	0.27	3,570	0.28	3,606	0.28	3,642	0.28
Property Taxes	7,500	0.58	7,575	0.59	7,651	0.59	7,727	0.60	7,805	0.60
Electricity	1,250	0.10	1,263	0.10	1,275	0.10	1,288	0.10	1,301	0.10
Total Operating Expenses	<u>\$ 21,250</u>	<u>1.64</u>	<u>\$ 21,463</u>	<u>1.66</u>	<u>\$ 21,677</u>	<u>1.68</u>	<u>\$ 21,894</u>	<u>1.69</u>	<u>\$ 22,113</u>	<u>1.71</u>
Net Operating Income (NOI)	<u>\$ 156,110</u>	<u>12.08</u>	<u>\$ 159,445</u>	<u>12.34</u>	<u>\$ 162,848</u>	<u>12.60</u>	<u>\$ 166,322</u>	<u>12.87</u>	<u>\$ 169,867</u>	<u>13.15</u>
Less: Annual Debt Service	(119,757)	(9.27)	(119,757)	(9.27)	(119,757)	(9.27)	(119,757)	(9.27)	(119,757)	(9.27)
Less: Funded Reserves	(5,000)	(0.39)	(5,050)	(0.39)	(5,101)	(0.39)	(5,152)	(0.40)	(5,203)	(0.40)
Cash Flow Before Taxes	<u>\$ 31,353</u>	<u>2.43</u>	<u>\$ 34,637</u>	<u>2.68</u>	<u>\$ 37,990</u>	<u>2.94</u>	<u>\$ 41,413</u>	<u>3.21</u>	<u>\$ 44,907</u>	<u>3.48</u>

Adrian Apartments II

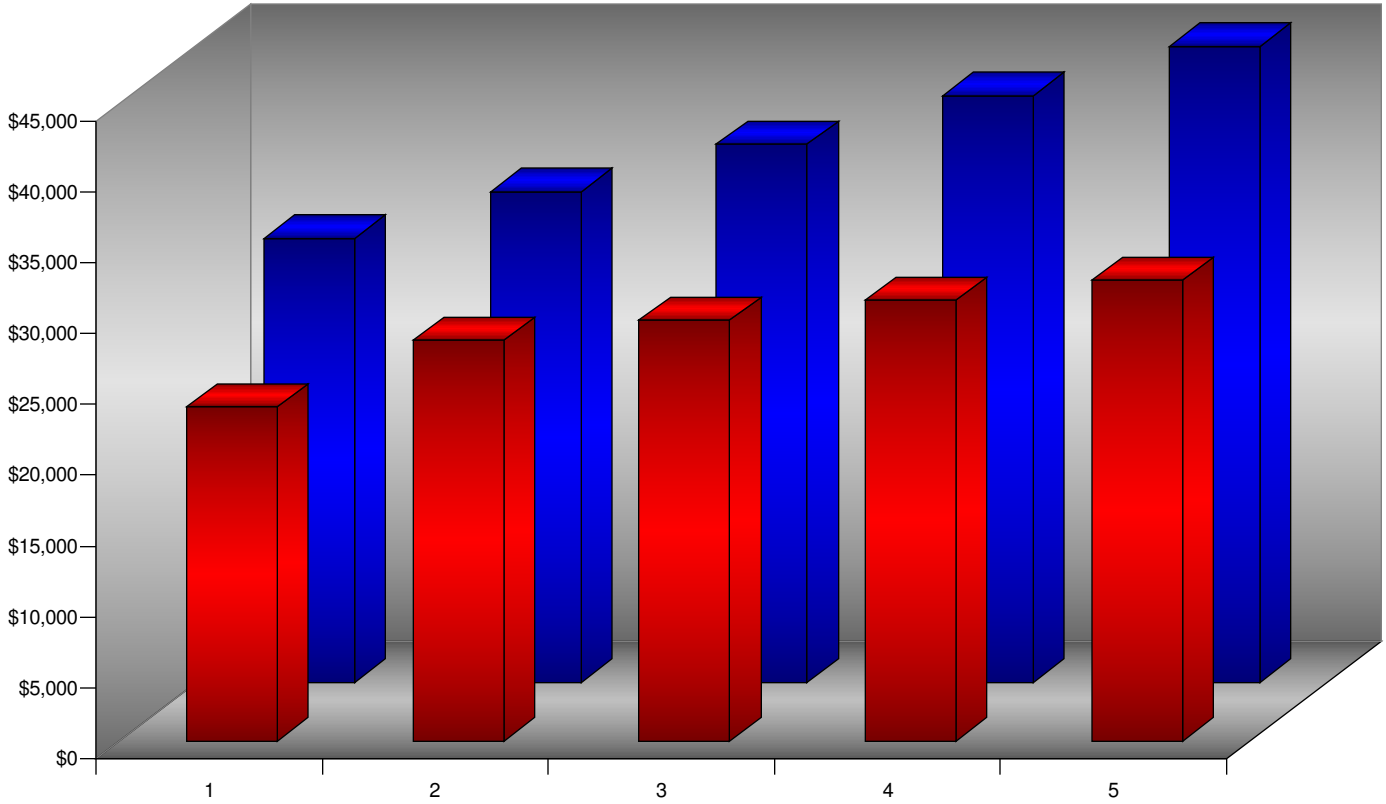
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Cash Flow Projections



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■ Cash Flow After Taxes
■ Cash Flow Before Taxes



<i>Time Period</i>	<i>Net Operating Income</i>	<i>Reserves & MIP Payments</i>	<i>Debt Service</i>	<i>Cash Flow Before Tax</i>	<i>Incomes Taxes</i>	<i>Cash Flow After Tax</i>
Int Investment				\$ (475,625)		\$ (475,625)
Year 1	156,110	(5,000)	(119,757)	31,353	(7,766)	23,587
Year 2	159,445	(5,050)	(119,757)	34,637	(6,358)	28,279
Year 3	162,848	(5,101)	(119,757)	37,990	(8,285)	29,706
Year 4	166,322	(5,152)	(119,757)	41,413	(10,291)	31,122
Year 5	169,867	(5,203)	(119,757)	44,907	(12,382)	32,525

Adrian Apartments II

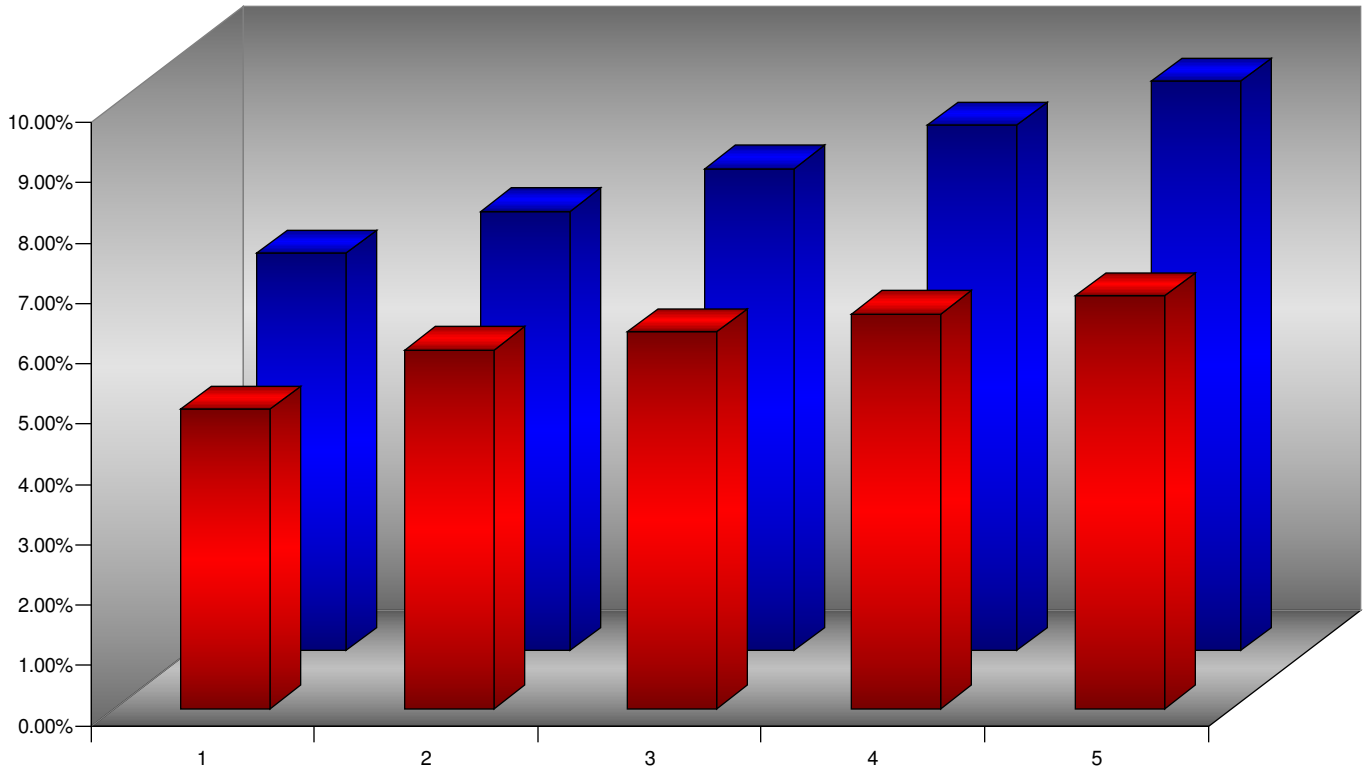
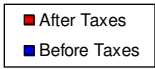
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Cash on Cash Return



