

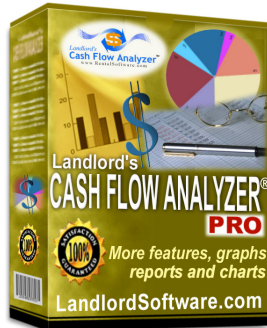


Cash Flow Analyzer

Landlord's & Flipper's Cash Flow Analyzer Pro ®

Know if you should buy, sell,
or just keep looking. ®

User's Guide



RentalSoftware.com

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SYSTEM REQUIREMENTS

Our software requires Microsoft Excel; therefore, you must have Microsoft Excel 2003, 2007 or 2010.

Microsoft Excel for Mac 2004 or 2011 is required if you have a Macintosh computer. Excel for Mac 2008 does not support macros and will not allow our software to function properly.

INSTALLATION

Insert the Cash Flow Analyzer Pro ® CD into your CD drive. If Windows does not automatically begin the installation procedure, click on "**Start**," click on "**Run**," and then type the name of your CD drive (e.g. C:\) and type "**install**." Press "**Enter**" to begin installation.

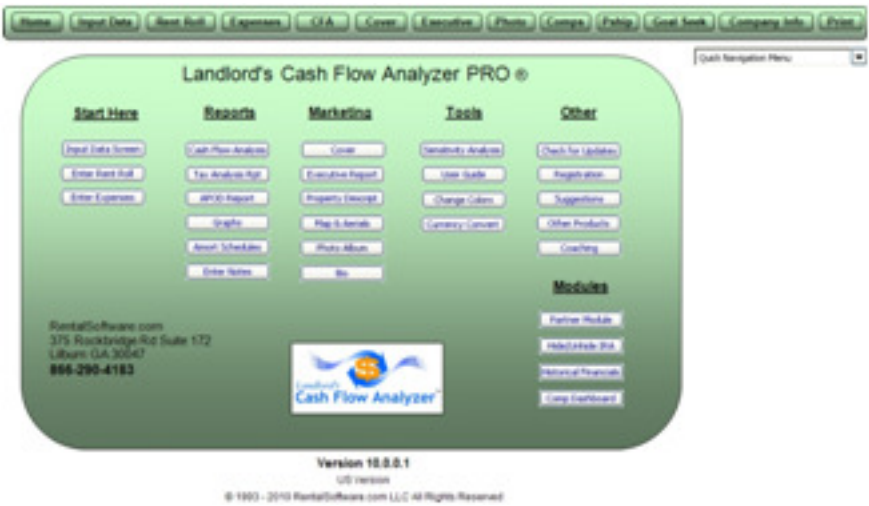
After installation, a Cash Flow Analyzer Pro ® icon will be placed on your desktop.

LANDLORD'S CASH FLOW ANALYZER PRO®

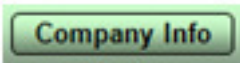
Long-Term Analysis

NAVIGATING THE PROGRAM

Once the program is opened, the main navigational screen will appear. This screen contains navigational buttons which help you move throughout the program. Using your mouse, click on the button to move to the screen of your choice.



INSERTING PROPERTY & COMPANY INFORMATION



You have the option to enter your company's name, address, phone number and the property's name and address using a convenient menu. To enter your information, click the "Logo/Prop Info" button located on any screen and the

“Enter Company & Property Info” menu will open. The entered information is used to populate the various reports to create a professional image. You also have the option of inserting a company picture logo.

Enter Company & Property Info

Your COMPANY Information:

Your Name: Jeffrey Sandford

Your Company Name: Sandford Realty Group

Company Address 1: Suite 1700

Company Address 2: 190 Peachtree St NW

City, State, Zip: Atlanta GA 30303

Phone with Area Code: 404-555-1212

Email Address: JS@SandfordRealtyGroup.com

PROPERTY Information:

Property Name: Adrian Apartments II

Property Street Address: 1212 Main St

City, State, Zip: Atlanta GA 30304

SAVE Info to TEMPLATE Insert Company LOGO

Change Report COLORS Delete Company LOGO DONE

Your company information and logo can be saved to the main template so that the company information and logo do not have to be re-entered.

Update Template

Do you wish to place this company info in the Template?

Yes No

INPUT DATA SCREEN

To begin entering the information for an analysis, click the “**Input Data Screen**” button on the main navigation screen. The Input Data Screen is divided into five sections:

- I. Rental Income & Expenses,**
- II. Property Costs & Characteristics,**
- III. Resale Valuation Method,**
- IV. Financing, and**
- V. Income Taxes.**

Input Data Screen

Adrian Apartments II
1212 Main St
Atlanta GA 30304

1 Year Analysis (Print Only)

I. Rental Income & Expenses

Rental Income / Rent Roll
Operating Expenses

II. Property Costs & Characteristics

Select Property Type from Drop-Down Menu:

Purchase Price of Property: Contract Purchase Price \$ 1,775,000
Initial Improvements 21,000
Closing Costs
Personal Property (25 % of AC)
Land Improvements (25 % of AC)
Land Improvements (25 % of AC)
% of Cost Allocated to Land 20.00% \$ 1,775,000

IMPROVEMENTS: Capitalize or Specific Method
 Use Reserve Method Use Specific Method

Reserve Amount	Annual Increase	Expense Profile
\$ 5,000	1.00%	50.00%

Specific Method for Improvements

Description	Amount	Select Year	Increase FMV?
<input type="text"/>	\$ <input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	\$ <input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	\$ <input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	\$ <input type="text"/>	<input type="text"/>	<input type="text"/>
Total	\$ <input type="text"/>		

III. Resale Valuation Method

Choose Resale Method

Enter FMV and Use One Appreciation Rate for All Years
 Enter FMV and Enter Different Annual Appreciation Rates
 Use Cap Rate Based on Current Year's NOI
 Use Cap Rate Based on Following Year's NOI

EDV One Valuation Using Cap Rate \$ 1,901,375
Enter a Cap Rate 8.00%
Future Selling Expense (% of Selling Price) 6.00%

IV. Financing

	Mortgage #1	Mortgage #2	Mortgage #3
Down Payment Percentage	30.0%		
Amount Borrowed or Assumed	\$ 1,225,000		
Interest Rate	6.750%	<input type="text" value="Enter Loan Rate"/>	<input type="text" value="Enter Loan Rate"/>
Term / Remaining Term of Loan (in Months)	360	360	360
Interest Calculation Type	Simple Interest	Simple Interest	Simple Interest
Start Month	Month 1	Month 1	Month 1
Start Year	Year 1	Year 1	Year 1
Refinance Mortgage #1 or #2?	No - New Loan	No - New Loan	
Additional Monthly Payment			
Monthly Mortgage Payment - (Formula)	\$ 9,214	\$	\$
Finance Points? <input checked="" type="radio"/> Yes <input type="radio"/> No	Loan Origination Points 1,000		
Loan Origination Points (in Dollars)	\$ 12,250	\$	\$
Amortization Type	12 Months Per Year		
Initial Investment or Down Payment (Cost less Debt - Automatically Calculated)			\$62,250
MP Payments? <input type="radio"/> Yes <input checked="" type="radio"/> No	Down Payment as a % of Cost 31.46%		
	Down Payment as a % of FMV 34.61%		

V. Income Taxes

Federal Marginal Income Tax Rate
Federal Long-Term Capital Gains Rate
State Marginal Income Tax Rate
Are Your Losses Limited by the Passive Loss Rules?
Like-Kind Exchange on Disposition?
Property Held in Roth/IRA/529 Account?



I. Rental Income & Expenses

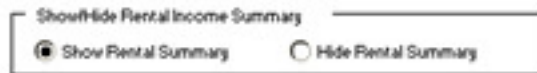
A. Rental Income / Rent Roll

On the "Input Data Screen," use your mouse to click the "Enter Rent Roll" button to enter your rental income information.



Once you have clicked the navigational button, the "Rental Income/Rent Roll" screen will appear. At the top right of the rental input screen is a summary of rental income that updates as you enter lease information.

You may select to show or hide the rental income summary using the following menu; however, we recommend that you keep the summary shown so that you may monitor the output as you enter your information.



Rental Income Summary

Summary	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Potential Rental Income	84,800	86,436	88,286	90,351	92,630	95,134	97,865	100,827	104,020	107,451
Vacancy	(3,240)	(3,420)	(3,610)	(3,810)	(4,020)	(4,240)	(4,470)	(4,710)	(4,960)	(5,220)
Effective Rental Income	81,560	83,016	84,676	86,541	88,610	90,894	93,395	96,117	99,060	102,231

Summary	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
Potential Rental Income	225,270	229,776	234,371	239,058	243,840	248,716	253,686	258,750	263,909	269,163
Vacancy	(8,264)	(8,489)	(8,726)	(8,975)	(9,236)	(9,508)	(9,791)	(10,086)	(10,393)	(10,713)
Effective Rental Income	217,007	221,287	225,645	230,083	234,604	239,208	243,895	248,664	253,516	258,450

You may select one of three analysis methods:

1. "Quick & Dirty Method"
2. "Advanced Detailed Method" or
3. "Annual Input Method."



1. Quick & Dirty Method

Quick & Dirty Input Method

Monthly Lease Amount	\$ 1,000
Annual Lease Amount	\$ 12,000
Annual Lease Increase	
Annual Vacancy Rate	10.00%

The Quick & Dirty Method is used for quick and simple analysis. Simply enter the monthly lease amount, annual increase and vacancy rate.

2. Advanced & Detailed Method

The Detailed Method allows you to enter rental income (up to 500 units), the vacancy rate, other income such as CAM, parking or late fees, and other one-time rental income items.

Square Foot or Dollar Basis
 Square Foot Basis Dollar Basis

Enter on Annual Sq Ft Basis

Enter Annual Increase as %

Number of Units up to 500

Revenue Increase

Vacancy Rate

Use Detailed Growth Rate Input
 Use Rate for ALL Years Enter Varying Rate Per Year

Enter Lease Description	No. of Units	Sq. Ft Unit	Monthly Rent
1 Bed, 1 Bath	3	650	900
2 Bed, 1 Bath	5	850	1,100
2 Bed, 2 Bath	6	1,120	1,200
14		12,920	
Potential Rental Income			\$ 184,800

Annual Lease Rate				
Y2	Y3	Y4	Y5	Y6
2.00%	2.00%	2.00%	2.00%	2.00%
2.00%	2.00%	2.00%	2.00%	2.00%
2.00%	2.00%	2.00%	2.00%	2.00%

- a. **Monthly Rent:** You may choose to enter the monthly lease on a “dollar basis,” or you may choose to enter on a “square foot basis.” There is also an option to enter the square footage on an annual or monthly basis.

Square Foot or Dollar Basis

Square Foot Basis Dollar Basis

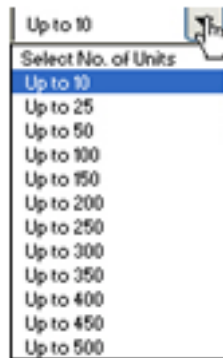
Enter Lease Description	No. of Units	Sq. Ft Unit	Monthly Rent
1 Bed, 1 Bath	3	650	900
2 Bed, 1 Bath	5	850	1,100
2 Bed, 2 Bath	6	1,120	1,200

Dollar Basis

Enter Lease Description	No. of Units	Sq. Ft Unit	Per Sq Ft Rate	Monthly Rent
1 Bed, 1 Bath	3	650	2.0000	325
2 Bed, 1 Bath	5	850	2.1000	744
2 Bed, 2 Bath	6	1,120	3.2500	1,820

Square Footage Basis

- b. **Number of Units:** Select the number of units by choosing from the drop-down menu. Keep in mind that you may lump like-kind units together to limit the number of required entries. See “No. of Units” in paragraph f below.



- c. **Global Revenue Increase:** Enter a “global” revenue growth rate that may be applied to all leases. Entering the rate will populate the “Annual Lease Rate Increase” section of the screen. Override any or all of these values if you have leases with separate renewal rates and/or periods.

Annual Lease Rate Increase									
Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Enter Annual Increase as %
 Enter Annual Increase as %
 Enter Annual Increase as Cents

Choose to enter the annual increase on a percentage (e.g. 2%) or cents (e.g. 30¢) basis.

- d. **Vacancy Rate:** Enter the vacancy rate. You may choose a “global” vacancy rate or you may choose to enter a separate vacancy rate for each year. The later method can be used for lease-up analyses where revenue is limited in the beginning of an investment period.

Use Rate for ALL Years Enter Vacancy Rate Per Year

Since vacancy is generally unpredictable, you should use an average vacancy rate. Vacancy rates will vary based on location, property type, market conditions, and how well a property is managed.

If you are buying an existing rental property, you may wish to obtain from the seller the vacancy rate that the property experienced. If your property is a new rental, you may want to consult a real estate agent, lender, or rental property appraiser for guidance.

Enter Annual Vacancy Rates

Go to Annual Vacancy Rate Input Page?

Yes No

Vacancy Rate Per Year

Year	Gross Rent	Vacancy Rate	Vacancy Amount	Net Rent
Year 1	\$ 83,400	3.75%	\$ 3,120	\$ 80,273
Year 2	86,736	3.75%	3,253	83,483
Year 3	90,206	3.75%	3,383	86,823
Year 4	93,814	3.75%	3,518	90,296
Year 5	97,566	3.75%	3,659	93,907
Year 6	101,469	3.75%	3,805	97,664
Year 7	105,528	3.75%	3,957	101,570
Year 8	109,749	3.75%	4,115	105,633
Year 9	114,139	3.75%	4,280	109,859
Year 10	118,704	3.75%	4,451	114,253
Year 11	123,452	3.75%	4,629	118,823
Year 12	128,390	3.75%	4,815	123,575
Year 13	133,526	3.75%	5,007	128,519
Year 14	138,867	3.75%	5,209	133,658
Year 15	144,422	3.75%	5,416	139,006
Year 16	150,199	3.75%	5,632	144,566
Year 17	156,207	3.75%	5,858	150,349
Year 18	162,456	3.75%	6,092	156,363
Year 19	168,953	3.75%	6,336	162,617
Year 20	175,711	3.75%	6,589	169,122

- e. **Lease Description:** Enter a lessee's name or description of the lease, e.g. Johnson Lease, Unit 1.
- f. **No. of Units.** The default unit entry should be 1. If you have more than one unit with the same description, lease amount, and square footage, you have the option to enter the more than one unit. The program will multiply the monthly amount and square footage by the number of units entered.
- g. **Lease-Date Method.** You can enter leases based on a date and renewal period. Due to program size parameters, if you would like this option, please email us for a free upgrade at info@rentalsoftware.com. Please include your complete name and address for the verification process.

