

**Adrian Apartments II**1212 Main St  
Atlanta GA 30303**Income Tax Analysis  
- Self-Directed Account**Douglas Rutherford  
404-702-4428

<b>Tax Analysis - Operations</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Net Operating Income (NOI) from Report</b>	\$ 286,975	\$ 289,845	\$ 292,743	\$ 295,671	\$ 298,627
Tax Depreciation	(81,023)	(84,545)	(84,545)	(84,545)	(84,545)
Interest Expense - Mortgage #1	(133,681)	(144,296)	(142,584)	(140,752)	(138,792)
<b>Operating Taxable Income (Loss)</b>	<u>\$ 72,271</u>	<u>\$ 61,003</u>	<u>\$ 65,614</u>	<u>\$ 70,374</u>	<u>\$ 75,290</u>
Unrelated Debt-Financed Income (UDIF) %	70.55%	71.71%	72.92%	74.14%	75.36%
Unrelated Debt-Financed Income (UDIF)	50,987	43,743	47,845	52,174	56,742
Net Operating Loss Deduction - (NOL)					
UBIT Deduction	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
<b>Unrelated Business Taxable Income (UBIT)</b>	<u>\$ 49,987</u>	<u>\$ 42,743</u>	<u>\$ 46,845</u>	<u>\$ 51,174</u>	<u>\$ 55,742</u>
<b>UBIT Expense</b>	<u>\$ (19,038)</u>	<u>\$ (16,141)</u>	<u>\$ (17,781)</u>	<u>\$ (19,513)</u>	<u>\$ (21,340)</u>

<b>Tax Analysis - Property Sale</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Adjusted Projected Sales Price</b>	\$ 3,443,700	\$ 3,478,137	\$ 3,512,918	\$ 3,548,048	\$ 3,583,528
Original Cost of Property	(3,100,000)	(3,100,000)	(3,100,000)	(3,100,000)	(3,100,000)
Loan Origination Points Paid					
Gain (Loss) on Property	<u>343,700</u>	<u>378,137</u>	<u>412,918</u>	<u>448,048</u>	<u>483,528</u>
Accumulated Depreciation/Amortization	81,023	165,568	250,114	334,659	419,205
<b>Taxable Gain (Loss) on Property Sale</b>	<u>\$ 424,723</u>	<u>\$ 543,705</u>	<u>\$ 663,032</u>	<u>\$ 782,707</u>	<u>\$ 902,733</u>
Unrelated Debt-Financed Income (UDIF) %	70.93%	72.12%	73.38%	74.64%	75.92%
Unrelated Debt-Financed Income (UDIF)	301,243	392,134	486,503	584,233	685,362
Net Operating Loss Deduction - (NOL)					
UBIT Deduction					
<b>Unrelated Business Taxable Income (UBIT)</b>	<u>\$ 301,243</u>	<u>\$ 392,134</u>	<u>\$ 486,503</u>	<u>\$ 584,233</u>	<u>\$ 685,362</u>
Capital Gain & State Rate on Sale	20.00%	20.00%	20.00%	20.00%	20.00%
UBIT Tax	(60,249)	(78,427)	(97,301)	(116,847)	(137,072)
Unrecaptured Section 1250 Tax (if any)	(5,747)	(11,941)	(18,352)	(24,980)	(31,826)
<b>UBIT Expense from Sale</b>	<u>\$ (65,995)</u>	<u>\$ (90,368)</u>	<u>\$ (115,653)</u>	<u>\$ (141,826)</u>	<u>\$ (168,899)</u>

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<b>Tax Analysis - Operations</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>Net Operating Income (NOI) from Report</b>	\$ 301,614	\$ 304,630	\$ 307,676	\$ 310,753	\$ 313,860
Tax Depreciation	(84,545)	(84,545)	(84,545)	(84,545)	(84,545)
Interest Expense - Mortgage #1	(136,696)	(134,454)	(132,056)	(129,491)	(126,747)
<b>Operating Taxable Income (Loss)</b>	<u>\$ 80,372</u>	<u>\$ 85,630</u>	<u>\$ 91,075</u>	<u>\$ 96,716</u>	<u>\$ 102,568</u>
Unrelated Debt-Financed Income (UDIF) %	76.59%	77.82%	79.03%	80.22%	81.39%
Unrelated Debt-Financed Income (UDIF)	61,559	66,634	71,975	77,589	83,479
Net Operating Loss Deduction - (NOL)					
UBIT Deduction	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
<b>Unrelated Business Taxable Income (UBIT)</b>	<u>\$ 60,559</u>	<u>\$ 65,634</u>	<u>\$ 70,975</u>	<u>\$ 76,589</u>	<u>\$ 82,479</u>
<b>UBIT Expense</b>	<u>\$ (23,267)</u>	<u>\$ (25,297)</u>	<u>\$ (27,434)</u>	<u>\$ (29,679)</u>	<u>\$ (32,035)</u>

<b>Tax Analysis - Property Sale</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>Adjusted Projected Sales Price</b>	\$ 3,619,363	\$ 3,655,557	\$ 3,692,113	\$ 3,729,034	\$ 3,766,324
Original Cost of Property	(3,100,000)	(3,100,000)	(3,100,000)	(3,100,000)	(3,100,000)
Loan Origination Points Paid					
Gain (Loss) on Property	<u>519,363</u>	<u>555,557</u>	<u>592,113</u>	<u>629,034</u>	<u>666,324</u>
Accumulated Depreciation/Amortization	503,750	588,295	672,841	757,386	841,932
<b>Taxable Gain (Loss) on Property Sale</b>	<u>\$ 1,023,113</u>	<u>\$ 1,143,852</u>	<u>\$ 1,264,953</u>	<u>\$ 1,386,420</u>	<u>\$ 1,508,256</u>
Unrelated Debt-Financed Income (UDIF) %	77.21%	78.49%	79.78%	81.05%	82.31%
Unrelated Debt-Financed Income (UDIF)	789,907	897,857	1,009,167	1,123,747	1,241,449
Net Operating Loss Deduction - (NOL)					
UBIT Deduction					
<b>Unrelated Business Taxable Income (UBIT)</b>	<u>\$ 789,907</u>	<u>\$ 897,857</u>	<u>\$ 1,009,167</u>	<u>\$ 1,123,747</u>	<u>\$ 1,241,449</u>
Capital Gain & State Rate on Sale	20.00%	20.00%	20.00%	20.00%	20.00%
UBIT Tax	(157,981)	(179,571)	(201,833)	(224,749)	(248,290)
Unrecaptured Section 1250 Tax (if any)	(38,893)	(46,178)	(53,679)	(61,389)	(69,300)
<b>UBIT Expense from Sale</b>	<u>\$ (196,874)</u>	<u>\$ (225,749)</u>	<u>\$ (255,512)</u>	<u>\$ (286,138)</u>	<u>\$ (317,589)</u>