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<i>Time</i>	<i>Initial Investment</i>	<i>Cash Flow</i>	<i>Cash on Cash</i>	<i>Income</i>	<i>Cash Flow</i>	<i>Cash on Cash</i>
<i>Period</i>	<i>Adj for Refinance</i>	<i>Before Taxes</i>	<i>Before Taxes</i>	<i>Taxes</i>	<i>After Taxes</i>	<i>After Taxes</i>
Year 1	\$ 475,625	\$ 31,353	6.59%	\$ (7,766)	\$ 23,587	4.96%
Year 2	475,625	34,637	7.28%	(6,358)	28,279	5.95%
Year 3	475,625	37,990	7.99%	(8,285)	29,706	6.25%
Year 4	475,625	41,413	8.71%	(10,291)	31,122	6.54%
Year 5	475,625	44,907	9.44%	(12,382)	32,525	6.84%

Adrian Apartments II

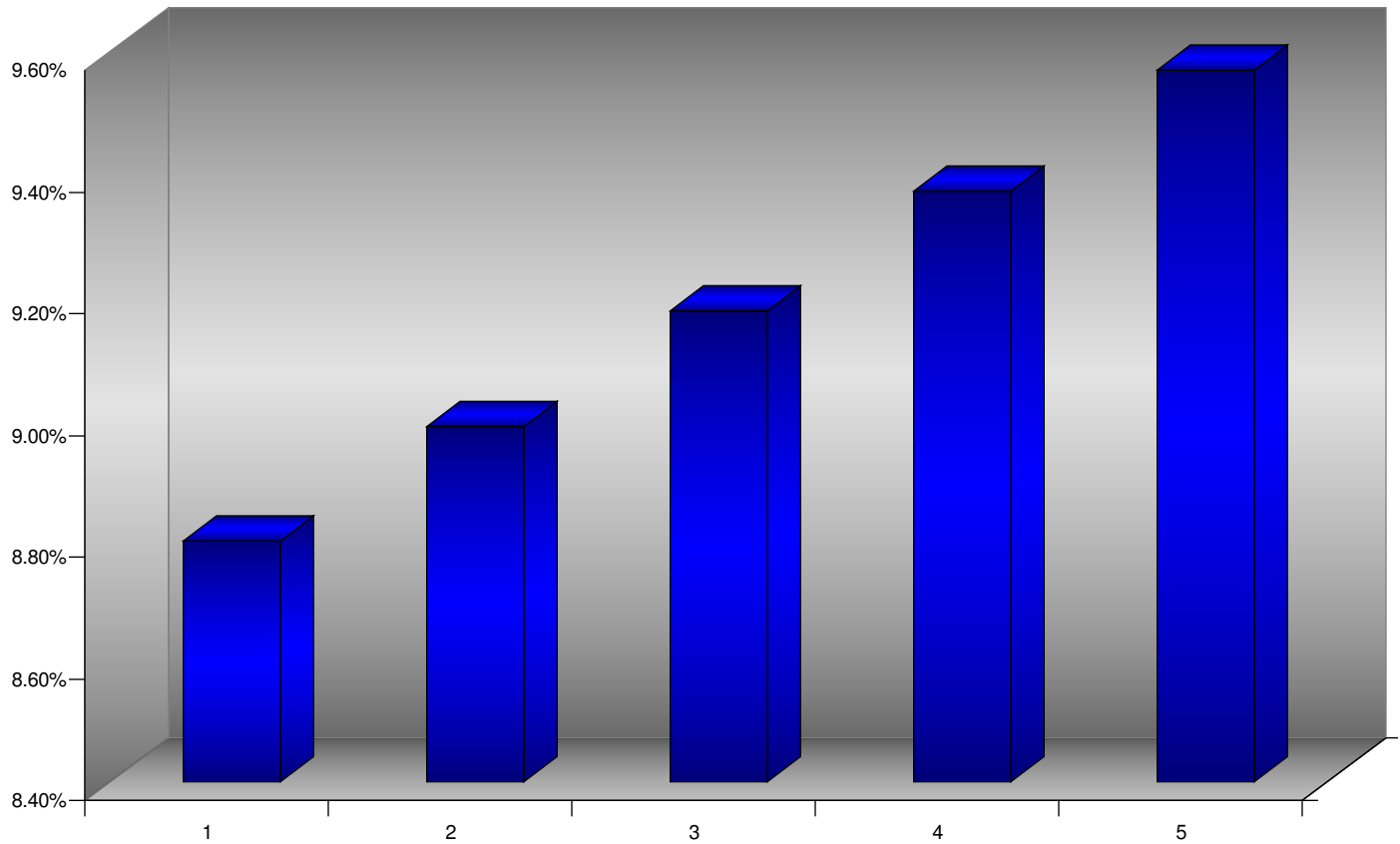
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Capitalization Rate

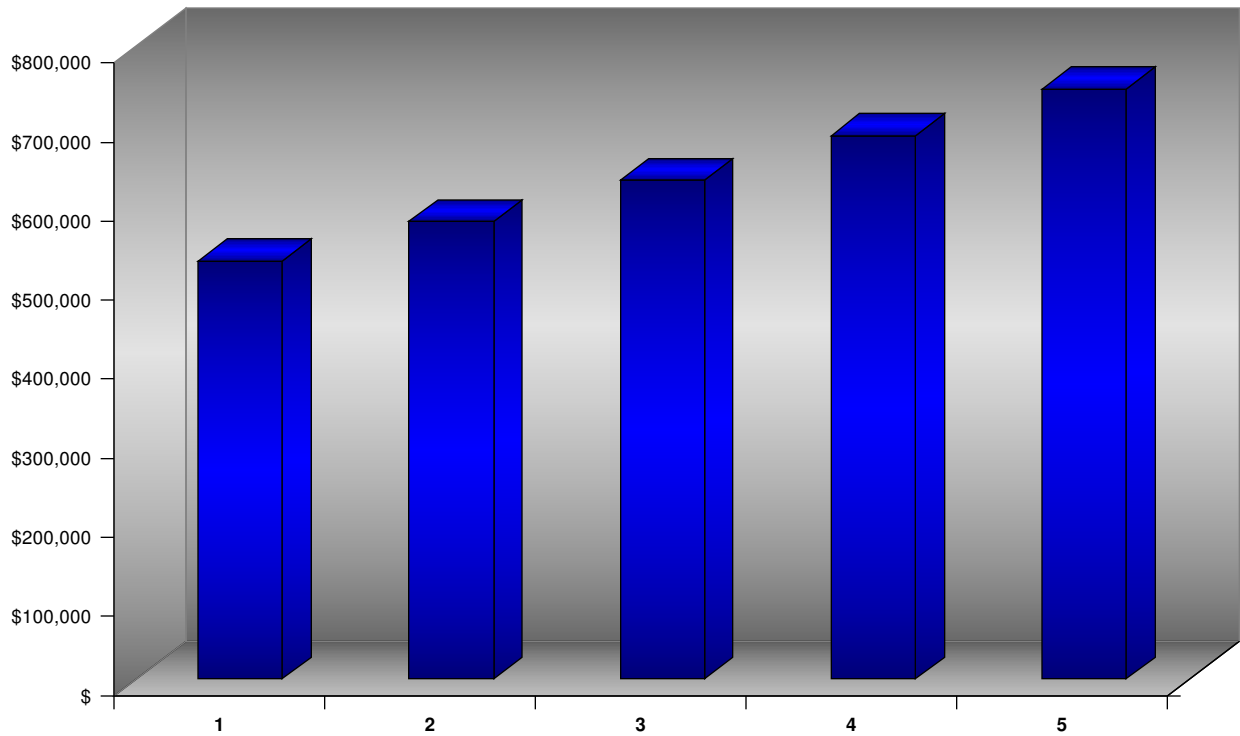


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<i>Time</i>	<i>Net Operating</i>	<i>Cap Rate on Cost</i>	<i>Resale</i>
<i>Period</i>	<i>Income (NOI)</i>	<i>\$ 1,775,000</i>	<i>Value</i>
Year 1	\$ 156,110	8.79%	\$ 1,951,375
Year 2	159,445	8.98%	1,993,059
Year 3	162,848	9.17%	2,035,603
Year 4	166,322	9.37%	2,079,024
Year 5	169,867	9.57%	2,123,342