Analysis Start Date				Jul-10		
Enter Lease Description	No. of Units	Sq. Ft Unit	Monthly Rent	Start Period	Lease Term	Lease Rate
1 Bed, 1 Bath	3	650	900	Jul-10	12	1.0%
2 Bed, 1 Bath	5	850	1,100	Sep-08	12	2.0%
2 Bed, 2 Bath	6	1,120	1,200	Apr-09	12	3.0%

- h. **Other Income:** "Other Income" accounts for additional income generated by the property such as late fees, parking, or laundry. Select the growth rate for each income item. "Other Income" is listed separately on the cash flow report.

Other Monthly Income		Monthly Amount	
Laundry		100	
Parking		50	
Other Monthly Income		\$	150

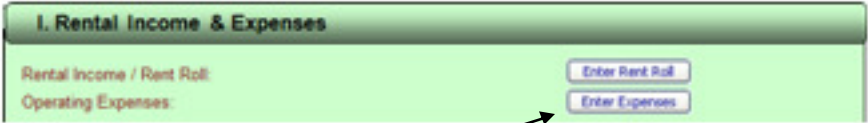
- i. **One-Time Income Items:** “One-Time Income Additions” accounts for other income that the property may generate on a one-time bases such a lease option income. Enter the amount and select the year that the one-time income will be received. The cash flow report will be adjusted accordingly.

One-Time Income Items	
\$	Year1
\$	Year1
\$	Year1
\$	Year1
\$	Year1
\$	Year1
	Year1
	Year2
	Year3
	Year4
	Year5

3. Annual Method

The Annual Method is used to enter specific amounts per year when you do not want to enter the detail required in the Advanced & Detail Method, or the Quick & Dirty Method is too simplified. This method is also used to evaluate existing properties since the property’s previous collected revenue is generally known.

B. Operating Expenses



Click on the "Enter Expenses" button on the Input Data Screen to enter the rental property expenses. At this screen, you should select an analysis method. The two options are:



1. Gross Input Method

The "Gross Input" is used to enter specific amounts per year when you do not want to enter the detail required in the "Detailed Input." This method is also used to evaluate existing properties since the property's previously incurred expenses are generally known.

Annual Expense Input Screen

	Gross Input	Optional Growth Rate	% of Revenue
	PB Down		
Year 1	100,000	1.00%	54.11%
Year 2	101,000	1.00%	53.58%
Year 3	102,010	1.00%	53.06%
Year 4	103,030	1.00%	52.54%
Year 5	104,060	1.00%	52.02%
Year 6	105,101	1.00%	51.51%
Year 7	106,152	1.00%	51.01%
Year 8	107,214	1.00%	50.51%
Year 9	108,286	1.00%	50.01%
Year 10	109,369	1.00%	49.52%
Year 11	110,462	1.00%	49.04%
Year 12	111,567	1.00%	48.55%
Year 13	112,683	1.00%	48.08%
Year 14	113,809	1.00%	47.61%
Year 15	114,947	1.00%	47.14%
Year 16	116,097	1.00%	46.68%
Year 17	117,258	1.00%	46.22%
Year 18	118,430	1.00%	45.77%
Year 19	119,615	1.00%	45.32%
Year 20	120,811	1.00%	44.87%

2. Detailed Input Method

Annual Expense Input Screen

Expense Description	Annual Amount	Global Increase	% of Expenses	% of Revenue	Per Unit
		1.0%		%Effective	14
Accounting		1.0%			
Advertising	500	1.0%	2.4%	164.2%	35.71
Association Fees		1.0%			
Auto & Travel		1.0%			
Cleaning		1.0%			
Commissions		1.0%			
Insurance	4,250	1.0%	26.8%	885.4%	363.57
Landscaping	750	1.0%	3.5%	156.3%	53.57
Legal		1.0%			
Maintenance	3,500	1.0%	16.5%	729.2%	258.00
Management Fee	-				
On-Site Management		1.0%			
Payroll		1.0%			
Pest Control	3,500	1.0%	16.5%	729.2%	258.00
Professional Fees		1.0%			
Repairs		1.0%			
Supplies		1.0%			
Taxes:					
Property Taxes	7,500	1.0%	35.3%	1562.5%	535.71
Personal Property		1.0%			
Payroll		1.0%			
Other		1.0%			
Trash Removal		1.0%			
Utilities:					
Gas		1.0%			
Electricity	1,250	1.0%	5.9%	266.4%	89.29
Telephone		1.0%			
Water		1.0%			
Other Utilities		1.0%			
Miscellaneous		1.0%			
Miscellaneous		1.0%			
Miscellaneous		1.0%			
Miscellaneous		1.0%			
Miscellaneous		1.0%			
Total Annual Expenses	\$ 21,250		100.0%	4427.1%	1,517.86

- a. **Enter Expense Description:** The descriptions are pre-populated; however, you can edit or change these as needed.

- b. **Annual Amount:** Enter the rental expenses that you expect to incur on an annual basis.
- c. **One-Time Expenses:** Enter any one-time expenses that the property may incur. After you enter a one-time expense, select the year you anticipate the expense will be incurred.

- d. **Global Increase** Enter the average annual percent rate at which you expect your rental expenses to increase. You may override and assign a different amount for each expense item.
- e. **Management Fee (%)**

If a management company will be managing your property, enter their fee as a percentage in the field provided. You may select one of four methods of applying the management fee expense percentage. You can apply the percentage to only gross rental income, net rental income (after vacancy), gross rental income plus other income, or net rental income (after vacancy) plus other expenses.

II. Property Costs & Characteristics

A. Select Property Type.

Use the drop-down menu to select the property type. This selection determines how the property will be depreciated for tax purposes. Residential property is depreciated straight-line over 27.5 years and commercial property is depreciated over 39 years. Land is not depreciable.

The screenshot shows a software window titled "II. Property Costs & Characteristics". On the left, there is a section "Purchase Price of Property:" with several input fields: "Contract Purchase Price", "Initial Improvements", "Closing Costs", and "% of Cost Allocated to Land". The "Closing Costs" field has a dropdown menu with "Personal Property (5 Yr Life)", "Land Improvements (15 Yr Life)", and "Land Improvements (15 Yr Life)" options. On the right, there is a larger dropdown menu for "Property Type" with "Single-Family" selected. Other options in this menu include "Multi-Family", "Apartments", "Condo", "Office Building", "Shopping Center", "Manufactured Homes", "RV Parks", "Warehouse", "Raw Land", "GO ZONE", "Self Storage", "Commercial", "Retail", "Hotel/Motel", and "Hospitality". At the bottom right, a numerical value "1,775,000" is displayed.

B. Purchase Price of Rental Property

1. **Contract Purchase Price:** Enter the cost of the property in this section. This is the amount you have paid or plan to pay for the property. Either enter one amount in the "Contract Purchase Price" line or enter multiple items as indicated. The program will add all of these amounts and treat them as the cost of the property. The purchase price is used to compute your down payment, rate of return, and tax depreciation.
2. **Initial Improvements:** Enter the amount of improvements that you will make immediately to the property. These are amounts needed to repair the property which are not included in the "Contract Purchase Price."
3. **Closing Costs:** Enter the anticipated closing costs to be incurred.
4. **Other Initial Costs:** Enter any additional initial costs that you expect to incur.
5. **Personal Property:** Personal property is non-real estate property that is depreciated over a shorter period than typical real estate. You can enter an amount and choose a 5, 7, or 15-year depreciable life. Some examples of personal property include are carpet, office equipment, computers, and appliances.
6. **% of Cost Allocated to Land:** Enter the percentage of the purchase price that represents the cost for the underlying land. The amount allocated to land is not depreciated for tax purposes. Essentially, the higher the percentage, the less depreciation the program will calculate. Less depreciation means higher annual operating income taxes but lower capital gain taxes upon sale.

For example, if a property is valued at \$125,000, and the land is worth \$20,000 or 16% of the property's value, the tax depreciation is calculated on only \$105,000 (\$125,000 minus \$20,000). Your cost remains \$125,000 for cash flow, return-on-investment calculations, and the sales analysis.

Obviously, the value of land varies by location and property type. If you need help with land values, consult a real estate agent, appraiser, or your local tax assessor's office.

C. Reserves and Future Property Improvements

Understanding how future improvements affect your cash flow and rate of return is critical to your investment-making process.

You can choose the “**Use Reserve Method**” or the “**Use Specific Method.**” The reserve method is generally used when you are not able to specifically identify repair and maintenance items or to provide a reserve for unanticipated expense items. Enter an amount to be reserved (accrued) each year, an annual increase, and the estimated percentage of the reserve that will be expensed for tax purposes.

Capital Reserve or Specific Method			
<input checked="" type="radio"/> Use Reserve Method <input type="radio"/> Use Specific Method			
	Amount	Annual Increase	Expense Portion
Reserve Method	\$ 10,000	2.00%	50.00%

If you have foreseeable improvements or repairs, you may want to choose the “**Use Specific Method.**” Enter a description of the improvement or repair, the cost, the year the improvement or repair is to be made, and select whether the improvement will increase the fair market value of the property. Examples of future property improvements/repairs are heating and air condition units, carpeting, new additions, or roof repairs.

Future Property Improvements	Description	Amount	Select Year Improvement to be Made	Will the improvement increase the property's FMV?
		Roof	\$ 10,000	3
	Carpet	2,500	5	No
		-	2	No
		-	2	No
		-	2	No
		-	2	No
		-	2	No
	Total	\$ 12,500		

The amount entered will be treated as a negative cash flow item in the year selected on the cash flow report under "**Less: Capital Improvements.**" Furthermore, if you have selected that the property's FMV will be increased, the future fair market value of the property will be adjusted accordingly. You have the option of selecting how improvements are reported in the cash flow analysis. Reporting the amounts before or after Net Operating Income (NOI) affects the property's re-sale valuation computation when you use a Capitalization Rate (Cap Rate).



III. Resale Valuation Method

Investing in real estate always involves analyzing the future resale of the property you are purchasing. This requires choosing a valuation methodology that will best reflect the value of the property at resale.

A. Choose Valuation Method

Option 1: Enter the current Fair Market Value (FMV) of the property and assign one appreciation rate to value the property in future years,

Option 2: Enter the FMV and assign different growth rates per year,

Option 3: Use a Capitalization Rate (Cap Rate) that is calculated off of the **current year's** Net Operating Income (NOI), or

Option 4: Use a Cap Rate that is based off of **next year's** NOI.

FMV with Property Appreciation Rate

III. Resale Valuation Method	
Choose Resale Method	
<input checked="" type="radio"/> Enter FMV and Use One Appreciation Rate for All Years	Current Fair Market Value (FMV): \$ 175,000
<input type="radio"/> Enter FMV and Enter Different Annual Appreciation Rates	Enter Property's Appreciation Rate: 2.00%
<input type="radio"/> Use Cap Rate Based on Current Year's NOI	Future Selling Expense (% of Selling Price): 6.00%
<input type="radio"/> Use Cap Rate Based on Following Year's NOI	

Property Appreciation Rate Per Year

Input Data Screen

Year	Annual Rate	Initial FMV
		\$ 550,000
Year 1	1.00%	555,500
Year 2	2.00%	566,610
Year 3	4.00%	589,274
Year 4	4.20%	614,024
Year 5	4.20%	639,813
Year 6	4.20%	666,685
Year 7	4.20%	694,686
Year 8	4.20%	723,863
Year 9	4.20%	754,265
Year 10	4.20%	785,944
Year 11	4.20%	818,954
Year 12	4.20%	853,350
Year 13	4.20%	889,190
Year 14	4.20%	926,536
Year 15	4.20%	965,451
Year 16	4.20%	1,006,000
Year 17	4.20%	1,048,252
Year 18	4.20%	1,092,278
Year 19	4.20%	1,138,154
Year 20	4.20%	1,185,957

Capitalization Rate (Cap Rate)

III. Resale Valuation Method

Choose Resale Method

Enter FMV and Use One Appreciation Rate for All Years
 Enter FMV and Enter Different Annual Appreciation Rates
 Use Cap Rate Based on Current Year's NOI
 Use Cap Rate Based on Following Year's NOI

EOY One Valuation Using Cap Rate \$ 1,951,375
 Enter a Cap Rate 8.00%
 Future Selling Expense (% of Selling Price) 6.00%

B. Future Selling Expenses

Enter the expected selling expenses as a percentage of the selling price. Examples of selling expenses are real estate commissions and seller-paid closing costs associated with the sale.

IV. Financing

The screenshot shows a software interface for financing calculations. It features three columns for Mortgage #1, Mortgage #2, and Mortgage #3. The interface includes various input fields and dropdown menus for loan parameters.

Field	Mortgage #1	Mortgage #2	Mortgage #3
Down Payment Percentage	30.0%		
Amount Borrowed or Assumed	\$ 1,225,000		
Interest Rate	6.750%	Enter Loan Rate	Enter Loan Rate
Term / Remaining Term of Loan (In Months)	240	360	360
Interest Calculation Type	Simple Interest	Simple Interest	Simple Interest
Start Month	Month 1	Month 1	Month 1
Start Year	Year 1	Year 1	Year 1
Refinance Mortgage #1 or #2?		No - New Loan	No - New Loan
Additional Monthly Payment			
Monthly Mortgage Payment: (Formula)	\$ 9,314	\$	\$
Loan Origination Points	1,000	-	-
Loan Origination Points (In Dollars)	\$ 12,250	\$	\$
Amortization Type	12 Months First Year		
MSP Payments?	Yes (selected)		

If you are borrowing money from more than one source, this program feature allows you to enter up to three different loans (new or assumable). **Please note that this is not a loan comparison.**

- A. **Down Payment Percentage (of cost) or Debt Borrowed or Assumed:** Enter the percentage of the cost that you plan to borrow in Mortgage #1, and/or enter the actual amount borrowed for Mortgage #2 and #3.
- B. **Interest Rate:** Enter the interest rate. If you have an adjustable rate mortgage, then use Mortgage #3. Enter the variable interest rate by clicking the '[Click for Adj Rates](#)' link.
- C. **Term or Remaining Term of Loan (Months):** Enter the term or length of the loan.
- D. **Interest Calculation Type:** Simple Interest, Semi-Annual, Half-Monthly, Bi-Weekly, and Interest Only.
- E. **Enter Start Month of the Loan:** For Mortgage #2 and #3, select the start month from the drop-down menu.