Adrian Apartments II1212 Main St
Atlanta GA 30304**Property Equity Analysis**Jeffrey Sandford
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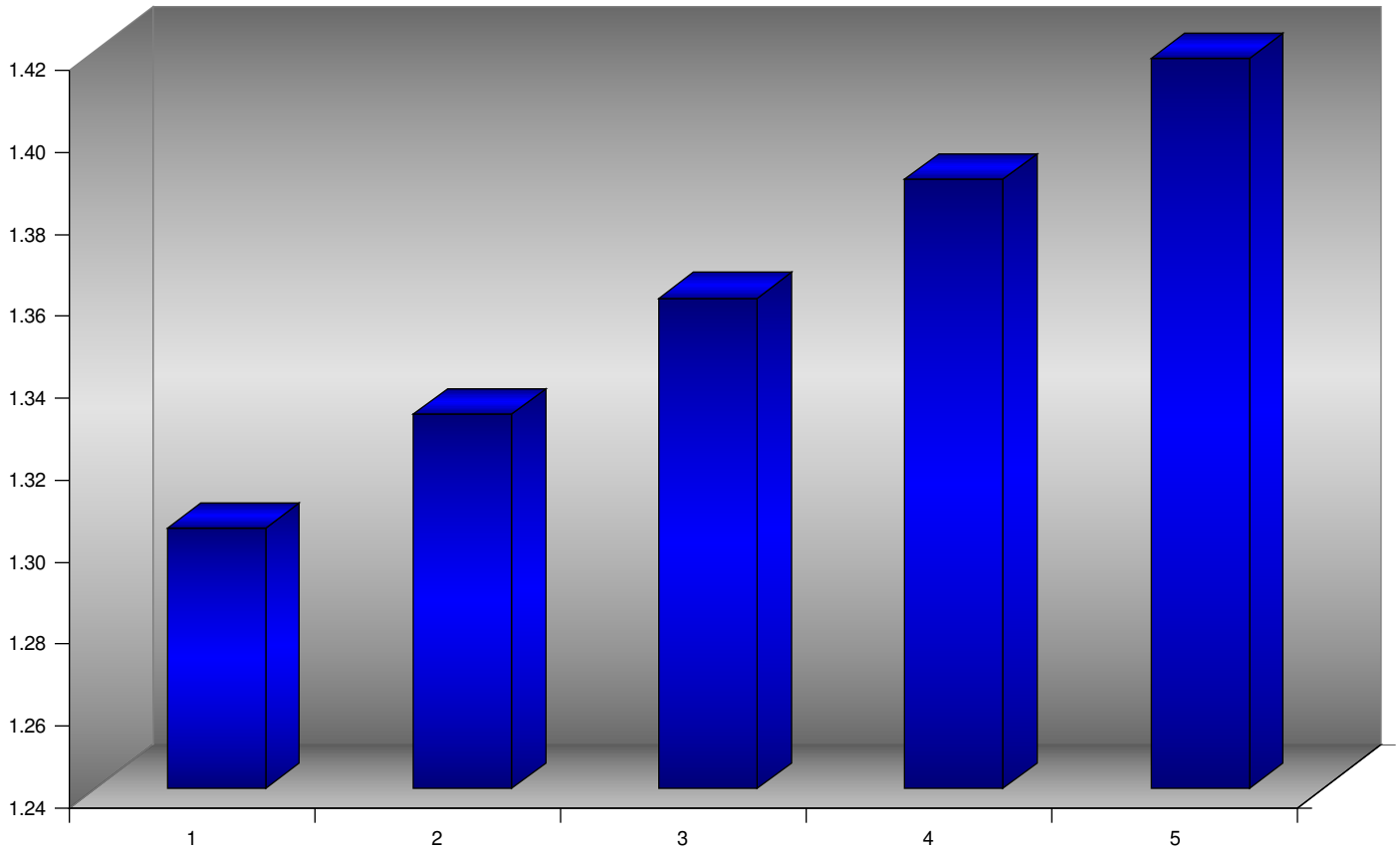
<i>Time Period</i>	<i>Projected Adj Resale Value</i>	<i>Projected Increase</i>	<i>Refi Proceeds (if any)</i>	<i>Mortgage(s) Balance Payoff</i>	<i>Sale Proceeds Before Taxes</i>	<i>Income Taxes From Sale</i>	<i>Sale Proceeds After Taxes</i>	<i>Property Equity</i>	<i>Year / Year Equity Increase</i>
Year 1	\$ 1,834,293	4.82%	\$ -	\$ (1,280,354)	\$ 553,939	\$ (24,724)	\$ 529,215	\$ 529,215	\$ 53,590
Year 2	1,873,475	2.14%	-	(1,245,970)	627,506	(48,679)	578,827	578,827	49,612
Year 3	1,913,467	2.13%	-	(1,209,191)	704,275	(72,827)	631,448	631,448	52,621
Year 4	1,954,283	2.13%	-	(1,169,852)	784,431	(97,172)	687,259	687,259	55,810
Year 5	1,995,941	2.13%	-	(1,127,774)	868,167	(121,718)	746,450	746,450	59,191

Debt Coverage Ratio



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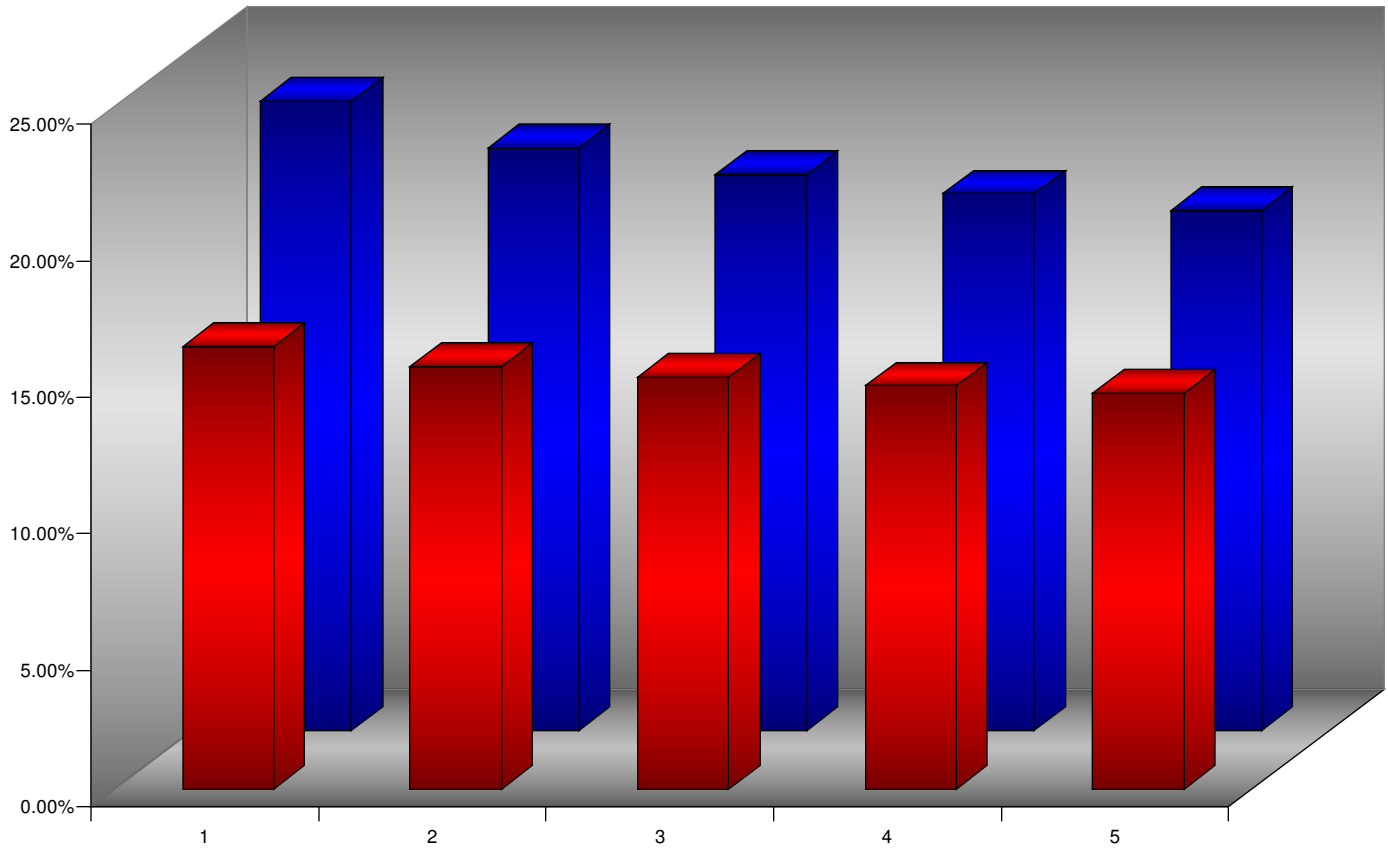
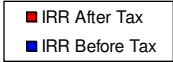
<i>Time Period</i>	<i>Net Operating Income</i>	<i>Mortgage Payments</i>	<i>Debt Coverage Before Taxes</i>
Year 1	\$ 156,110	\$ (119,757)	1.30
Year 2	159,445	(119,757)	1.33
Year 3	162,848	(119,757)	1.36
Year 4	166,322	(119,757)	1.39
Year 5	169,867	(119,757)	1.42

Internal Rate of Return



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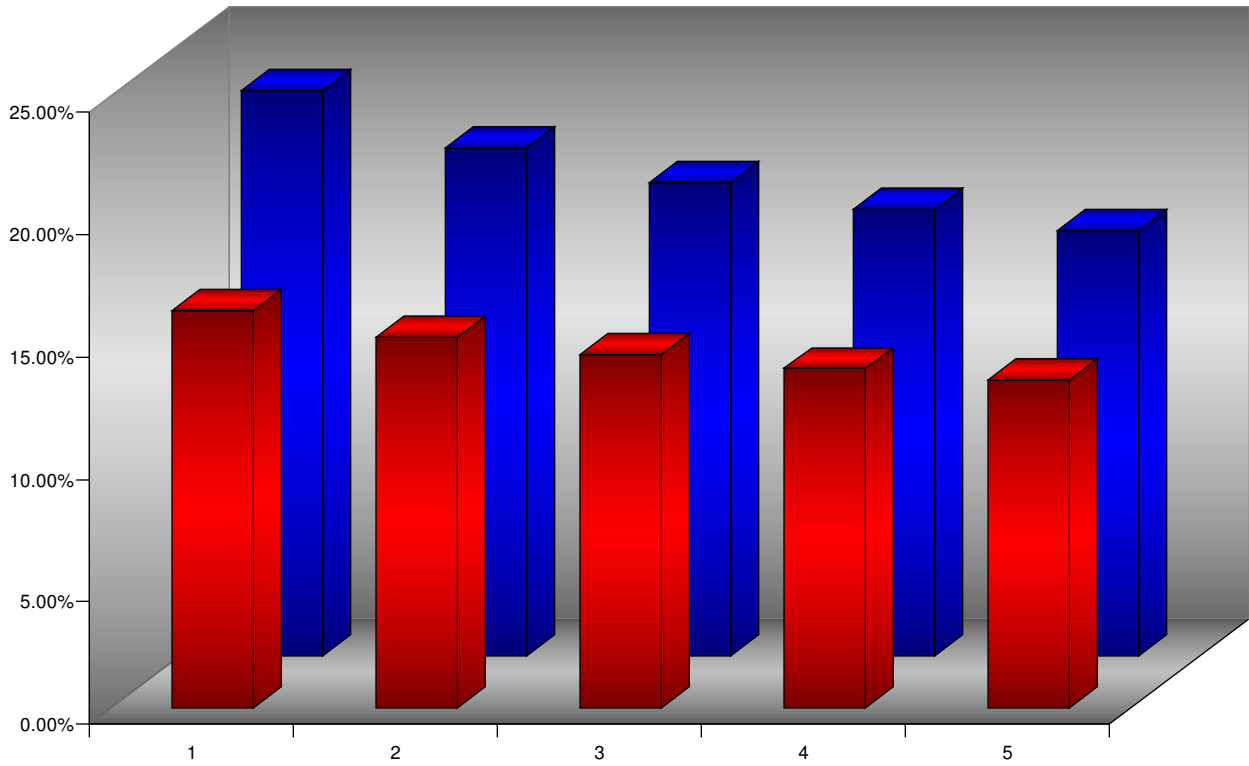
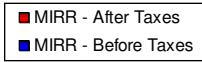


<i>Time Period</i>	<i>Internal Rate of Return (IRR)</i>	
	<i>Before Taxes</i>	<i>After Taxes</i>
Year 1	23.06%	16.23%
Year 2	21.33%	15.49%
Year 3	20.36%	15.08%
Year 4	19.64%	14.78%
Year 5	19.06%	14.51%

Modified Internal Rate of Return



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<i>Time Period</i>	<i>Modified Internal Rate of Return</i>	
	<i>Before Taxes</i>	<i>After Taxes</i>
Year 1	23.06%	16.23%
Year 2	20.75%	15.15%
Year 3	19.33%	14.45%
Year 4	18.25%	13.88%
Year 5	17.35%	13.39%

Adrian Apartments II

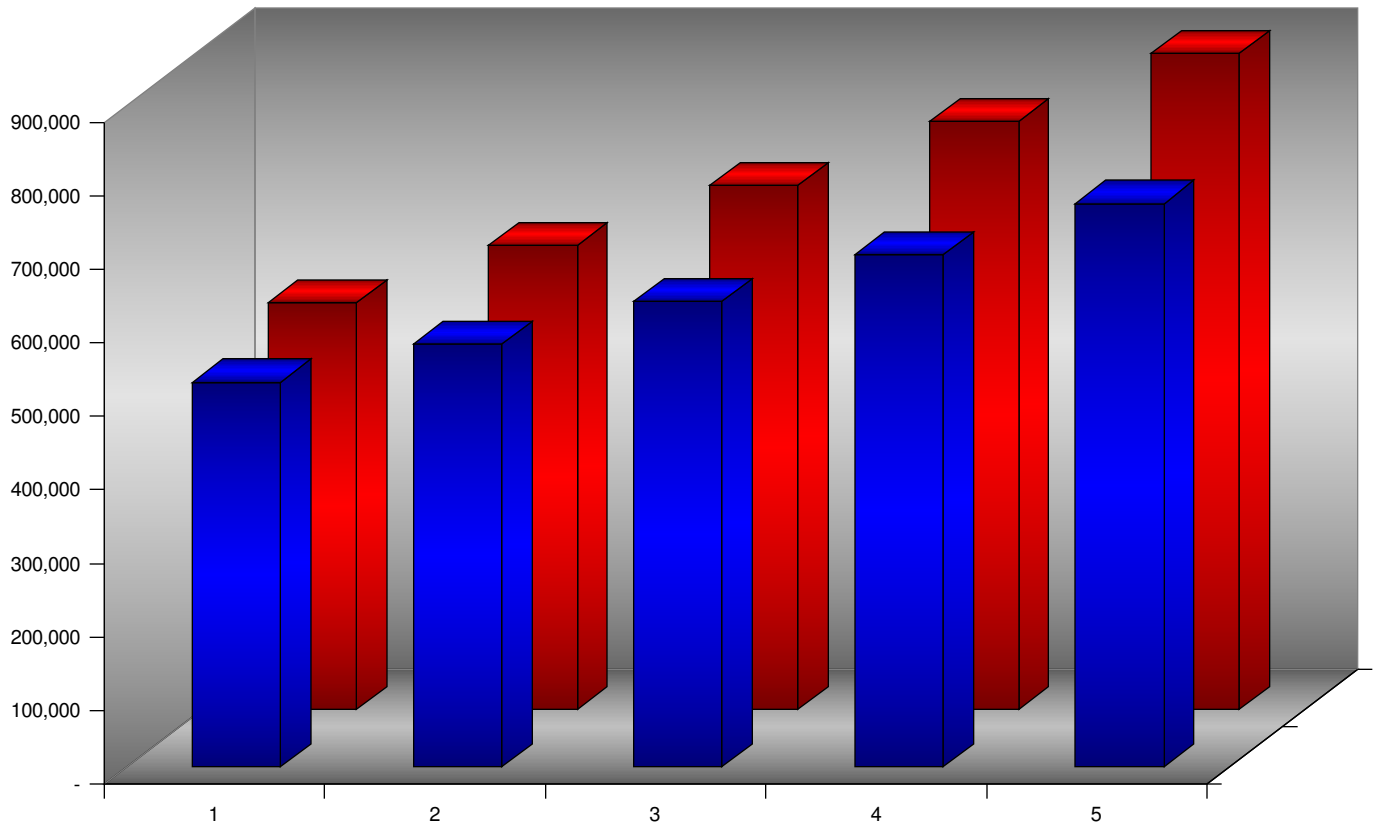
1212 Main St
Atlanta GA 30304

Alternative Investment Comparison



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- Alternative Investment
- Subject Property - After Taxes