- F. **Enter Start Year of the Loan:** For Mortgage #2 and #3, select the start year from the drop-down menu.
- G. **Is this to Refinance Mortgage #1 or #2?** Select "Yes" if you are refinancing or "No" if the loan is new.
- H. **Additional Monthly Principal Payments:** Enter any additional principal payments. The mortgage balances are adjusted accordingly.
- I. **Loan Origination Points:** Enter the loan origination points (if any). This amount is treated as an additional cost and is amortized over the life of the loan. Choose if the points will be financed.

A screenshot of a software interface showing a radio button control. The text "Finance Points?" is at the top. Below it are two radio buttons: "Yes" (which is unselected) and "No" (which is selected).

- J. **Amortization Type: Normal Amortization and 12-Months First Year.** A loan only has 11 payments in the first year of property ownership. If you want your mortgage payments and annual loan payoffs to tie to "normal" amortization tables, select this method. This method will result in Year 1's cash flow only reflecting 11 mortgage payments, and make Year 1's cash flow and ratios skewed when compared to other years. Select "12-Months First Year" to show 12 payments in the first year. The annual mortgage payoff amounts are adjusted accordingly.
- K. **MIP Payments?** Lenders, the Federal Housing Administration (FHA), and similar organizations may require annual mortgage insurance premiums. This is an annual fee paid each year based on that year's beginning loan balance.

A screenshot of a software interface for "MIP Payments?". It features a radio button control with "Yes" selected and "No" unselected. To the right are three yellow input fields containing the values "1.000%", "0.000%", and "0.000%".

- L. **Initial Investment or Down Payment:** The initial investment or down payment is automatically calculated. The program takes the cost of the property and subtracts the debt entered above. The difference is treated as your down payment, and is used to calculate your rate-of-return.
- M. **Negative Amortization:** Negative loans are essentially loans with monthly payments insufficient to cover the interest accrued for that loan. Due to recent market changes, this feature has been hidden. Please contact us if you need this feature.

V. Income Taxes

The screenshot shows a software window titled "V. Income Taxes" with a light green background. It contains several settings, each with a label and a corresponding drop-down menu or radio button:

- Federal Marginal Income Tax Rate: 28%
- Federal Long-Term Capital Gains Rate: 15%
- State Marginal Income Tax Rate: 6%
- Are Your Losses Limited by the Passive Loss Rules?: Yes
- Like-Kind Exchange on Disposition?: No
- Property Held in Roth/IRA/401k Account?: No

- A. Before Tax Presentation?** To simplify your analysis, you may wish to analyze properties before the effect of income taxes. Choosing a **Before-Tax Presentation** will modify the various reports to show only cash flow and rates of return before income taxes.

The dialog box is titled "Before-Tax Presentation?". It contains two radio buttons: "Yes" and "No". The "No" radio button is selected, indicated by a black dot inside the circle.

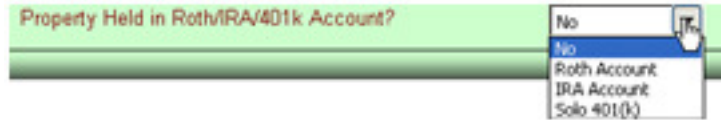
- B. Federal Marginal Income Tax Rate:** From the drop-down menu, select your federal marginal income tax rate.
- C. Federal Long-Term Capital Gains Rate:** From the drop-down menu, select a capital gain income tax rate. We have also included an option to select the "proposed" capital gain rates of 28%, 33% or 35%. Please note that when tax laws change, we update the software.
- D. State marginal Income Tax Rate:** From the drop-down menu, select your state marginal income tax rate.
- E. Are Your Losses Limited by the Passive Loss Rules:** Rental activity by definition is a passive activity. This generally means the operating losses generated from rental activities are not deductible until you have rental income or dispose of the property. However, there are several exceptions to this rule. If you select "Yes" that you are subject to passive loss rules, the program will not calculate a tax benefit for rental activity losses generated. These unused losses are automatically carried forward to the next year to offset any future income that may be generated from the property.

Please consult your tax advisor for a complete explanation of these rules and how they apply to your specific circumstances.

IRA ANALYSIS MODULE

F. Property Held in Roth/IRA/401k Account – (Only applicable in the IRA Module):

You often hear that one can make tons of money using an IRA to invest in real estate. That may or may not be true, but has that person quantified “tons” for you? Our software is the only one on the market that does this type of analysis.



A common misconception is that real estate investments held in retirement accounts are not subject to current income taxation. Real estate can be subject to the **Unrelated Business Income Tax (UBIT)** if debt is used. This module automatically calculates UBIT and allows you to compare cash flow, profit and rates of return so that you can make the right decision when choosing the ownership structure. Three additional reports are created: the IRA comparison report, the IRA tax analysis report, and the comparative graph report.

Rental Activity Analysis		Year 5	
		Personally	Self-Directed
Potential Rental Income		\$ 86,700	\$ 86,700
Other Income		1,294	1,294
Less: Vacancy & Credit Losses	(3,294)	(3,294)	(3,294)
Less: Operating Expenses	(22,113)	(22,113)	(22,113)
Net Operating Income (NOI)		\$ 62,687	\$ 62,687
Less: Annual Debt Service	(26,413)	(26,413)	(26,413)
Less: Funded Reserves	(1,082)	(1,082)	(1,082)
CASH FLOW Before Taxes		\$ 35,192	\$ 35,192
Income Taxes: Benefit / (Expense)	(3,185)	(3,185)	(3,185)
CASH FLOW After Taxes		\$ 32,007	\$ 32,007

Property Resale Analysis			
		Personally	Self-Directed
Projected Sale Price - Original Cost		\$ 791,981	\$ 791,981
Less: Selling Expenses	(37,847)	(37,847)	(37,847)
Adjusted Projected Sales Price		754,134	754,134
Less: Mortgage(s) Balance Paid	(427,138)	(427,138)	(427,138)
SALE PROCEEDS Before Taxes		\$ 326,996	\$ 326,996
Income Taxes From Sale: Benefit / (Expense)	(60,456)	(60,456)	(60,456)
SALE PROCEEDS After Taxes		\$ 266,540	\$ 266,540

Financial Measures			
		Personally	Self-Directed
Net Present Value (NPV)	10.00%	\$3,198	\$6,822
Cash on Cash Return After Taxes		11.63%	12.21%
Internal Rate of Return (IRR) After Taxes		16.30%	17.87%
Modified Internal Rate of Return (MIRR) After Taxes		13.82%	15.29%

Instant Comparison!



2010 US MARGINAL TAX TABLES

Single		Married Filing Jointly and Surviving Spouses	
If taxable income is not over...	Your marginal rate is...	If taxable income is not over...	Your marginal rate is...
\$8,375	10%	\$16,750	10%
34,000	15%	68,000	15%
82,400	25%	137,300	25%
171,850	28%	209,250	28%
373,650	33%	372,950	33%
Over 373,650	35%	Over 373,650	35%

Married Filing Separately		Head of Household	
If taxable income is not over...	Your marginal rate is...	If taxable income is not over...	Your marginal rate is...
\$8,375	10%	\$11,950	10%
34,000	15%	45,550	15%
68,650	25%	117,650	25%
104,625	28%	190,550	28%
186,825	33%	373,650	33%
Over 186,825	35%	Over 373,650	35%

2010 Long-Term Capital Gain Tax Rates:

For taxpayers in the 10% or 15% bracket -- **0%** ;

For taxpayers in higher brackets -- **15%**

Tax on Unrecaptured Sec. 1250 gain -- **25%**

2010 CANADIAN MARGINAL TAX TABLES

If taxable income is not over...	Your combined marginal rate is...	If taxable income is not over...	Your combined marginal rate is...
Alberta		Northwest Territories	
40,970	25.00%	37,106	20.90%
81,941	32.00%	40,970	23.60%
127,021	36.00%	74,214	30.60%
Over 127,021	39.00%	81,941	34.20%
		120,656	38.20%
		127,021	40.05%
		Over 127,021	43.05%
British Columbia		Nova Scotia	
35,589	20.06%	29,590	23.79%
40,970	22.70%	40,970	29.95%
71,719	29.70%	59,180	36.95%
81,941	32.50%	81,368	38.67%
82,342	36.50%	81,941	40.34%
99,987	38.29%	93,000	44.34%
127,021	40.70%	127,021	45.25%
Over 127,021	43.70%	Over 127,021	48.25%
Manitoba		Prince Edward Island	
31,000	25.80%	31,984	24.80%
40,970	27.75%	40,970	28.80%
67,000	34.75%	63,969	35.80%
81,941	39.40%	81,941	38.70%
127,021	43.40%	98,143	42.70%
Over 127,021	46.40%	127,021	44.37%
		Over 127,021	47.37%
Nunavut		Ontario	
39,065	19.00%	37,106	20.05%
40,970	22.00%	40,970	24.15%
78,130	29.00%	65,345	31.15%
81,941	31.00%	74,214	32.98%
127,021	35.00%	76,988	35.39%
Over 127,021	40.50%	81,941	39.41%
		127,021	43.41%
		Over 127,021	46.41%

New Brunswick		Quebec	
36,421	24.30%	38,750	28.53%
40,970	27.50%	40,970	32.53%
72,843	34.50%	77,140	38.37%
81,941	35.30%	81,941	42.37%
118,427	39.30%	127,021	45.71%
127,021	40.30%	Over 127,021	48.22%
Over 127,021	43.30%		
Newfoundland		Saskatchewan	
31,278	22.70%	40,354	26.00%
40,970	27.80%	40,970	28.00%
62,556	34.80%	81,941	35.00%
81,941	37.50%	115,297	39.00%
127,021	41.50%	127,021	41.00%
Over 127,021	44.50%	Over 127,021	44.00%
		Yukon	
		40,970	22.04%
		80,708	31.68%
		81,941	32.16%
		127,021	38.01%
		Over 127,021	42.40%

CAPITALIZATION RATES, GROSS RENT MULTIPLIER, NET PRESENT VALUE AND MODIFIED INTERNAL RATE-OF-RETURN

In the "Financial Ratios" section of the main "Report," you can enter these rates to determine the value of the property based on your input. You can compare these to the cap rate, GRM, and other ratios calculated automatically.

A. Enter Market Capitalization Rate:

Optional. If you are comparing properties based on a capitalization rate (Cap Rate), enter that amount here. The program will compute the fair market value of the property based on the cap rate you have

entered. You can then compare that to the fair market value listed in the sales section and to the cap rate automatically calculated in the cash flow report.

B. Enter Market Annual Gross Rent Multiplier (GRM):

Optional. If you are comparing properties based on a Gross Rent Multiplier (GRM), enter that amount here. The program will compute the fair market value of the property based on the GRM you have entered. You can then compare that to the fair market value listed in the sales section and to the GRM automatically calculated in the 20-year cash flow report.

C. Enter Modified Internal Rate-of-Return (MIRR):

Optional. The MIRR is a modified form of the Internal Rate-of-Return (IRR). Many believe that the MIRR computes a more realistic return than the IRR because the formula computed in the IRR assumes that excess cash is invested at the same rate as what the property is generating. This in all probability will not happen. Excess cash that a property generates (or loses) needs to have its own rate-of return assigned. Thus, you will need to enter a reinvestment rate that you would expect to earn on any excess cash such as a rate on a bank savings account. You will also need to enter a "borrowing rate" to be applied in the years that you have negative cash flow.

The *finance rate* is the annual interest rate paid to borrow money during years the property experiences a negative cash flow.

The *reinvestment rate* is the rate-of-return earned on the excess cash flow that is generated by the property.

D. Net Present Value (NPV):

Optional. Enter the amount by which you want the program to discount the future cash flow of the property. The NPV percentage rate is generally what you would consider an acceptable or required rate-of-return on an investment. If the NPV calculated is negative, then the property's cash flow does not meet your investment return requirement. If the NPV is zero or positive, the property has either met or exceeded your return requirement.

GOAL SEEKING / SENSITIVITY ANALYSIS

After your initial input, you will want to perform "what-if" scenarios. You can do this by returning to the various input screens and changing your input. When you change your input, e.g. property appreciation rate, the output is updated immediately. You can view the new results by clicking on the respective reports or graphs.

You can also perform goal seeking by entering a required or preferred return and solving backwards to obtain either the purchase price, FMV, Cash-on-Cash, or Rental Income. To begin goal seeking after you have an analysis inputted, click on the 'Sensitivity Analysis' button.

Sensitivity Analysis

The Goal Seek input screen will already be pre-populated with the existing input & output from your analysis. To solve for a variable, simply enter the desired rate-of-return in the yellow input cell, select the year in which you want the cumulative return to be achieved, enter the property appreciation rate, and click "**Seek Answer.**" The Goal Seek will calculate the required purchase price in needed to achieve your desired rate-of-return. You can also solve for property FMV, beginning rental income & Cash-on-Cash.

Goal Seeking

Current Input

Initial Gross Monthly Rent	\$15,400	Original Asking Price	\$1,750,000
Rental Appreciation Rate	2.00%	Original Fair Market Value	\$1,951,375
		Capitalization Rate (Resale)	8.00%

Solve for Offer/Purchase price	Internal Rate of Return (IRR) - After Tax
Goal: <input type="text" value="20.00%"/>	Please select one...
Offer must be \$ 1,534,174	Internal Rate of Return (IRR) - Before Tax
<input type="button" value="Seek Answer"/>	Modified Internal Rate of Return (MIRR) - Before Tax
	Modified Internal Rate of Return (MIRR) - After Tax
	Modified Internal Rate of Return (MIRR) - Before Tax
	Cash on Cash - Before Tax
	Cash on Cash - After Tax

Compared to Existing Input of \$ **1,750,000** and IRR of **13.24%**

PARTNER ANALYSIS MODULE

Creating a report that calculates a partner's share is easy. From the "main navigational screen," click the "Partnership Info" button. **Please visit our website for a tutorial on this module.**

Partnership Allocation Input

Partner Name: Dan Johnson

Limited Partner Ownership %: 85.00%

Managing Partner's Ownership %: 15.00%

Manager's or Limited Partner's Preferred Return: \$8,273 8.00%

Manager or Limited Partner's Preferred Return on Sale: 0.00%

Apply Preferred Return to All Non-Managing Partners? Yes No

Total Syndication Fee (if any):

Limited Partner's Share of Syndication Fee (if any):

Total cash required for this for this deal (from Input Data Screen): \$ 80,280

Limited Partner Cash Investment (not including Syndication Fee): \$ 85,440 85.0%

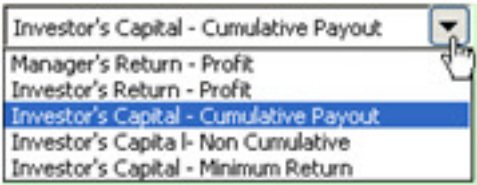
Managing Partner Cash Investment: \$ 14,799 15.0%

Partner Income Tax Rates: Federal (%), Capital Gains (%), State (%), Other Partner's % (0.00%)

Other Partner's %: 0.00%

Cash-Required Other Partner's:

1. **Partner Name:** Enter a partner's name or a description such as "Limited Partner". The name is used to populate various line items in the report analysis.
2. **Limited Partner Ownership %:** Enter the ownership percentage of the limited partner.
3. **Managing Partner's Ownership %:** Enter the managing partner's ownership percentage.
4. **Manager's or Limited Partner's Preferred Return:**



The software allows five methods of accruing a preferred return. The first option allocates to the **managing** partner the first dollars of profit based on the entered percentage. The remaining cash flow is then split based on ownership percentage.