<i>Alt Investment Return</i> (after taxes)	<i>Time Period</i>	<i>Alternative Investment Value</i>	<i>Property After-Taxes Net Value</i>	<i>Difference</i>	<i>Better Investment</i>	<i>Property Before-Taxes Net Value</i>	<i>Difference</i>	<i>Better Investment</i>
10.00%	Initial Investment	\$ 475,625	\$ 475,625			\$ 475,625		
	Year 1	523,188	552,802	\$ 29,614	Property	585,291	\$ 62,104	Property
	Year 2	575,506	630,693	55,186	Property	693,496	117,989	Property
	Year 3	633,057	713,020	79,963	Property	808,256	175,199	Property
	Year 4	696,363	799,952	103,589	Property	929,824	233,462	Property
	Year 5	765,999	891,668	125,669	Property	1,058,468	292,469	Property

Adrian Apartments II

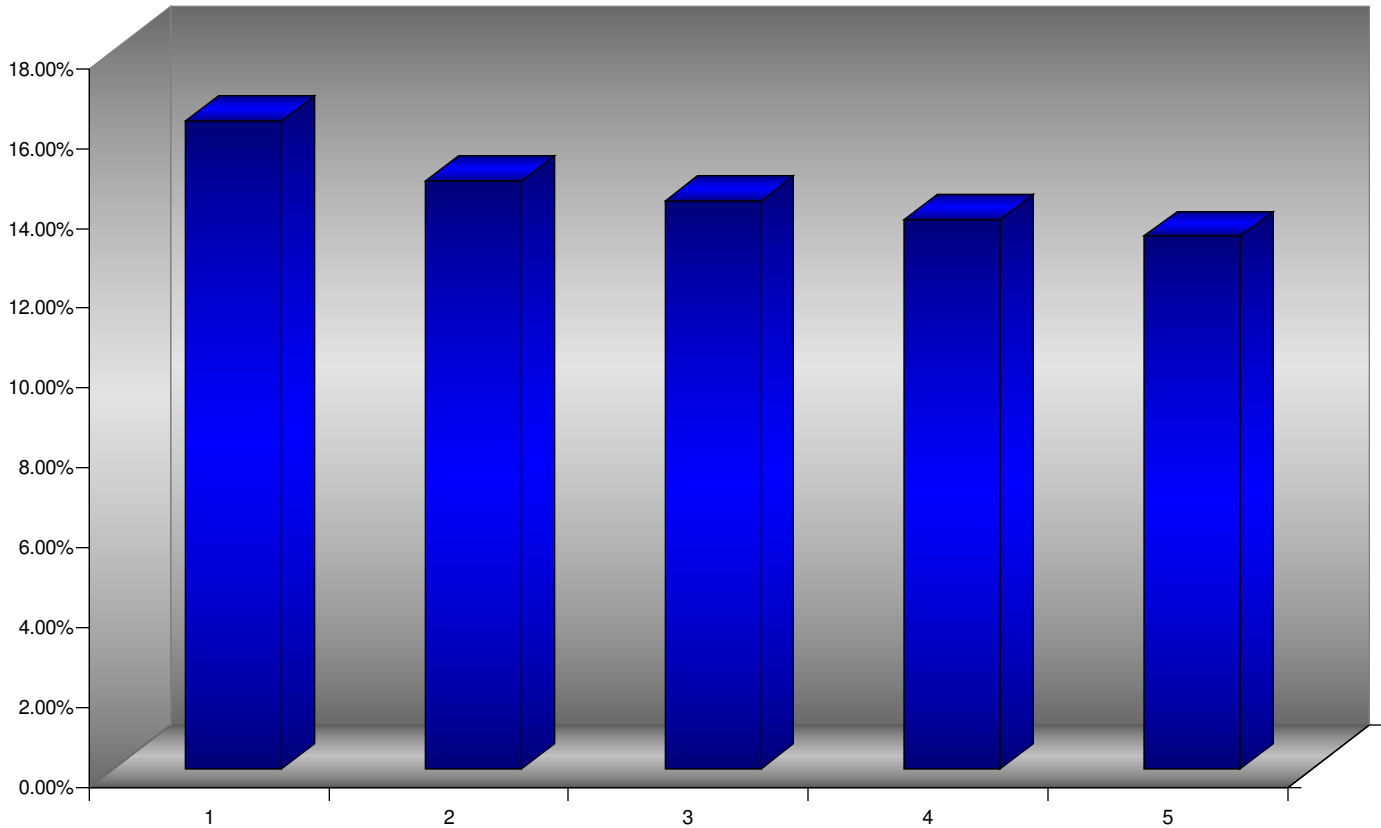
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Hold/Sell Analysis



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■ Return on Equity (ROE)



Required Return on Equity	Time Period	Rental Cash Flow	Annual Change in Equity	Annual Change in Net Worth	Trapped Equity	Return on Equity (ROE)	Hold/Sell
6.00%		A	B	(A + B)			
	Year 1	23,587	53,590	77,177	475,625	16.23%	Hold
After Year	Year 2	28,279	49,612	77,891	529,215	14.72%	Hold
5	Year 3	29,706	52,621	82,327	578,827	14.22%	Hold
	Year 4	31,122	55,810	86,932	631,448	13.77%	Hold
	Year 5	32,525	59,191	91,716	687,259	13.35%	Hold

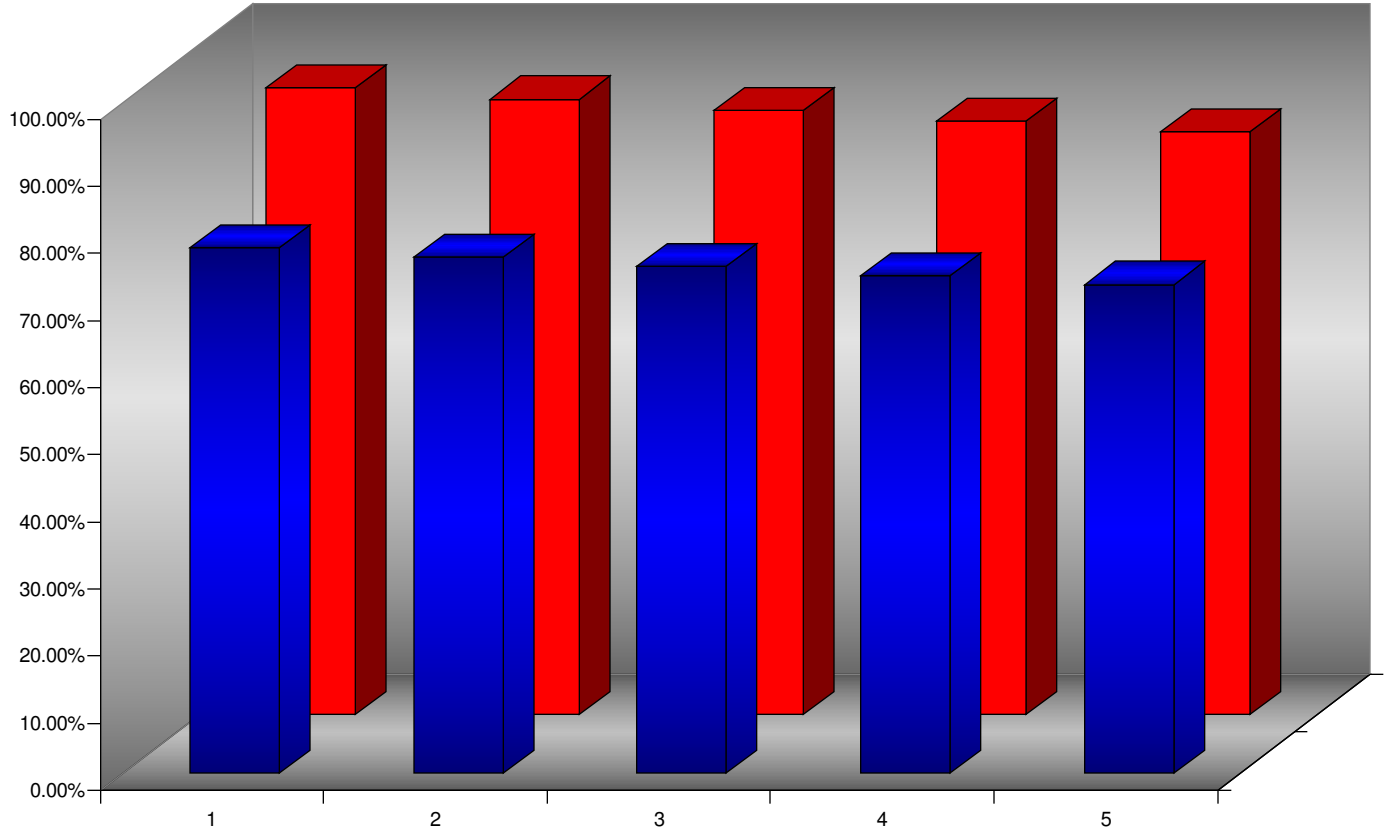
BreakEven Occupancy



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■ BreakEven Occupancy
 ■ BreakEven Occupancy with Cash on Cash Requirement