The second option is used to provide the **limited** partner with a preferred return based on profit.

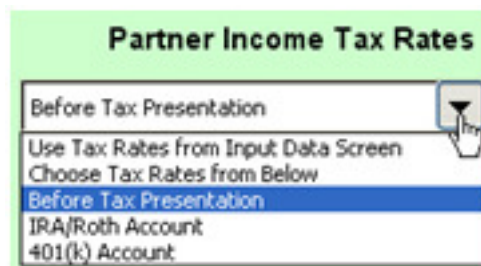
The third option applies to the limited partner but the percentage is applied to investment capital, (the amount the partner has invested.) A “cumulative” payout means the limited partner will receive the payout regardless of profitability and “accumulates” until there is sufficient cash flow to make the entire payment.

The fourth option is “non-cumulative” which means if there is not enough cash flow to cover the preferred return, the partner is not entitled to the remaining unpaid portion.

The Fifth option is a “minimum” return which means that you are guaranteeing the limited partner a return equal to the preferred return. If the actual return is greater than the “minimum” return, then there is no allocation. Should the actual return fall below the “minimum” return, the limited partner is allocated enough cash flow to meet the “minimum” return. The make-up allocation comes from the managing partners share.

5. **Managing or Limited Partner's Preferred Return on Sale:** Selecting this option will allocate the first dollars of the cash flow from sale (after return of capital) to the managing partner or the limited partner.
6. **Apply Preferred Return to All Non-Managing Partners?** Generally this will always be selected ‘Yes,’ since limited partners are generally treated the same. However, if you only wish to allocate a preferred return to one partner or a certain group of partners, then select “No.”
7. **Total Syndication Fee (if any):** Enter the total syndication charged to all partners.
8. **Limited Partner's Share of Syndication Fee (if any):** Enter the syndication fee required to be paid by the limited partner. This amount is treated as nonrefundable and is used to calculate the partner’s overall rate-of-return.
9. **Total Limited Partner Cash Required (Not Including Synd Fee):** Enter the cash investment required from the partner. This amount is assumed to be returned to the partner at liquidation.
10. **Managing Partner Cash Investment:** Enter the amount of cash you plan to invest.
11. **Income Tax Presentation:** The partner analysis presentation is on a before-tax basis. However, you may wish to include the after-tax return calculations. Simply select the type of presentation from the Partner

Income Tax Rates drop-down menu. You can also select IRA/Roth or 401(k) to present the before and after-tax rates of return for partner's using their retirement accounts. You must have purchased the IRA module to have access to this feature.



12. **Show Manager's Return on Reports?** We also calculate the manager's cash flow, profit and rate of return as a separate report. You have the option of including this report in your print-outs.

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



Jeffrey Sandford
404 555-1212

Annual Cash Flow Projection	Year 1	Year 2	Year 3	Year 4	Year 5
Property's Cash Flow Before Taxes	\$ 26,336	\$ 42,621	\$ 41,974	\$ 48,367	\$ 52,891
Dan Johnson's 8% Preferred Return	(9,237)	(9,237)	(9,237)	(9,237)	(9,237)
Managing Partner's 20% Share	(3,535)	(4,884)	(5,858)	(7,054)	(8,279)
Dan Johnson's 65% of Before Tax Cash Flow	\$ 6,564	\$ 9,700	\$ 16,879	\$ 32,076	\$ 35,375
Dan Johnson's Share with Preferred Return	\$ 26,802	\$ 37,837	\$ 46,116	\$ 42,341	\$ 44,612

Property Resale Proceeds	Year 1	Year 2	Year 3	Year 4	Year 5
Resale Proceeds Before Taxes	\$ 626,295	\$ 710,570	\$ 794,888	\$ 862,421	\$ 943,352
All Partner's Return of Investment Capital	(642,250)	(642,250)	(642,250)	(642,250)	(642,250)
Remaining Funds from Sale to be Distributed	\$ 77,045	\$ 148,320	\$ 222,638	\$ 300,171	\$ 381,102
Managing Partner's 20% Share	(26,800)	(61,912)	(77,423)	(105,040)	(133,380)
Dan Johnson's 65% Share of Resale Proceeds	\$ 50,245	\$ 86,408	\$ 144,715	\$ 195,131	\$ 247,722

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	\$ 6,564	\$ 9,700	\$ 16,879	\$ 32,076	\$ 35,375
Previous Year's Cumulative Share of Cash Flow	n/a	36,802	73,738	113,855	156,196
Dan Johnson's 65% Share of Resale Proceeds	50,245	86,408	144,715	195,131	247,722
Dan Johnson's Share of Profit	\$ 85,854	\$ 176,147	\$ 258,569	\$ 351,307	\$ 449,324
Dan Johnson's Return of Investment Capital	365,463	365,463	365,463	365,463	365,463
Dan Johnson's Share of Resale & Liquidation	\$ 401,344	\$ 536,609	\$ 624,032	\$ 716,769	\$ 814,787
Percentage of Available Cash	66.57%	67.04%	68.36%	68.94%	69.36%

Return on Investment	Year 1	Year 2	Year 3	Year 4	Year 5
Cash on Cash Return - Before Taxes	9.80%	10.36%	10.98%	11.59%	12.21%
Internal Rate of Return - Before Taxes	23.52%	21.90%	21.08%	20.42%	19.90%
Modified Internal Rate of Return - Before Taxes	23.52%	21.06%	19.52%	18.34%	17.37%

SOURCES & USES STATEMENT

The Sources & Uses statement is a report designed to communicate to prospective investors where their money will be spent. Obviously, you may need more money than is required for the down payment such as working capital, fees and syndication costs. The report is also flexible enough to show a range of proceeds, i.e. a minimum and maximum amount that may be raised.

Adrian Apartments II

1212 Main St
Atlanta GA 30304

Sources and Uses Statement



Jeffrey Sandford

Description	Minimum Amount	Percent	Maximum Amount	Percent
Gross Offering Proceeds	\$ 650,000	100.0%	\$ 750,000	100.0%
Organization Expenses	(26,000)	-4.0%	(26,000)	-3.5%
Acquisition Fee	-	0.0%	(100,000)	-13.3%
Proceeds Available for Investment	\$ 624,000	96.0%	\$ 624,000	83.2%
Downpayment for Investment Property	\$ 550,000	84.8%	\$ 550,000	73.2%
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	\$ 624,000	96.0%	\$ 624,000	83.2%
Total Application of Proceeds	\$ 650,000	100.0%	\$ 750,000	100.0%

- 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.

CONFIDENTIAL OFFERING SUMMARY

Confidential Offering Summary

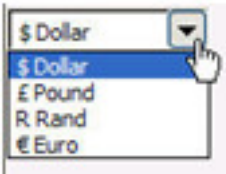
The Issuer	Sandford Real Estate Investments LLC 1421 Peachtree Ste Suite 1200 Atlanta GA 30303
The Property	Adrian Apartments II 1212 Main St Atlanta GA 30304
The Offering	The offering is for a 35% interest with an 8% preferred return on invested capital.
The Amount	\$562,250
The Manager	Jeffrey Sanford will be the primary manager of the property. Jeffrey has fourteen years of experience as a landlord and real estate investor with over 32 properties currently under management.
The Risks	Investment in real estate can be highly speculative due to the nature of the partnership's business. These include risks inherent in the business of real estate investment generally, conflicts, reliance upon manager of the property, the lack of a formal market for the units, no exit mechanism and the resale restrictions and hold periods prescribed by the applicable securities laws or in the operating agreement.

These reports are limited descriptive material regarding an investment in the property Adrian Apartments II, 1212 Main St, Atlanta GA, 30304. This summary is not complete and needs to be supplemented with additional information. This additional information is available upon request. The use of this material is authorized only for those to whom it is originally provided.

These reports may not be reproduced in whole or in part, and it may only be distributed and disclosed to the prospective investors to whom it is provided.

This is not an offer to sell a security. An offer can only be made through a complete Private Placement Memorandum. You should not consider any information in these reports to be legal, business or tax advice. You should consult your own attorney, financial advisor and tax advisor about this investment.

CURRENCY CONVERSION & REFORMATTING



Simply choose the currency format from the drop-down menu located on the Input Data Screen and the formatting will be converted.

CHANGING REPORT COLORS

Easily change report colors by clicking on a new color from the color chart and then clicking on the Change Color button. The current color used by the software is displayed for your reference.

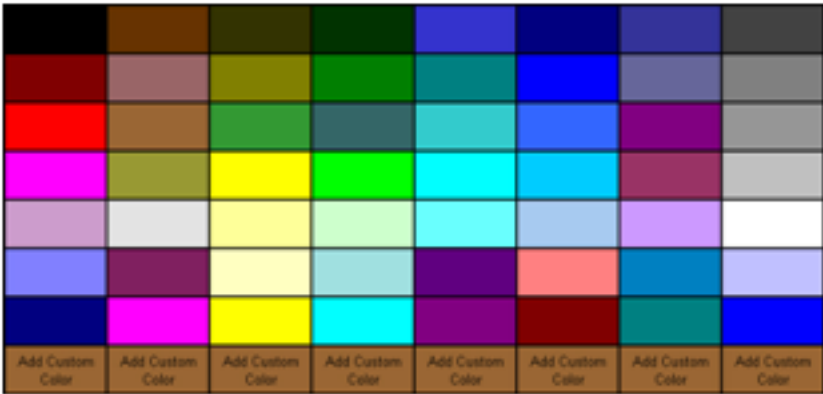






PHOTO ALBUM

Insert up to eight additional property photos. Click on the Insert Picture button and the open file dialog will open. You can also enter a description for each photo.

Adrian Apartments II

	
Main Office	Pool
	
Parking Lot	Park Across the Main St
	
32 Bedroom	Child-Friendly Recreation Area
	
South View	North View

MAP/AERIAL VIEW

Click on the Insert Picture button and the open file dialog will open. You can also enter a description of the map

Adrian Apartments II
1212 Nwan St
Atlanta GA 30304

Map/Aerial View

COMPANY
John Sanford



Satellite View



Street View



Zoom View

The image displays a software interface for viewing a property. At the top left, the property name 'Adrian Apartments II' is listed with its address '1212 Nwan St, Atlanta GA 30304'. The main title 'Map/Aerial View' is centered. On the top right, there is a logo for 'COMPANY' and the name 'John Sanford'. The interface features three map views: a large 'Satellite View' on the left showing an aerial photograph of the apartment complex; a smaller 'Street View' on the top right showing a street-level map with a red location pin; and a 'Zoom View' on the bottom right showing a close-up of the building's entrance. A blue horizontal bar is located at the top and bottom of the interface.

PROPERTY DESCRIPTION

Click on the Insert Picture button and the open file dialog will open. You can also enter text to describe the subject property.

Property Description



HIGHLIGHTS

- Four to Five Star Quality*
- 100% Renovated*
- Well Occupied*
- All Age Community*
- Attractive Ammenities Package*
- Great Location*

Adrian Apartments II

1212 Main St
Atlanta GA 30304

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.

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.

Jeffrey Sandford
404.555.1212
JS@SandfordRealtyGroup.com

Sandford Realty Group

Suite 1700
199 Peachtree St NW
Atlanta GA 30303



NOTES & DISCUSSION

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 8th 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 29% 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 outpicks 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 36% 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 55.9% 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 100,000 households.

Jeffrey Sandford
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Sandford Realty Group
190 Peachtree St NW
Suite 1700
Atlanta, GA 30303



ABOUT US

About Us



Jeffrey Sandford

Sandford Realty Group
Suite 1700
190 Peachtree St NW
Atlanta GA 30303

JS@SandfordRealtyGroup.com
404-555-1212



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.

Sales, In Escrow, On-Market, and Rent COMPARABLES with MAPs

Adrian Apartments II
1212 Main St
Atlanta GA 30304

Sales Comparables

Jeffrey Sandford
404-955-1212

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	12,960
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	400	\$ 1,150	\$ 1.77
1 bed 1 bath	5	850	\$ 1,250	\$ 1.59
1 bed 1 bath	10	1,100	\$ 1,520	\$ 1.36
1 bed 1 bath	5	1,250	\$ 1,600	\$ 1.28

Notes...

2

Timberland Apartments

45 Main St Peachtree City GA



Sales Date	June 30, 2009
Sales Price	\$ 6,500,000
Number of Units	20
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...

Sales Comparables Map



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

HISTORICAL REPORT

Enter up to three previous year's financial information plus the year-to-date amounts. The software automatically annualizes the year-to-date amount and presents all data in per unit and percentage formats.