Cash on Cash Requirement	Time Period	Potential Rental Income	Operating, Debt, Reserve Expenses	Occupancy Rate (Existing)	BreakEven Occupancy Rate	Max Vacancy BreakEven Rate	BreakEven Occupancy Rate w/ Cash on Cash	Max Vacancy BreakEven Rate w/ Cash on Cash
6.00%	Year 1	186,600	(146,007)	95.00%	78.25%	21.75%	93.54%	6.46%
	Year 2	190,332	(146,270)	95.00%	76.85%	23.15%	91.84%	8.16%
	Year 3	194,139	(146,535)	95.00%	75.48%	24.52%	90.18%	9.82%
	Year 4	198,021	(146,803)	95.00%	74.13%	25.87%	88.55%	11.45%
	Year 5	201,982	(147,073)	95.00%	72.82%	27.18%	86.94%	13.06%

Adrian Apartments II1212 Main St
Atlanta GA 30304**Historical Financials**

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	2007	Unit	Per Sq Ft	2008	Per Unit	Per Sq Ft	Jul-09	Per Unit	Per Sq Ft	Annualized	Per Unit	Per Sq Ft
Rental Income												
Gross Potential	\$ 175,000	12,500.00	13.54	\$ 180,000	12,857.14	13.93	\$ 106,000	7,571.43	8.20	\$ 181,714	12,979.59	14.06
Effective Rental Income	<u>\$ 175,000</u>	12,500.00	13.54	<u>\$ 180,000</u>	12,857.14	13.93	<u>\$ 106,000</u>	7,571.43	8.20	<u>\$ 181,714</u>	12,979.59	14.06
Laundry	1,500	107.14	0.12	1,600	114.29	0.12	1,100	78.57	0.09	1,886	134.69	0.15
Gross Operating Income	<u>\$ 176,500</u>	12,607.14	13.66	<u>\$ 181,600</u>	12,971.43	14.06	<u>\$ 107,100</u>	7,650.00	8.29	<u>\$ 183,600</u>	13,114.29	14.21
Operating Expenses												
Accounting	\$ 450	32.14	0.03	\$ 450	32.14	0.03	\$ 350	25.00	0.03	\$ 600	42.86	0.05
Insurance	3,500	250.00	0.27	3,500	250.00	0.27	2,000	142.86	0.15	3,429	244.90	0.27
Landscaping	1,500	107.14	0.12	1,500	107.14	0.12	250	17.86	0.02	429	30.61	0.03
Maintenance	4,000	285.71	0.31	4,000	285.71	0.31	1,500	107.14	0.12	2,571	183.67	0.20
Pest Control	3,500	250.00	0.27	3,500	250.00	0.27	1,575	112.50	0.12	2,700	192.86	0.21
Property Taxes	7,500	535.71	0.58	7,500	535.71	0.58	3,500	250.00	0.27	6,000	428.57	0.46
Electricity	1,200	85.71	0.09	1,200	85.71	0.09	750	53.57	0.06	1,286	91.84	0.10
Total Operating Expenses	<u>\$ 21,650</u>	1,546.43	1.68	<u>\$ 21,650</u>	1,546.43	1.68	<u>\$ 9,925</u>	708.93	0.77	<u>\$ 17,014</u>	1,215.31	1.32
Net Operating Income (NOI)	<u>\$ 154,850</u>	11,060.71	11.99	<u>\$ 159,950</u>	11,425.00	12.38	<u>\$ 97,175</u>	6,941.07	7.52	<u>\$ 166,586</u>	11,898.98	12.89
Less: Annual Debt Service	(102,000)	(7,285.71)	(7.89)	(102,000)	(7,285.71)	(7.89)	(35,000)	(2,500.00)	(2.71)	(60,000)	(4,285.71)	(4.64)
Less: Funded Reserves	\$ (3,500)	(250.00)	(0.27)	\$ (3,500)	(250.00)	(0.27)	\$ (2,000)	(142.86)	(0.15)	(3,429)	(244.90)	(0.27)
Cash Flow Before Taxes	<u>\$ 49,350</u>	3,525.00	3.82	<u>\$ 54,450</u>	3,889.29	4.21	<u>\$ 60,175</u>	4,298.21	4.66	<u>\$ 103,157</u>	7,368.37	7.98
Debt Coverage Rate (DCR)	1.52			1.57			2.78			2.78		

1

Southlake Apartments

1412 Trinton Ave Atlanta GA



Sales Date		December 31, 2009
Sales Price		\$7,000,000
Number of Units		24
Price Per Unit	\$	291,667
Square Footage		12,950
Price Per Sq. Ft.		\$540.54
Building Class		A
Location		NE
Year Built		1985

Unit Type	No. of Units	Sq. Ft. Unit	Rent	Rent Per Sq. Ft.
1 Bed 1 Bath	4	650	\$ 1,150	\$ 1.77
1 Bed 1 Bath	5	850	\$ 1,350	\$ 1.59
1 Bed 1 Bath	10	1,100	\$ 1,500	\$ 1.36
1 Bed 1 Bath	5	1,250	\$ 1,600	\$ 1.28

Notes...

2

Timberland Aprtments

45 Main St Peachtree City GA



Sales Date		June 30, 2009
Sales Price	\$	6,500,000
Number of Units		22
Price Per Unit	\$	295,455
Square Footage		1,420
Price Per Sq. Ft.	\$	4,577.46
Building Class		A
Location		NE
Year Built		1990

Unit Type	No. of Units	Sq. Ft. Unit	Rent	Rent Per Sq. Ft.
1 Bed 1 Bath	5	750	\$ 1,250	\$ 1.67
1 Bed 1 Bath	17	1,500	\$ 1,400	\$.93

Notes...

3

Houston Complex

1212 Houston St Atlanta GA



Sales Date April 18, 2009
 Sales Price \$5,600,000
 Number of Units 32
 Price Per Unit \$ 175,000
 Square Footage 15,650
 Price Per Sq. Ft. \$ 357.83
 Building Class A
 Location SE
 Year Built 1992

Unit Type	No. of Units	Sq. Ft. Unit	Rent	Rent Per Sq. Ft.
1 Bed 1 Bath	18	1,150	\$ 980	\$.85
2 Bed 1 Bath	14	1,350	\$ 1,560	\$ 1.16

Notes...

4

North Ave Pointe

650 North Ave Atlanta GA



Sales Date August 31, 2008
 Sales Price \$ 4,500,000
 Number of Units 28
 Price Per Unit \$ 160,714
 Square Footage 16,550
 Price Per Sq. Ft. \$ 271.90
 Building Class A
 Location SE
 Year Built 1973

Unit Type	No. of Units	Sq. Ft. Unit	Rent	Rent Per Sq. Ft.
1 Bed 1 Bath	10	975	\$ 1,100	\$ 1.13
1 Bed 1 Bath	18	1,250	\$ 1,456	\$ 1.16

Notes...