Adrian Apartments II
1212 Main St
Atlanta GA 30303

Historical Financials



	2008		May-09		Annualized	
	Unit	%	Unit	%	Unit	%
Potential Rental Income						
Base Rent	\$ 110,000	13,750.00	98.1%	\$ 53,000	6,625.00	99.2%
Less: Vacancy & Credit Losses	-	-	-	-	-	-
Effective Rental Income	<u>\$ 110,000</u>	13,750.00	98.1%	<u>\$ 53,000</u>	6,625.00	99.2%
Laundry	1,000	125.00	0.2%	400	96.25	0.1%
Other Income	-	-	-	-	-	-
Gross Operating Income	<u>\$ 111,000</u>	13,875.00	100.0%	<u>\$ 53,400</u>	6,801.25	100.0%
Operating Expenses						
Advertising	450	56.25	0.4%	350	43.75	0.7%
Insurance	3,500	437.50	3.2%	2,000	250.00	3.7%
Landscaping	1,500	187.50	1.4%	250	31.25	0.5%
Maintenance	4,000	500.00	3.6%	1,500	187.50	2.8%
Pest Control	3,500	437.50	3.2%	1,575	196.88	2.9%
Property Taxes	7,500	937.50	6.8%	3,500	437.50	6.5%
Electricity	1,200	150.00	1.1%	750	93.75	1.4%
Total Operating Expenses	<u>\$ 21,650</u>	2,736.25	19.6%	<u>\$ 9,925</u>	1,240.63	18.6%
Net Operating Income (NOI)	<u>\$ 89,350</u>	11,138.75	80.5%	<u>\$ 43,475</u>	5,440.63	81.4%
Less: Capital Expenditures	(10,000)	(1,250.00)	-8.8%	(2,500)	(312.50)	-4.7%
Cash Flow Before Taxes	<u>\$ 79,350</u>	9,888.75	71.5%	<u>\$ 41,075</u>	5,128.13	76.8%
Annual Debt Service	\$ 120,000			\$ 110,000		
Debt Coverage Ratio (DCR)	0.74			0.40		

Sample Landlord's CFA Reports, Graphs & Charts

1. Cover



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
JS@SandfordRealtyGroup.com


Suite 1700
198 Peachtree St NW
Atlanta GA 30303



2. Executive Summary



3. 20-Year Cash Flow Analysis Report

Adrian Apartments II		Cash Flow Analysis				
1212 Main St Atlanta GA 30304		 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		(8,240)	(8,425)	(8,610)	(8,800)	(9,000)
Less: Operating Expenses		(21,280)	(21,463)	(21,647)	(21,836)	(22,113)
Net Operating Income (NOI)		\$ 156,110	\$ 158,445	\$ 163,860	\$ 168,322	\$ 169,867
Less: Annual Debt Service		(118,757)	(118,757)	(118,757)	(118,757)	(118,757)
Less: Funded Reserves		(5,000)	(5,000)	(5,181)	(5,152)	(5,203)
CASH FLOW Before Taxes		\$ 32,353	\$ 34,637	\$ 37,890	\$ 41,413	\$ 44,907
Income Taxes: Benefit (Expense)		(7,788)	(8,358)	(8,285)	(10,281)	(12,383)
CASH FLOW After Taxes		\$ 24,565	\$ 26,279	\$ 29,706	\$ 31,132	\$ 32,525
Property Resale Analysis						
Projected Sales Price		\$ 1,951,375	\$ 1,993,959	\$ 2,035,603	\$ 2,079,024	\$ 2,123,342
Less: Selling Expenses		(117,883)	(118,594)	(122,136)	(124,741)	(127,402)
Adjusted Projected Sales Price		\$ 1,834,292	\$ 1,875,365	\$ 1,913,467	\$ 1,954,283	\$ 1,995,941
Less: Mortgage(s) Balance Payoff		(1,280,354)	(1,245,870)	(1,209,181)	(1,169,862)	(1,127,734)
SALE PROCEEDS Before Taxes		\$ 553,938	\$ 629,500	\$ 704,286	\$ 784,421	\$ 868,207
Income Taxes from Sale: Benefit (Expense)		(24,726)	(48,879)	(72,827)	(97,172)	(125,718)
SALE PROCEEDS After Taxes		\$ 529,212	\$ 579,621	\$ 631,459	\$ 687,250	\$ 742,489
Cash Position						
Cash Generated in Current Year		\$ 24,565	\$ 26,279	\$ 29,706	\$ 31,132	\$ 32,525
Cash Generated in Previous Years		na	23,587	51,886	81,571	112,893
Cash Generated from Property Sale		529,212	579,621	631,449	687,259	748,450
Original Initial Investment		(475,825)	(475,825)	(475,825)	(475,825)	(475,825)
Total Potential CASH Generated		\$ 77,977	\$ 105,068	\$ 132,206	\$ 154,327	\$ 178,043
Financial Measures						
Debt Coverage Ratio (DCR)		1.30	1.33	1.36	1.39	1.42
Loan-to-Value Ratio (LVR)		85.6%	82.5%	89.4%	86.3%	83.1%
Capitalization Rate Based on Cost		8.79%	8.99%	9.17%	9.37%	9.57%
Value of Property Using this Cap Rate	7.75%	2,014,323	2,057,351	2,101,267	2,146,080	2,191,837
Net Present Value (NPV) - Before Taxes	13.50%	40,950	85,895	86,545	102,508	114,584
Net Present Value (NPV) - After Taxes	10.00%	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		8.59%	7.20%	7.89%	8.71%	9.44%
Cash-on-Cash Return - After Taxes		4.90%	5.95%	6.25%	6.54%	6.94%
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%	20.79%	19.32%	18.28%	17.38%
Modified Internal Rate-of-Return (MIRR) - After Taxes		16.23%	15.15%	14.45%	13.88%	13.39%

4. Rent Roll Summary

Adrian Apartments II

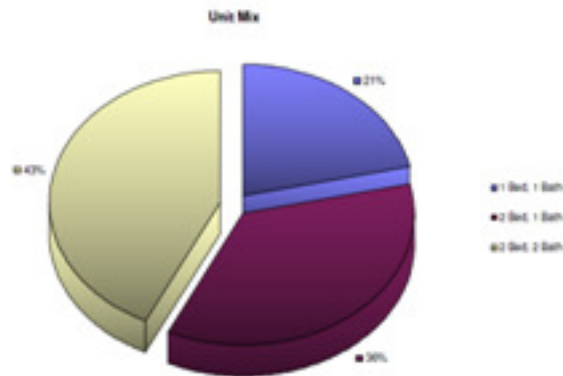
212 Main St
Atlanta GA 30304

Rent Roll Summary



Jeffrey Sanford
404.955.1212

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%	14,903	3,200	\$ 15,400	\$ 184,800



5. Expense Summary

Adrian Apartments II

1212 Main St
Atlanta GA 30303

Annual Expenses



Douglas Rutherford
404.702.4430

Expense Description	Annual Amount	Annual Increase	Per Unit	% of Expenses	% of Revenue
Advertising	500	1.8%	\$ 62.50	2.4%	0.4%
Insurance	4,250	1.8%	\$ 512.50	20.8%	3.6%
Landscaping	750	1.8%	\$ 93.75	3.5%	0.6%
Maintenance	3,500	1.8%	\$ 437.50	16.5%	3.0%
Pest Control	3,500	1.8%	\$ 437.50	16.5%	2.9%
Property Taxes	7,500	1.8%	\$ 937.50	35.3%	4.3%
Electricity	1,250	1.8%	\$ 156.25	5.9%	1.0%
Total Annual Operating Expenses	\$ 21,250		\$ 2,616.25	100.0%	17.9%

6. Tax Analysis Report

Adrian Apartments II

1212 Main St
Atlanta GA 30303

Income Tax Analysis



Douglas Rutherford
404-702-4428

Tax Analysis - Operations	Year 1	Year 2	Year 3	Year 4	Year 5
Net Operating Income (NOI) from Report	\$ 45,835	\$ 48,898	\$ 51,881	\$ 54,797	\$ 58,048
Expense Portion of Capital Reserve	(5,000)	(5,100)	(5,202)	(5,306)	(5,412)
Tax Depreciation	(12,824)	(13,382)	(13,982)	(13,382)	(13,382)
Tax Depreciation - Reserve/Improvements	(174)	(380)	(549)	(741)	(938)
Interest Expense - Mortgage #1	(8,160)	(8,850)	(8,571)	(8,486)	(8,396)
Operating Taxable Income (Loss)	\$ 21,676	\$ 23,205	\$ 25,978	\$ 28,882	\$ 31,920
Federal & State Tax Rate	33.00%	33.00%	33.00%	33.00%	33.00%
Income Tax Benefit (Expense)	\$ (7,153)	\$ (7,658)	\$ (8,573)	\$ (9,531)	\$ (10,534)
Subject to Suspended Loss Rules?	<input type="checkbox"/> No				

Tax Analysis - Property Sale	Year 1	Year 2	Year 3	Year 4	Year 5
Adjusted Projected Sales Price	\$ 533,280	\$ 533,280	\$ 533,280	\$ 533,280	\$ 533,280
Original Cost of Property	(480,000)	(480,000)	(480,000)	(480,000)	(480,000)
Less: Funded Reserves	(5,000)	(10,100)	(15,302)	(20,608)	(26,020)
Gain (Loss) on Property	\$ 88,280	\$ 83,180	\$ 67,978	\$ 52,672	\$ 47,280
Accumulated Depreciation/Amortization	12,824	26,280	40,122	54,052	68,175
Accumulated Dep - Reserve/Improvements	174	380	549	741	938
Taxable Gain (Loss) on Property Sale	\$ 81,278	\$ 89,920	\$ 98,649	\$ 107,465	\$ 116,323
Capital Gain & State Rate on Sale	25.00%	25.00%	25.00%	25.00%	25.00%
Income Tax Benefit (Expense)	(20,320)	(22,480)	(24,652)	(26,866)	(29,080)
Recapture Tax	(650)	(1,337)	(2,034)	(2,740)	(3,458)
Income Tax Benefit (Expense)	\$ (20,970)	\$ (23,817)	\$ (26,686)	\$ (29,606)	\$ (32,548)

7. The software prints three separate amortization schedules (up to 30 years) for each loan.

AMORTIZATION SCHEDULE

Mortgage 1

Mortgage Amount	\$150,000	Monthly Payment	973
Annual Interest Rate	6.75%	Annual Payment	11,675
Amortization Period	30 Years		

PMT	Balance	Principal	Interest	Payment	Cumulative		Year-to-Date		
					Interest	Principal	Interest	Principal	Payment
1	150,000	129	844	973	844	129			
2	149,871	130	843	973	1,687	259			
3	149,741	131	842	973	2,529	390			
4	149,610	131	842	973	3,371	521			
5	149,479	132	841	973	4,211	653			
6	149,347	133	840	973	5,052	786			
7	149,214	134	839	973	5,891	919			
8	149,081	134	839	973	6,729	1,054			
9	148,946	135	838	973	7,567	1,189			
10	148,811	136	837	973	8,404	1,325			
11	148,675	137	836	973	9,241	1,461			
12	148,539	137	836	973	10,076	1,599	10,076	1,599	11,675
13	148,401	138	835	973	10,911	1,737			
14	148,263	139	834	973	11,745	1,876			
15	148,124	140	833	973	12,578	2,015			
16	147,985	140	832	973	13,410	2,155			
17	147,844	141	832	973	14,242	2,297			
18	147,703	142	831	973	15,073	2,439			
19	147,561	143	830	973	15,903	2,582			
20	147,419	144	829	973	16,732	2,726			
21	147,274	144	828	973	17,561	2,870			
22	147,130	145	828	973	18,389	3,016			
23	146,984	146	827	973	19,215	3,162			
24	146,838	147	826	973	20,041	3,309	9,965	1,710	11,675
25	146,691	148	825	973	20,866	3,456			
26	146,544	149	824	973	21,690	3,605			
27	146,395	149	823	973	22,514	3,754			
28	146,246	150	823	973	23,337	3,905			
29	146,095	151	822	973	24,158	4,056			
30	145,944	152	821	973	24,979	4,209			
31	145,792	153	820	973	25,799	4,361			
32	145,639	154	819	973	26,619	4,514			
33	145,486	155	818	973	27,437	4,669			
34	145,331	155	817	973	28,254	4,824			
35	145,176	156	817	973	29,071	4,980			
36	145,020	157	816	973	29,887	5,138	9,846	1,829	11,675

8. Annual Property Operating Data (APOD)

Adrian Apartments II

1212 Main St
Atlanta GA 30303

Annual Property Operating Data



Annual Report

	Year 1	1% YoY	Year 2	1% YoY	Year 3	1% YoY	Year 4	1% YoY	Year 5	1% YoY
Potential Rental Income	\$ 83,400	10.43	\$ 86,736	10.84	\$ 90,205	11.28	\$ 93,614	11.73	\$ 97,586	12.26
Less: Vacancy & Credit Losses	(3,126)	(0.96)	(3,253)	(0.41)	(3,363)	(0.42)	(3,518)	(0.44)	(3,659)	(0.46)
Effective Rental Income	\$ 80,273	10.03	\$ 83,483	10.44	\$ 86,842	10.85	\$ 90,096	11.20	\$ 93,927	11.74
Other Income	4,200	0.51	4,368	0.55	4,543	0.57	4,724	0.59	4,913	0.61
Gross Operating Income	\$ 84,473	10.56	\$ 87,851	10.98	\$ 91,385	11.41	\$ 94,820	11.89	\$ 98,841	12.35
Operating Expenses										
Advertising	500	0.06	505	0.06	510	0.06	515	0.06	520	0.07
Auto & Travel	1	0.00	1	0.00	1	0.00	1	0.00	1	0.00
Cleaning	2	0.00	2	0.00	2	0.00	2	0.00	2	0.00
Commissions	5	0.00	5	0.00	5	0.00	5	0.00	5	0.00
Insurance	7,250	0.91	7,323	0.91	7,396	0.92	7,470	0.93	7,544	0.94
Landscaping	750	0.09	750	0.09	755	0.10	773	0.10	780	0.10
Maintenance	3,500	0.44	3,535	0.44	3,570	0.45	3,606	0.45	3,642	0.46
Management Fee	4,380	0.55	4,555	0.57	4,737	0.59	4,927	0.62	5,124	0.64
Pest Control	3,500	0.44	3,535	0.44	3,570	0.45	3,606	0.45	3,642	0.46
Property Taxes	17,500	2.19	17,675	2.21	17,852	2.23	18,030	2.25	18,211	2.28
Electricity	1,250	0.16	1,263	0.16	1,275	0.16	1,288	0.16	1,301	0.16
Total Operating Expenses	\$ 39,638	4.81	\$ 39,156	4.69	\$ 39,694	4.96	\$ 40,223	5.03	\$ 40,773	5.12
Net Operating Income (NOI)	\$ 44,835	6.75	\$ 48,695	6.99	\$ 51,691	6.66	\$ 54,597	6.85	\$ 58,068	7.26
Less: Annual Debt Service	(7,782)	(0.93)	(7,782)	(0.93)	(7,782)	(0.93)	(7,782)	(0.93)	(7,782)	(0.93)
Less: MP Payments	(5,000)	(0.63)	(4,947)	(0.62)	(4,892)	(0.61)	(4,829)	(0.60)	(4,764)	(0.60)
Less: Funded Reserves	(10,000)	(1.20)	(10,200)	(1.26)	(10,404)	(1.30)	(10,612)	(1.33)	(10,824)	(1.39)
Cash Flow Before Taxes	\$ 22,053	3.01	\$ 25,712	3.34	\$ 28,693	4.19	\$ 30,472	4.51	\$ 32,640	4.83