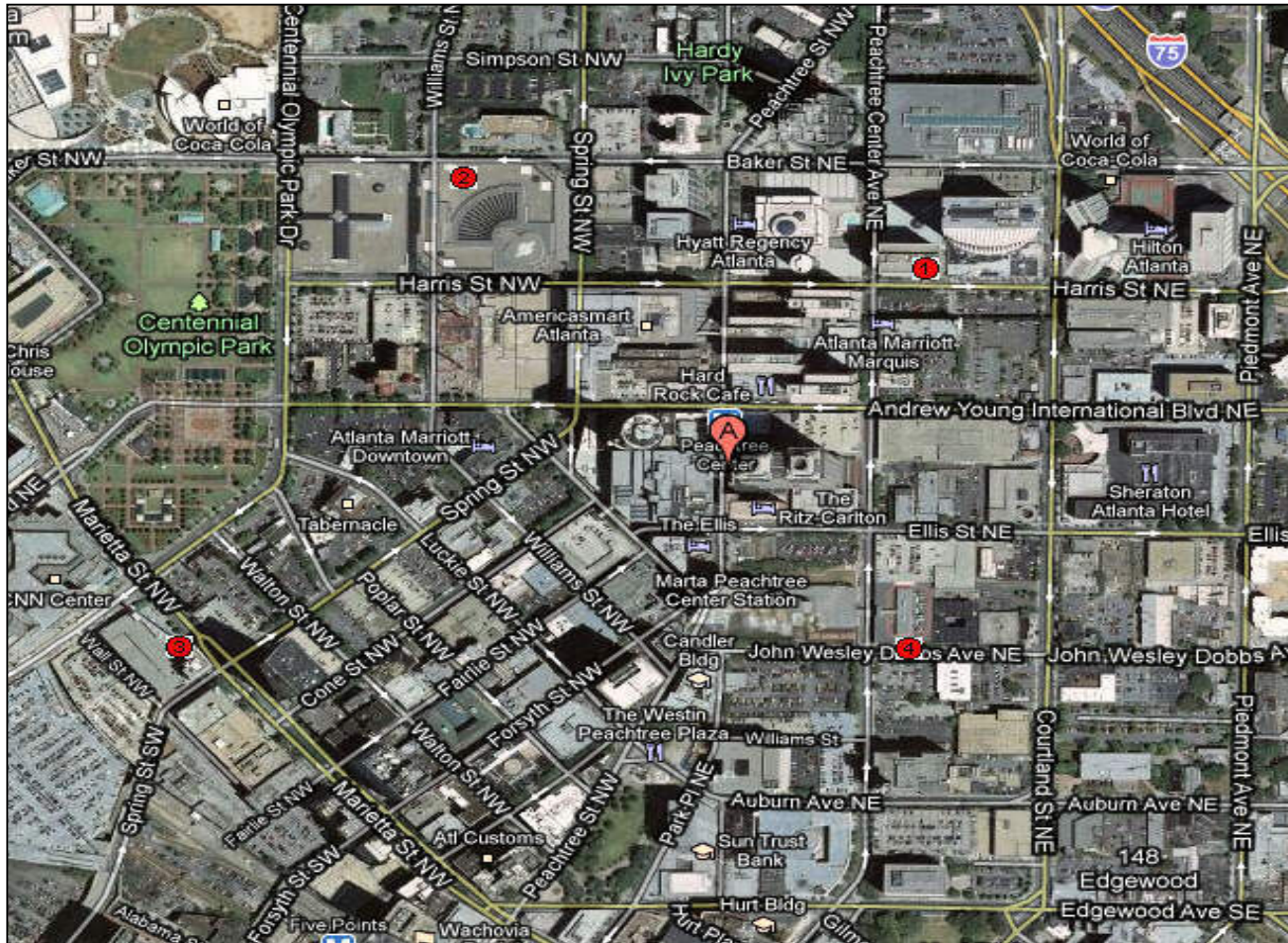
Adrian Apartments II

1212 Main St
Atlanta GA 30304

Sales Comparables Map



Jeffrey Sandford



Subject Propert (A) with Sales Comparables (1), (2), (3), & (4)

Prospective Partner Investment

Adrian Apartments II

1212 Main St
Atlanta GA 30304

Dan Johnson

65.00% Equity Interest
8.00% Preferred Return
\$365,463 Investment



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Annual Cash Flow Projection	Year 1	Year 2	Year 3	Year 4	Year 5
Property's Cash Flow Before Taxes	\$ 39,336	\$ 42,621	\$ 45,974	\$ 49,397	\$ 52,891
Dan Johnson's 8% Preferred Return	(29,237)	(29,237)	(29,237)	(29,237)	(29,237)
Managing Partner's 35% Share	(3,535)	(4,684)	(5,858)	(7,056)	(8,279)
Dan Johnson's 65% of Before Tax Cash Flow	<u>\$ 6,565</u>	<u>\$ 8,700</u>	<u>\$ 10,879</u>	<u>\$ 13,104</u>	<u>\$ 15,375</u>
Dan Johnson's Share with Preferred Return	<u>\$ 35,802</u>	<u>\$ 37,937</u>	<u>\$ 40,116</u>	<u>\$ 42,341</u>	<u>\$ 44,612</u>

Property Resale Proceeds	Year 1	Year 2	Year 3	Year 4	Year 5
Resale Proceeds Before Taxes	\$ 639,295	\$ 710,570	\$ 784,888	\$ 862,421	\$ 943,352
All Partner's Return of Investment Capital	(562,250)	(562,250)	(562,250)	(562,250)	(562,250)
Remaining Funds from Sale to be Distributed	<u>\$ 77,045</u>	<u>\$ 148,320</u>	<u>\$ 222,638</u>	<u>\$ 300,171</u>	<u>\$ 381,102</u>
Managing Partner's 35% Share	(26,966)	(51,912)	(77,923)	(105,060)	(133,386)
Dan Johnson's 65% Share of Resale Proceeds	<u>\$ 50,080</u>	<u>\$ 96,408</u>	<u>\$ 144,715</u>	<u>\$ 195,111</u>	<u>\$ 247,716</u>

Dan Johnson's Equity Interest Summary	Year 1	Year 2	Year 3	Year 4	Year 5
Dan Johnson's 65% of Before Tax Cash Flow	\$ 35,802	\$ 37,937	\$ 40,116	\$ 42,341	\$ 44,612
Previous Year's Cumulative Share of Cash Flow	n/a	35,802	73,738	113,855	156,196
Dan Johnson's 65% Share of Resale Proceeds	<u>50,080</u>	<u>96,408</u>	<u>144,715</u>	<u>195,111</u>	<u>247,716</u>
Dan Johnson's Share of Profit	<u>\$ 85,881</u>	<u>\$ 170,147</u>	<u>\$ 258,569</u>	<u>\$ 351,307</u>	<u>\$ 448,524</u>
Dan Johnson's Return of Investment Capital	365,463	365,463	365,463	365,463	365,463
Dan Johnson's Share of Resale & Liquidation	<u>\$ 451,344</u>	<u>\$ 535,609</u>	<u>\$ 624,032</u>	<u>\$ 716,769</u>	<u>\$ 813,986</u>
Percentage of Available Cash	66.51%	67.58%	68.36%	68.94%	69.36%

Return on Investment

Cash on Cash Return - Before Taxes	9.80%	10.38%	10.98%	11.59%	12.21%
Internal Rate of Return - Before Taxes	23.50%	21.95%	21.08%	20.43%	19.90%
Modified Internal Rate of Return - Before Taxes	23.50%	21.06%	19.52%	18.34%	17.37%

Prospective Partner Investment

Adrian Apartments II

1212 Main St
Atlanta GA 30304

Dan Johnson

**65.00% Equity Interest
8.00% Preferred Return
\$365,463 Investment**



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Managing Partner's Equity Interest Summary	Year 1	Year 2	Year 3	Year 4	Year 5
Managing Partner's 35% of Before Tax Cash Flow	\$ 3,535	\$ 4,684	\$ 5,858	\$ 7,056	\$ 8,279
Previous Year's Cumulative Share of Cash Flow	n/a	3,535	8,219	14,077	21,133
Managing Partner's 35% Share of Resale Proceeds	26,966	51,912	77,923	105,060	133,386
Managing Partner's Share of Profit	<u>\$ 30,501</u>	<u>\$ 60,131</u>	<u>\$ 92,001</u>	<u>\$ 126,193</u>	<u>\$ 162,798</u>
Managing Partner's Return of Investment Capital	196,788	196,788	196,788	196,788	196,788
Managing Partner's Share of Total Cash	<u>\$ 227,289</u>	<u>\$ 256,919</u>	<u>\$ 288,789</u>	<u>\$ 322,981</u>	<u>\$ 359,586</u>
Percentage of Available Cash	33.49%	32.42%	31.64%	31.06%	30.64%

Manager's Return on Investment

Cash-on Cash Return - Before Taxes	1.80%	2.38%	2.98%	3.59%	4.21%
Internal Rate of Return (IRR) - Before Taxes	15.50%	14.37%	0.00%	13.52%	13.25%
Modified Internal Rate of Return (MIRR) - Before Taxes	15.50%	14.26%	13.64%	13.19%	12.81%