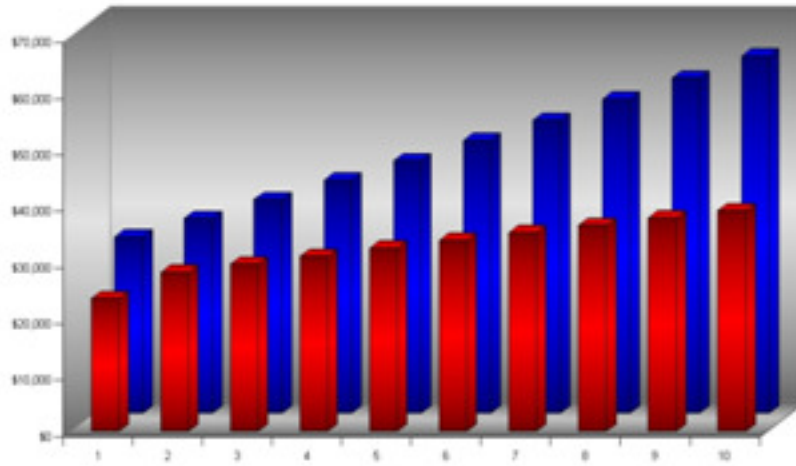
9. Graphs & Charts

Adrian Apartments II
 1212 Main St
 Atlanta GA 30304

Cash Flow Projections



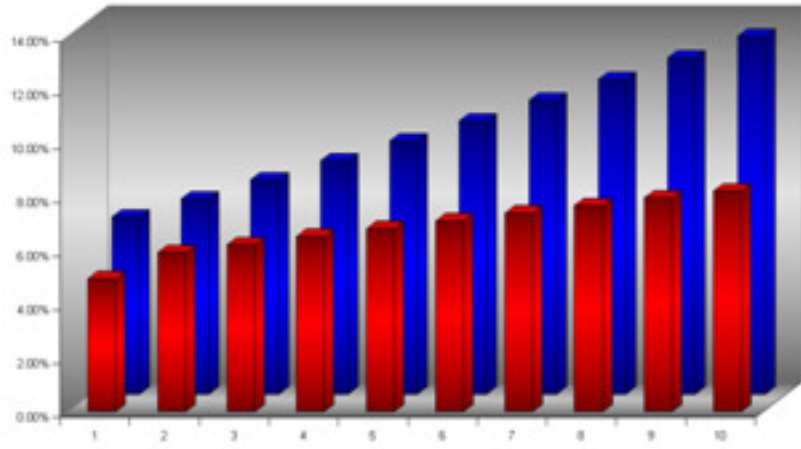
■ Cash Flow After Taxes
■ Cash Flow Before Taxes



Time Period	Net Operating Income	Reserves & MP Payments	Debt Service	Cash Flow Before Tax	Income Taxes	Cash Flow After Tax
Net Investment				\$ (475,625)		\$ (475,625)
Year 1	156,110	(5,000)	(19,757)	31,363	(7,766)	23,597
Year 2	169,445	(5,000)	(19,757)	34,637	(8,266)	26,279
Year 3	162,840	(5,371)	(19,757)	37,990	(8,286)	29,706
Year 4	166,322	(5,752)	(19,757)	41,413	(8,291)	31,122
Year 5	169,867	(6,133)	(19,757)	44,907	(8,282)	32,625
Year 6	173,406	(6,516)	(19,757)	48,473	(8,261)	33,912
Year 7	177,179	(6,900)	(19,757)	52,114	(8,206)	35,279
Year 8	180,940	(7,287)	(19,757)	55,836	(8,108)	36,623
Year 9	184,795	(7,676)	(19,757)	59,623	(7,966)	37,908
Year 10	188,721	(8,068)	(19,757)	63,486	(7,774)	39,221

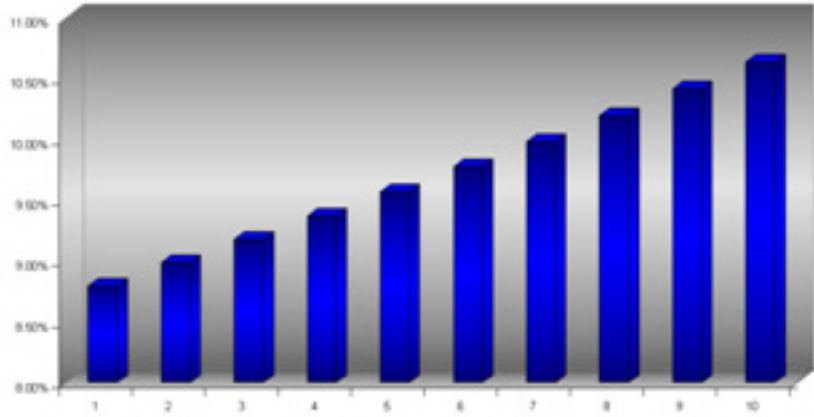
Cash on Cash Return

■ After Taxes
 ■ Before Taxes

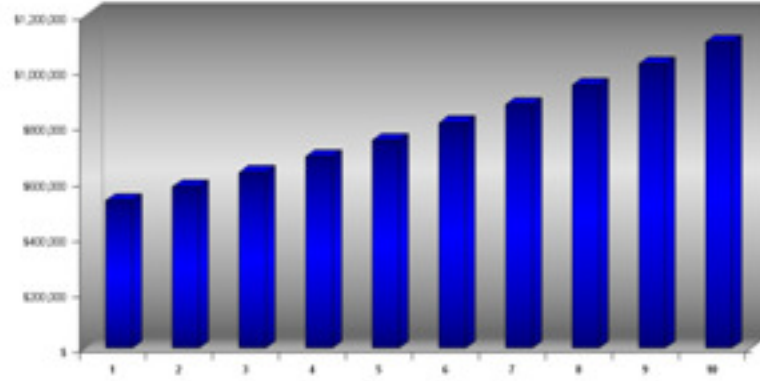


Year	Initial Investment	Cash Flow	Cash on Cash	Income	Cash Flow	Cash on Cash
Period	Adj for Refinance	Before Taxes	Before Taxes	Taxes	After Taxes	After Taxes
Year 1	\$ 475,625	\$ 31,263	6.56%	\$ (7,746)	\$ 23,517	4.96%
Year 2	475,625	34,837	7.32%	(8,266)	26,571	5.59%
Year 3	475,625	37,990	7.99%	(8,285)	29,706	6.25%
Year 4	475,625	41,413	8.71%	(9,291)	31,122	6.54%
Year 5	475,625	44,907	9.44%	(9,382)	32,525	6.84%
Year 6	475,625	48,473	10.19%	(9,881)	33,912	7.13%
Year 7	475,625	52,114	10.96%	(9,876)	35,279	7.42%
Year 8	475,625	55,830	11.74%	(9,288)	36,623	7.70%
Year 9	475,625	59,623	12.54%	(9,185)	37,838	7.96%
Year 10	475,625	63,495	13.36%	(8,274)	39,221	8.25%

Capitalization Rate

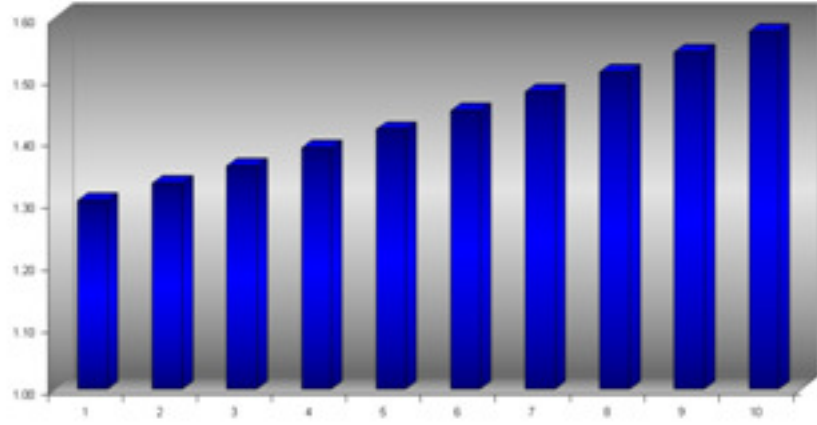


Time Period	Net Operating Income (NOI)	Cap Rate on Cost	Result Value
Year 1	\$ 150,110	8.75%	\$ 1,701,375
Year 2	159,445	8.90%	1,802,069
Year 3	162,840	9.17%	2,005,800
Year 4	166,322	9.37%	2,079,824
Year 5	169,867	9.57%	2,123,342
Year 6	173,466	9.77%	2,168,573
Year 7	177,119	9.98%	2,214,736
Year 8	180,840	10.19%	2,261,860
Year 9	184,735	10.41%	2,309,936
Year 10	188,721	10.62%	2,359,010



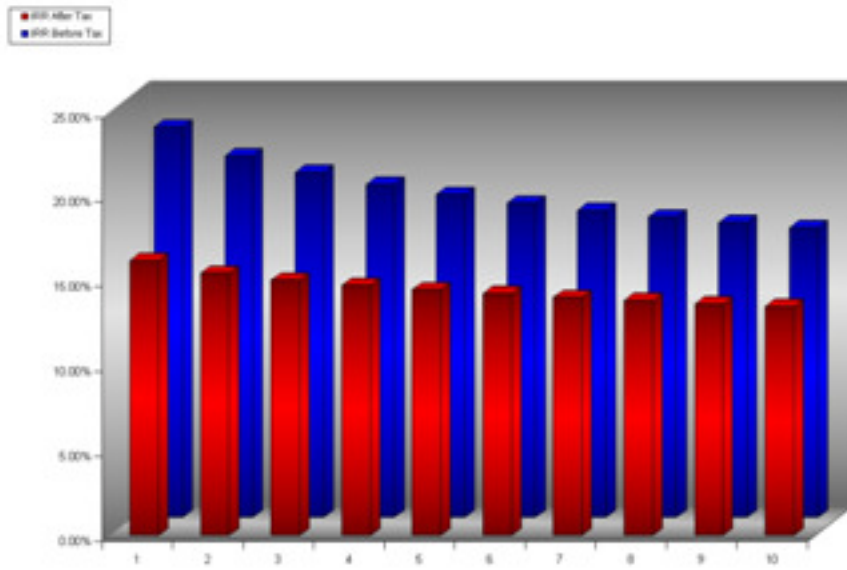
Year / Period	Projected Eq/ Results Value	Projected Increase	Roll Proceeds (if any)	Mortgage(s) Balance Payoff	Leak Proceeds Before Taxes	Income Taxes From Sale	Sale Proceeds After Taxes	Property Equity	Year / Year Equity Increase
Year 1	\$ 1,034,263	4.62%	\$ -	\$ (1,280,354)	\$ 653,939	\$ (24,724)	\$ 629,215	\$ 529,215	\$ 53,598
Year 2	1,073,475	3.74%	-	0,246,970	627,936	(49,679)	578,257	579,837	49,613
Year 3	1,113,467	3.73%	-	0,209,191	704,275	(72,837)	631,448	631,448	53,621
Year 4	1,154,283	3.73%	-	0,169,952	784,431	(97,172)	687,259	687,259	55,816
Year 5	1,196,941	3.73%	-	0,127,774	868,167	(121,718)	746,450	746,450	59,191
Year 6	2,036,468	2.13%	-	0,082,794	956,693	(146,468)	809,224	809,224	62,774
Year 7	2,081,952	2.23%	-	0,034,524	1,047,228	(171,427)	875,801	875,881	66,577
Year 8	2,128,139	2.23%	-	0,013,130	1,143,070	(196,598)	946,471	946,411	70,616
Year 9	2,171,339	2.13%	-	0,000,000	1,243,289	(221,906)	1,021,383	1,021,383	74,882
Year 10	2,217,469	2.12%	-	0,000,000	1,348,324	(247,584)	1,100,740	1,100,740	79,437

Debt Coverage Ratio



Time Period	Net Operating Income	Mortgage Payments	Debt Coverage Before Taxes
Year 1	\$ 150,110	\$ (19,757)	1.30
Year 2	159,445	(19,757)	1.33
Year 3	162,840	(19,757)	1.36
Year 4	166,322	(19,757)	1.38
Year 5	169,867	(19,757)	1.42
Year 6	173,486	(19,757)	1.46
Year 7	177,179	(19,757)	1.48
Year 8	180,948	(19,757)	1.51
Year 9	184,795	(19,757)	1.54
Year 10	188,721	(19,757)	1.58

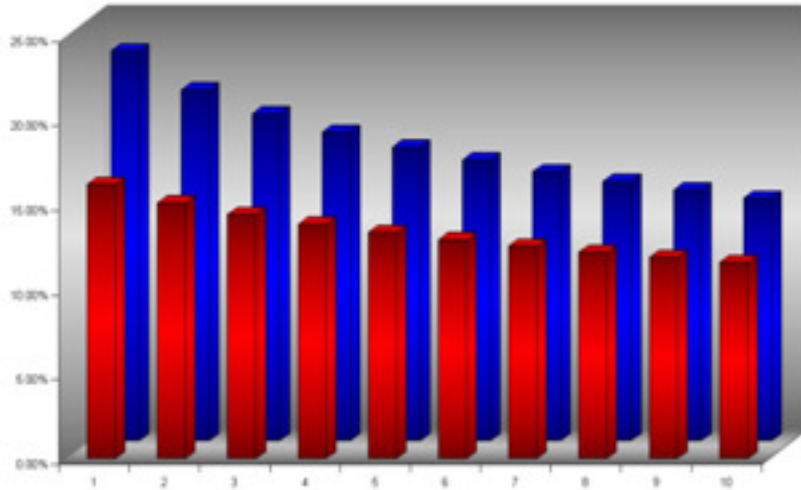
Internal Rate of Return



Time Period	Internal Rate of Return (IRR)	
	Before Taxes	After Taxes
Year 1	23.0%	16.23%
Year 2	21.3%	15.49%
Year 3	20.3%	15.08%
Year 4	19.6%	14.70%
Year 5	19.0%	14.51%
Year 6	18.6%	14.36%
Year 7	18.1%	14.27%
Year 8	17.7%	13.87%
Year 9	17.4%	13.69%
Year 10	17.1%	13.52%

Modified Internal Rate of Return

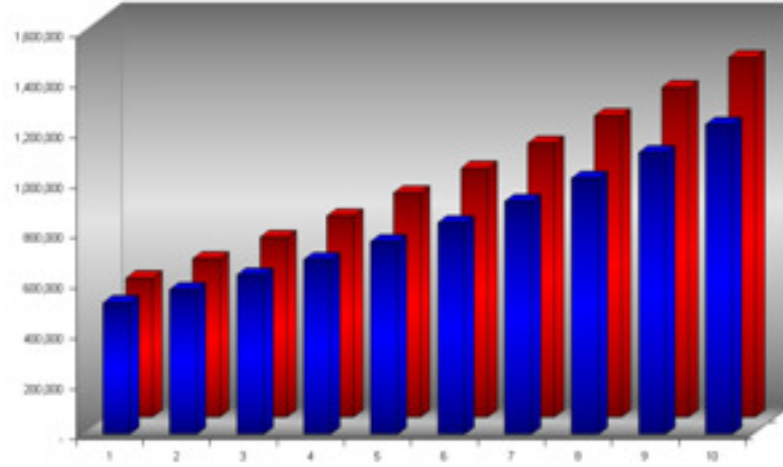
■ MIRR - After Taxes
 ■ MIRR - Before Taxes



Time Period	Modified Internal Rate of Return	
	Before Taxes	After Taxes
Year 1	23.00%	16.27%
Year 2	20.75%	15.95%
Year 3	19.20%	14.40%
Year 4	18.25%	13.80%
Year 5	17.35%	13.30%
Year 6	16.50%	12.90%
Year 7	15.92%	12.50%
Year 8	15.34%	12.20%
Year 9	14.82%	11.92%
Year 10	14.35%	11.63%

Alternative Investment Comparison

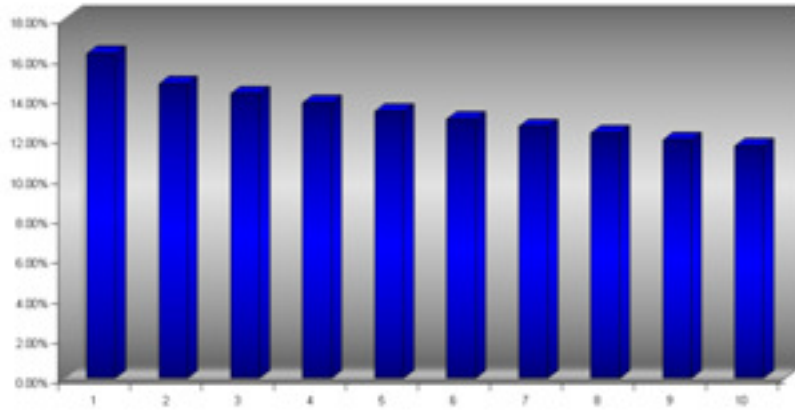
■ Alternative Investment
 ■ Subject Property - After Taxes



Alt Investment Return (after taxes)	Time Period	Alternative Investment Value	Property After Taxes Net Value	Difference	Other Investment	Property Before Taxes Net Value	Difference	Other Investment
10.00%	Initial Investment	\$ 475,625	\$ 475,625			\$ 475,625		
	Year 1	523,186	652,802	\$ 29,614	Property	585,291	\$ 62,104	Property
	Year 2	575,526	681,693	55,166	Property	693,456	117,930	Property
	Year 3	623,267	713,220	79,953	Property	808,256	175,199	Property
	Year 4	686,363	759,952	103,589	Property	929,824	233,462	Property
	Year 5	755,399	801,688	125,689	Property	1,059,408	292,409	Property
	Year 6	842,599	868,355	145,756	Property	1,194,867	351,868	Property
	Year 7	928,869	1,000,210	163,342	Property	1,338,116	411,247	Property
	Year 8	1,019,544	1,137,443	177,899	Property	1,489,727	470,183	Property
	Year 9	1,121,489	1,310,273	190,774	Property	1,649,630	526,131	Property
	Year 10	1,233,649	1,428,921	195,272	Property	1,818,170	584,521	Property

Hold/Sell Analysis

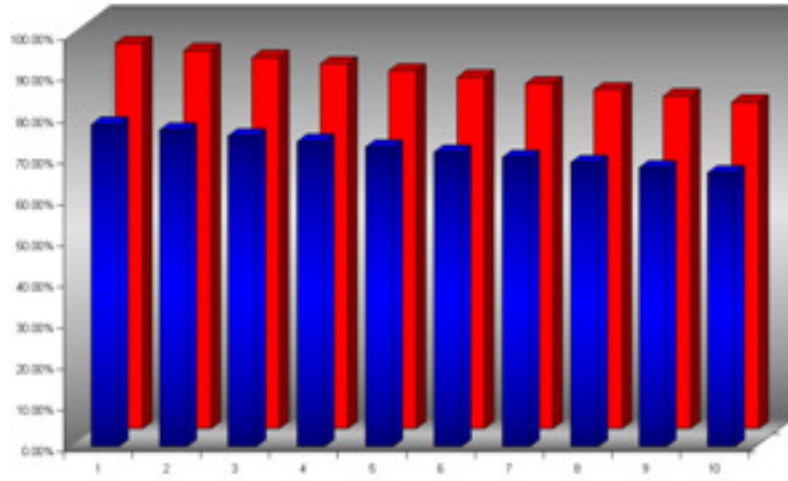
■ Return on Equity (ROE)



Required Return on Equity	Time Period	Annual 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	20,987	53,890	77,177	475,826	16.23%	Hold
	Year 2	28,279	49,612	77,891	529,216	14.72%	Hold
	Year 3	29,706	52,621	82,327	579,827	14.22%	Hold
	Year 4	31,122	55,810	86,932	621,448	13.77%	Hold
	Year 5	32,525	59,191	91,716	667,269	13.35%	Hold
	Year 6	33,912	62,775	96,887	716,450	12.95%	Hold
	Year 7	35,279	66,577	101,896	809,224	12.59%	Hold
	Year 8	36,623	70,610	107,233	876,861	12.24%	Hold
	Year 9	37,938	74,882	112,930	946,411	11.90%	Hold
	Year 10	39,221	79,437	118,958	1,021,359	11.62%	Hold

BreakEven Occupancy

■ 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	Max Vacancy BreakEven Rate
5.00%							w/ Cash on Cash	w/ Cash on Cash
	Year 1	196,100	(146,107)	95.00%	79.25%	21.75%	93.54%	9.46%
	Year 2	196,332	(146,270)	95.00%	79.85%	21.15%	91.04%	9.16%
	Year 3	194,139	(146,530)	95.00%	75.49%	24.51%	90.18%	9.82%
	Year 4	199,021	(146,803)	95.00%	74.13%	25.87%	89.05%	11.45%
	Year 5	201,960	(147,073)	95.00%	72.81%	27.19%	86.94%	13.06%
	Year 6	206,021	(147,348)	95.00%	71.52%	28.48%	85.37%	14.62%
	Year 7	210,142	(147,622)	95.00%	70.25%	29.75%	83.02%	16.17%
	Year 8	214,345	(147,901)	95.00%	69.00%	31.00%	82.32%	17.60%
	Year 9	218,632	(148,182)	95.00%	67.78%	32.22%	80.00%	19.17%
	Year 10	223,004	(148,467)	95.00%	66.58%	33.42%	79.37%	20.62%

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 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 "fed 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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FLIPPER'S & REHABBER'S CASH FLOW ANALYZER PRO® Short-Term Analysis

NAVIGATING THE PROGRAM

Once the program is opened, the main navigational screen will appear. This screen contains navigational buttons which help you move throughout the program. Using your mouse, click on the button to move to the screen of your choice.



INPUT DATA SCREEN

To begin your analysis, click the "Input Data Screen" button on the main navigational screen. The Input Data Screen is divided into five sections:

- I. Property Costs,**
- II. Monthly Rehab & Project Costs,**
- III. Rental Income & Expenses (if any),**
- IV. Financing, and**
- V. Income Taxes.**

Start your analysis by typing the name, case description and address of the property you wish to analyze.

Home		Input Data Screen																																								
Property Name: Johnson Foreclosure Case Description: Low End Offer Address: 1212 Main St Atlanta GA 30630		<input type="button" value="Check for Updates"/> <input type="button" value="User Guide"/> <input type="button" value="Main Report"/> <input type="button" value="Executive Report"/>	<input type="button" value="Partnership Info"/> <input type="button" value="Sensitivity Analysis"/> <input type="button" value="Graphs & Charts"/> <input type="button" value="Amort Schedules"/>																																							
I	Property Costs Property Purchase or Asking Price: \$ 155,000 Estimated Initial Improvements: Estimated Initial Improvements: Estimated Initial Improvements: Closing Costs: \$ 2,500 Other Initial Costs: \$ - Other Initial Costs: \$ - \$ 157,500 Projected Selling Price of Property or After Repair Value (ARV): \$ 235,000 Projected Future Selling Expenses (as a % of Selling Price): 6.00%																																									
II	Monthly Rehab & Projects Costs <input type="button" value="Quick Rehab Input"/> <input type="button" value="Detailed Rehab"/> Use Quick Rehab Input Screen: <input type="button" value="v"/> Total Rehab Costs Entered From Input Screen: \$ 19,450																																									
III	Rental Income & Expenses (If any) Rent Roll: <input type="button" value="Enter Rent Roll"/> Operating Expenses: <input type="button" value="Enter Expenses"/>																																									
IV	Financing <input type="button" value="Amort Schedules"/> <table border="1"> <thead> <tr> <th></th> <th>1st Mortgage</th> <th>2nd Mortgage</th> </tr> </thead> <tbody> <tr> <td>Loan to Value Percentage:</td> <td>60.32%</td> <td>0.00%</td> </tr> <tr> <td>Down Payment Percentage:</td> <td>10% <input type="button" value="v"/></td> <td></td> </tr> <tr> <td>Debt Borrowed or Assumed:</td> <td>\$ 141,750</td> <td>\$ -</td> </tr> <tr> <td>Interest Rate:</td> <td>9.000%</td> <td>0.000%</td> </tr> <tr> <td>Interest Only?</td> <td>Yes <input type="button" value="v"/></td> <td>Yes <input type="button" value="v"/></td> </tr> <tr> <td>Pay Monthly or Accrue?</td> <td>Accrue <input type="button" value="v"/></td> <td>Accrue <input type="button" value="v"/></td> </tr> <tr> <td>Term or Remaining Term of Loan (Months):</td> <td>36</td> <td>36</td> </tr> <tr> <td>Monthly Mortgage Payment (formula):</td> <td>\$ 1,063.13</td> <td>\$ -</td> </tr> <tr> <td>Loan Origination Points</td> <td>2.0</td> <td>-</td> </tr> <tr> <td>Loan Origination Points (in Dollars):</td> <td>\$ 2,835</td> <td>\$ -</td> </tr> <tr> <td>Finance Rehab Costs?:</td> <td><input type="button" value="v"/></td> <td></td> </tr> <tr> <td>Prepayment Penalty Percent (if any):</td> <td>0.00%</td> <td>0.00%</td> </tr> </tbody> </table> Initial Investment (Automatically Calculated): \$ 18,585				1st Mortgage	2nd Mortgage	Loan to Value Percentage:	60.32%	0.00%	Down Payment Percentage:	10% <input type="button" value="v"/>		Debt Borrowed or Assumed:	\$ 141,750	\$ -	Interest Rate:	9.000%	0.000%	Interest Only?	Yes <input type="button" value="v"/>	Yes <input type="button" value="v"/>	Pay Monthly or Accrue?	Accrue <input type="button" value="v"/>	Accrue <input type="button" value="v"/>	Term or Remaining Term of Loan (Months):	36	36	Monthly Mortgage Payment (formula):	\$ 1,063.13	\$ -	Loan Origination Points	2.0	-	Loan Origination Points (in Dollars):	\$ 2,835	\$ -	Finance Rehab Costs?:	<input type="button" value="v"/>		Prepayment Penalty Percent (if any):	0.00%	0.00%
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Prepayment Penalty Percent (if any):	0.00%	0.00%																																								
V	Income Taxes Federal Marginal Income Tax Rate: 33.0% <input type="button" value="v"/> State Marginal Income Tax Rate: 3% <input type="button" value="v"/> Capital Gain Income Tax Rate: 15% <input type="button" value="v"/> Capital Losses Subject to \$3,000 Limitation? No <input type="button" value="v"/>																																									

I. Property Costs

1. Property Purchase Price or Asking Price:

Enter the cost of the property in this section. This is the amount you have paid or plan to pay for the property. Either enter one amount in the "Property Purchase Price or Asking Price" cells or enter multiple amounts in the various cells as indicated. The program will add all of these amounts together and treat them as the cost of the property. The purchase price is used to compute your down payment, and rate-of-return.

2. Initial Improvements:

Enter the cost of improvements that you will make immediately to the property. These are amounts needed to repair the property which are not included in the "Property Purchase Price or Asking Price."

3. Closing Costs:

Enter the closing costs you expect to incur.

4. Other Initial Costs:

Enter any other initial costs that you expect to incur.

5. Projected Selling Price of Property or After Repair Value (ARV):

Enter the expected Fair Market Value (FMV) or future sale price of the property. This amount may be different than the purchase price. The FMV is used as the sales price of the property in the property sale analysis.

6. Projected Future Selling Expenses (as a % of Selling Price)

Enter the amount your plan to incur in selling the property once the renovation is completed. The amount is expressed as a percentage of the sales price. An example of a selling expense would be a real estate agent's commission.

II. Monthly Rehab & Project Costs

Rehab or renovation expenses can be entered in one of two ways. You can enter your projected project costs using either the "**Quick Rehab Input**" or the seven-page "**Detailed Rehab**" input screen. You can enter costs on both screens, but input from only one screen is used at any one time. Choose which screen you want the program to use by toggling either "**Use Quick Rehab Input Screen**" or "**Use Detailed Rehab Input Screen**" from the drop down menu.