Sources and Uses Statement



Jeffrey Sandford

Description	Minimum Amount	Percent	Maximum Amount	Percent
Gross Offering Proceeds	\$ 650,000 ^{2,3}	100.0%	\$ 750,000	100.0%
Organization Expenses	(26,000)	-4.0%	(26,000)	-3.5%
Acquisition Fee	- ¹	0.0%	(100,000) ¹	-13.3%
Proceeds Available for Investment	<u>\$ 624,000</u>	<u>96.0%</u>	<u>\$ 624,000</u>	<u>83.2%</u>
Downpayment for Investment Property	\$ 550,000	84.6%	\$ 550,000	73.3%
Loan Fees	12,250	1.9%	12,250	1.6%
Deposits and Escrows	20,000	3.1%	20,000	2.7%
Working Capital / Reserves	41,750	6.4%	41,750	5.6%
Proceeds to be Invested	<u>\$ 624,000</u>	<u>96.0%</u>	<u>\$ 624,000</u>	<u>83.2%</u>
Total Application of Proceeds	<u>\$ 650,000</u>	<u>100.0%</u>	<u>\$ 750,000</u>	<u>100.0%</u>

1) The Acquisition Fee will be \$100,000. The Managing Member may defer distribution of the Acquisition Fee until sufficient Distributable cash is available, at the Managing Member's sole discretion. Any arrearage of the Acquisition Fee due to Managing Member shall be paid prior to making Cash Distributions from any refinance or sale of the Property.

2) If only the Minimum Dollar amount is raised, the Managing Member may be required to obtain additional funding or provide an advance to achieve a minimum level of Working Capital/Reserves.

3) If only the Minimum Dollar Amount is raised, the Managing Member may be required to obtain additional funding or provide an advance to achieve the total Acquisition Costs/Loan Fees, currently estimated at \$38,250 which includes Organizational Costs of \$26,000 and Loan Fees of \$12,250.

Notes and Discussion



Adrian Apartments II

1212 Main St

Atlanta GA 30304

Excellent Location

Atlanta is the capital and most populous city in the U.S. state of Georgia. As of 2008, Atlanta is the thirty-third largest city in the United States, with an estimated population of 537,958. Its metropolitan area, officially named the Atlanta-Sandy Springs-Marietta, GA MSA (commonly referred to as Metropolitan Atlanta) is the ninth largest metropolitan area in the country, inhabited by approximately 5.5 million people. Like most areas in the Sun Belt, the Atlanta region has seen explosive growth in the past decade, adding more than 1.13 million residents between 2000 and 2008. It is the fastest growing area of the United States behind the Dallas-Fort Worth Metroplex.

Considered a top business city and transportation hub, Atlanta is the world headquarters of The Coca-Cola Company, Georgia-Pacific, AT&T Mobility, CNN and Delta Air Lines. Atlanta has the country's fourth largest concentration of Fortune 500 companies inside city limits (although UPS, Home Depot, and Newell Rubbermaid are not in the city limits) and more than 75 percent of the Fortune 1000 companies have a presence in the metro area. Also the Atlanta metro area has the 11th largest concentration of Fortune 500 companies headquarters. Hartsfield-Jackson Atlanta International Airport, which is located seven miles south of downtown Atlanta, is the world's busiest airport and the only major airport to serve the city.

Atlanta is the county seat of Fulton County and the fifth location for the seat of government of the state of Georgia. A small portion of the city of Atlanta corporate limits extends into DeKalb County. Residents of the city are known as Atlantans.

Demographics

As of the 2008 American Community Survey, the city of Atlanta had a population of 537,958, an increase of 28% from the 2000 Census. According to the 2008-2010 American Community Survey, Blacks or African Americans made up 56.4% of Atlanta's population. White Americans made up 36.5% of Atlanta's population. American Indians made up 0.6% of the city's population. Asian Americans made up 2.2% of the city's population. Pacific Islander Americans made up less than 0.1% of the city's population. Individuals from two or more races made up 1.0% of the city's population. In addition, Hispanics and Latinos of any race made up 4.9% of Atlanta's population.

The city of Atlanta is seeing a unique and drastic demographic increase in its white population, and at a pace that outstrips the rest of the nation. The proportion of whites in the city's population, according to Brookings Institution, grew faster between 2000 and 2006 than that of any other U.S. city. It increased from 31% in 2000 to 35% in 2006, a numeric gain of 26,000, more than double the increase between 1990 and 2000. Only Washington, D.C. saw a comparable increase in white population share during those years. However, both Atlanta and Washington, D.C. are still majority African-American, with blacks constituting 55.8% and 54.4%, respectively.

Atlanta is also home to the fastest growing millionaire population in the United States. The number of households in Atlanta with \$1 million or more in investable assets, not including primary residence and consumable goods, will increase 69% through 2011, to approximately 103,000 households.

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About Us



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Sandford Realty Group's mission has been to work with those owners of investment real estate who have pride in their property and intend to operate them for long term profit by ensuring stability and growth for the future for over 20 years. By working closely with each client to develop a management plan that meets their objectives, Sandford Realty Group ensures and preserves maximum value and income. The central points of our strategy are:

- ✓ Providing a clean, well-maintained property for lease or for sale.
- ✓ Marketing the highest price for the rental or sale product based on current market conditions.
- ✓ Attracting the best qualified purchase or rental prospects for the property.
- ✓ Developing long-term tenancies for rental properties, to minimize turnover and minimize vacancy expense.

Our experience and attention to detail make us the perfect choice for the owners of income producing real estate and those who rent or purchase from them.

Sandford Realty Group, headquartered in Atlanta, GA, is a full service real estate firm specializing in commercial and apartment brokerage services, corporate real estate consultation, construction, development management, and property and facilities management.

Sandford Realty Group manages more than 14 million square feet of commercial and apartment facilities and had an annual transaction volume of approximately \$50 million in 2009. The firm has more than 110 employees in 5 regional offices throughout the southeastern United States.

Terms & Definitions

Net Operating Income (NOI) is a property's gross rental income reduced by all expenses except for loan payments, income taxes, mortgage insurance premium (MIP) payments and sometimes funded reserves.

Debt Coverage Ratio (DCR) is a property's net operating income divided by the amount of debt payments. Lenders use this calculation to determine the remaining operating cash flow after the debt payments.

Loan-to-Value Ratio (LTV) is the outstanding debt divided by the value of the property. This ratio is used to determine the amount of leverage and property equity. The debt balance can be the beginning or end-of-year balance. The property value used can be the contract price or the fair market value at the end of the year.

Capitalization Rate (Cap Rate) is the net operating income (NOI) divided by either the property's contract purchase price or its fair market value.

Cash-on-Cash Return is the net cash flow divided it by the initial investment (down payment). The calculation does not take into account the time value of money or change in the property's equity.

Cash-on-Cash Return with Equity Build-up modifies the cash-on-cash return calculation by adding the property's net change in equity for that year to the numerator and adding all previously generated equity to the denominator of the cash-on-cash return ratio. The calculation calculates the return on the property equity, i.e. the return on the cash that is "tied up" in the property.

Net Present Value (NPV) converts future dollars into present-day dollars by discounting (reducing) the future cash flow of a property by a given rate or percentage. The initial investment (down payment) is subtracted from the discounted dollars to derive the NPV. A positive NPV means that the property will generate a higher return than the given rate or percentage used to calculate the NPV amount.

Gross Rent Multiplier (GRM) is a property's fair market value divided by its gross rental income.

Mortgage Insurance Premium (MIP) Payments are insurance premiums charged by a lender to protect that lender against loss from a mortgagor's default. The rates are charged on the balance of the loan and may be paid annually, monthly, or in some combination of the two (split premiums).

Internal Rate-of-Return (IRR) is the most widely used method of valuing a property's annual cash flow stream. Since a property's cash flow is earned in the future, those future dollars must be converted to present-day dollars. The IRR calculation discounts (reduces) the property's future cash flow at a rate (i.e. percentage) so that the sum of all cash flow for a specified time period is equal to the initial investment. The rate or percentage needed to do that is the IRR. In other words, IRR is the discount rate at which Net Present Value (NPV) is zero.

Modified Internal Rate-of-Return (MIRR) modifies the IRR to avoid the drawbacks of the traditional IRR. The IRR implicitly assumes that all cash flow is either reinvested or discounted at the computed IRR rate. In reality, a property's cash flow probably will not be reinvested at the computed IRR rate, but rather earn zero or a small amount of interest. The MIRR eliminates the reinvestment assumption by utilizing user stipulated reinvestment and borrowing rates.

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