Quick Rehab Input

On the "Input Data Screen," click on "**Quick Rehab Input**" to begin entering the rehab costs you plan to incur over the next twelve months.

1. Enter Rehab Description:

The descriptions are pre-populated, but you can edit or change these as needed.

2. Project Costs:

Enter the rental expenses that you expect to incur on an annual basis.

3. Select Month of Expense Outlay:

Select the month the cost of the rehab project will be incurred.

Johnson Foreclosure
 Low End Offer
 1212 Main St
 Atlanta GA 30330

Quick Rehab Input Screen		Project Costs	Select Month of Expense Outlay
Rehab Costs			
Bathroom	\$ 2,600		Month 1
Carpet			Month 1
Ceiling Fans	\$ -		Month 1
Decks	\$ 3,500		Month 3
Doors	\$ -		Month 1
Electrical	\$ -		Month 2
Fireplace	\$ -		Month 3
Flooring	\$ 3,500		Month 1
Garage Doors	\$ -		Month 2
Gutters	\$ -		Month 3
Heating & Cooling	\$ 2,650		Month 1
HVAC	\$ -		Month 1
Kitchen Appliances	\$ 750		Month 1
Kitchen Cabinets	\$ -		Month 1
Landscaping	\$ -		Month 1
Light Fixtures	\$ -		Month 1
Painting - Exterior	\$ 3,200		Month 3

7-Page Detailed Rehab Input Screen

On the "Input Data Screen," click on "**Detailed Rehab**" to begin entering the rehab costs you plan to incur over the next twelve months.

1. **Enter Rehab Description:** The descriptions are pre-populated ; however, you can edit or change these as needed.
2. **National Avg.:** The program is pre-populated with national costing averages and is offered only as a guide to help estimate the cost of repairs. Actual costs will depend on your local area and the type of labor and materials used.
3. **Enter Sq. Ft or Quantity:** Enter the square footage of the area to be repaired or quantity of items needed.
4. **Cost Estimate:** Enter the cost estimate for the item.
5. **Total:** The total is automatically calculated by multiplying the inputs from the "**Cost Estimate**" and the "**Sq. Ft or Quantity.**"
6. **Select Month of Expense Outlay:** Select the month the cost of the rehab project will be incurred.

Detailed Rehab Cost Input Screen				
Description	National Avg.	Sq. Ft.	QTY Quantity	Cost Estimate Total
Structure/Exterior				
Structure				
addition foundation to roof	\$75 - \$170/sq. ft.			\$ -
basement entrance	\$5,000 - \$10,000			\$ -
basement main beam	\$1,500			\$ -
basement support	\$600			\$ -
excavation/waterproofing	\$80 - 110 sq. ft.	290	\$ 95.00	\$ 23,790.00
foundation cracks (excavation method)	\$300 - \$900			\$ -
foundation cracks (injection method)	\$350			\$ -
lintel (masonry wall)	\$600			\$ -
lower basement	\$175 - \$110/sq. ft.			\$ -
remove bearing wall	\$2,500			\$ -
remove partition wall	\$600 - \$1,800			\$ -
re-support floor joist (bolting)	\$300 - \$300			\$ -
roof sheathing (replace)	\$5 - \$6/sq. ft.			\$ -
underpinning	\$300 - \$400/lin. ft.			\$ -
termita prevention (chemical soil treatment)	\$1400+			\$ -
Wall System				
aluminum siding	\$4 - \$5/sq. ft.			\$ -
brick veneer	\$6 - \$22/sq. ft.			\$ -
brick cleaning (unpainted)	\$2-50/sq. ft.			\$ -
brick cleaning (painted)	\$5-50/sq. ft.			\$ -
brick repointing	\$3 - \$7/sq. ft.			\$ -

III. Rental Income & Expenses (If Any)

A. Rent Roll

Generally, an investor does not receive rental income when flipping a property. However, there are circumstances in which an investor received rental income during a renovation such as when renovating one side of a duplex while renting out the other unit.

For these special circumstances, select "**Enter Rent Roll**" from the "Input Data Screen."

1. **Lease Description:** Enter the lessee's name or description of the lease.
2. **Monthly Rent:** For a single-family home, enter the monthly rent under the monthly rent column. For a duplex, apartments or other multi-unit complex, enter the monthly amount per lease in the column provided.
3. **Anticipated Number of Months to be Vacant:** Use the "Vacant" option if you know the property will be vacant for a few months **before** finding a tenant or if you plan on giving your tenant free rent as an incentive.

Rent Roll

Enter Lease Description	Monthly Rent	Enter Anticipated Number of Months to be Vacant
Unit 1		
Unit 2		
Unit 3	-	-
Unit 4	-	-
Unit 5	-	-
Unit 6	-	-
Unit 7	-	-
Unit 8	-	-
Unit 9	-	-
Unit 10	-	-
Unit 11	-	-
Unit 12	-	-
Unit 13	-	-
Unit 14	-	-
Unit 15	-	-

B. Operating Expenses

From the "Input Data Screen," click on the "**Enter Expenses**" button to enter your monthly expenses that you expect to incur while renovating the property. The expenses entered in this section are the carrying costs of the property such as property taxes, insurance, and utilities.

1. **Enter Expense Description:** The descriptions are pre-populated, but you can edit or change these as needed.
2. **Annual Amount:** Enter the rental expenses that you expect to incur on an annual basis.
3. **One-Time Expenses:** As an alternative input option, enter any one-time expenses that the property may incur. After you enter a one-time expense, select the month the expense will incur.

Expenses During Holding Period

- Home
- Main Report
- Input Data Screen
- Enter Rent Roll

Total Expenses From Below \$ 2,175

	Month 1	Month 2	Month 3	Month 4	Month 5
Expense Description:					
Advertising	\$ -	\$ 750	\$ -	\$ -	\$ -
Auto & Travel					
Cleaning & Maintenance					
Commissions					
Insurance	1,325				
Professional Fees					
Management Fees					
Supplies					
Pest Control					
Property Taxes					
Yard					
Gas					
Electricity	20	20	20	20	20
Phone					
Water					
Trash					
Misc.					
Misc.	-	-	-	-	-
Total	\$ 1,345	\$ 770	\$ 20	\$ 20	\$ 20

IV. Financing

If you are borrowing money from more than one source, this program feature allows you to enter up to two different loans (new or assumable). **Please note that this is not a loan comparison.**

1. **Debt Borrowed or Assumed:** Enter the amount borrowed.
2. **Interest Rate:** Enter the interest rate
3. **Interest Only?:** Select "Yes" for interest-only loans.
4. **Term or Remaining Term of Loan (Months):** Enter the term or length of the loan.
5. **Loan Origination Points:** Enter the loan origination points (if any). This amount is treated as additional cost and is amortized over the life of the loan.

6. **Prepayment Penalty Percent (if any):** Enter the prepayment penalty percentage if the loan is subject to a penalty.

7. **Initial Investment or Down Payment:** The initial investment or down payment is automatically calculated. The program takes the cost of the property and subtracts the debt entered above. The difference is treated as the down payment and is used to calculate the rate-of-return.

IV Financing

Loan to Value Percentage	<input type="text" value="63.03%"/>	1st Mortgage	2nd Mortgage
Debt Borrowed or Assumed:	<input type="text" value="\$ 150,000"/>	<input type="text" value="63.03%"/>	<input type="text" value="0.00%"/>
Interest Rate:	<input type="text" value="8.250%"/>	<input type="text" value="8.250%"/>	<input type="text" value="0.00%"/>
Interest Only?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Term or Remaining Term of Loan (Months):	<input type="text" value="12"/>	<input type="text" value="12"/>	<input type="text" value="12"/>
Monthly Mortgage Payment: (formula)	<input type="text" value="\$ 1,031.25"/>	<input type="text" value="\$ -"/>	<input type="text" value="\$ -"/>
Loan Origination Points	<input type="text" value="2.0"/>	<input type="text" value="2.0"/>	<input type="text" value="2.0"/>
Loan Origination Points (Dollars)	<input type="text" value="\$ 3,000"/>	<input type="text" value="\$ -"/>	<input type="text" value="\$ -"/>
Prepayment Penalty Percent: (if any)	<input type="text" value="0.000%"/>	<input type="text" value="0.000%"/>	<input type="text" value="0.000%"/>
Initial Investment (Cost less Debt - Automatically Calculated)		<input type="text" value="\$ 34,250"/>	

[Amort Schedules](#)

Amortization Schedules

Mortgage 1	
Principal	\$ 141,750
Rate	9.00%
Term	36
Payment	\$ 1,063.13

Mortgage 2	
Principal	\$ -
Rate	0.00%
Term	36
Payment	\$ -

Month	Balance	Principal	Interest Expense	Mortgage Payment	Balance	Principal	Interest Expense	Mortgage Payment
1	\$ 141,750	-	1,063.13	1,063.13	\$ -	-	-	-
2	141,750	-	1,063.13	1,063.13	-	-	-	-
3	141,750	-	1,063.13	1,063.13	-	-	-	-
4	141,750	-	1,063.13	1,063.13	-	-	-	-
5	141,750	-	1,063.13	1,063.13	-	-	-	-
6	141,750	-	1,063.13	1,063.13	-	-	-	-
7	141,750	-	1,063.13	1,063.13	-	-	-	-

V. Income Taxes

- A. **Federal Marginal Income Tax Rate:** From the drop-down menu, select the federal marginal income tax rate.
- B. **Federal Long-Term Capital Gains Rate:** From the drop-down menu, select the capital gain income tax rate.
- C. **State marginal Income Tax Rate:** From the drop-down menu, select the state marginal income tax rate.
- D. **Capital Losses Subject To \$3,000 Limitation?**

A loss from a sale of real estate is either an ordinary loss or a capital loss depending on whether you are classified as a 'dealer' or 'investor' for tax purposes. If you are considered an investor, then the loss from the sale of real estate is considered capital. A capital loss can only be offset by other capital gain plus \$3,000. Any remaining capital loss is carried forward on your personal tax return.

Thus, if the sale of your property generates a loss that exceeds \$3,000, and you do not have enough capital gain to offset the loss, and you are considered an investor for tax purposes, then you will not receive an immediate tax benefit for the loss on a sale of property. By selecting '**Yes**,' you are stating that you are subject to this limitation, and the program will not calculate a tax benefit for losses on the property sale beyond the \$3,000 limitation.

Tip: If the program shows that you are generating a loss, then you most likely will not be investing in the property. Thus, the question of receiving a tax benefit from a capital loss becomes a moot point. **We recommend selecting "Yes" to be conservative.**

- E. **Are Your Losses Limited by the Passive Loss Rules:**

Rental activity by definition is a passive activity. This generally means the operating losses generated from rental activities are not deductible until you have rental income or dispose of the property. However, if you are considered a 'dealer', then your losses will not be subject to this limitation. If you select "**Yes**" to this question, the program will not calculate a tax benefit for rental activity losses generated.

Tip: Passive losses are not subject to limitation in the year of disposition. Since most flips are bought and sold in a short period of

time, the Passive Activity Limitation probably will not have a material impact on your cash flow. However, be careful if the flip straddles two tax periods, e.g. you purchase a property in October and renovate it but do not sell it until January of the following year. **Because of the short-term nature of flips, we recommend selecting "No" to this item.**

Please consult your tax advisor for a complete explanation of these rules and how they apply to your specific circumstances.

V Income Taxes

Federal Marginal Income Tax Rate:	28.0%
Federal Long-Term Capital Gains Rate:	15%
State Marginal Income Tax Rate:	0%
Capital Losses Subject to \$3,000 Limitation?	5%
Are Your Losses Limited by the Passive Loss Rules?	10%
	15%
	20%
	28%

GOAL SEEKING / SENSITIVITY ANALYSIS

After your initial input, you will want to perform "what-if" scenarios. You can do this by returning to the various input screens and changing your input. When you change your input, e.g. property appreciation rate, the output is updated immediately. You can view the new results by clicking on the respective reports or graphs.

You can also perform goal seeking by entering a required or preferred return and solve backwards to obtain the Selling Price, Purchase Price, or Maximum Rehab Expenses. To begin goal seeking after you have an analysis inputted, click on the 'Sensitivity Analysis' button.

[Sensitivity Analysis](#)

The Goal Seek input screen will already be pre-populated with the existing input and output from your analysis. To solve for a variable, simply enter the desired rate of return in the yellow input cell, select the year in which you want the cumulative return to be achieved, enter the property appreciation rate, and click "**Seek Answer.**" The Goal Seek will calculate the purchase price needed to achieve the desired rate-of-return.

Goal Seeking & Sensitivity Analysis	
Original Purchase Price	\$ 157,500
Original Fair Market Value	\$ 235,000
Total Rehab Expenses	\$ 19,450

Calculate Maximum Offer Price	
To achieve a Profit of	\$ - by Month
Your offer should be:	\$ - Compared to Existing Input of \$ 157,500 and Profit of \$ 21,671
<input type="button" value="Set Answer"/>	

Determine Optimal Selling Price	
To achieve a Profit of	\$ - by Month
You must sell the property for:	\$ - Compared to Existing Input of \$ 235,000 and Profit of 21,671
<input type="button" value="Set Answer"/>	

Determine Maximum Rehab Expenses	
To achieve a Profit of	\$ - by Month
You can't spend more than:	\$ - Compared to Existing Input of \$ 19,450 and Profit of 21,671
<input type="button" value="Set Answer"/>	

PARTNER REPORTS

Creating a report that calculates a partner's share is easy. On the "main navigational screen," click the **"Partnership Info"** button to view the input screen.

13. Enter the partner name,
14. Enter the partner's ownership percentage,
15. Enter the managing partner's preferred return (if any),
16. Enter the managing partner's ownership percentage.
17. Enter the managing partner's ownership percentage.

Partnership Allocation of Cash Flow

Prepared for:

Partner Name
 Partner Ownership %
 Partner's Preferred Return
 Managing Partner's Ownership %
Required Partner Cash Investment

Limited Partner	
0.00%	
0.00%	Limited Partner's Preference <input type="text"/>
0.00%	
-	

FLIP PROFIT / LOSS

Total Partnership Profit / Loss
 Limited Partner's Preference
 Managing Partner's Share
 Other Partner's Share (if any)
This Partner's Share

	Month 1	Month 2	Month 3	Month 4	Month 5
Total Partnership Profit / Loss	\$ 25,540	\$ 24,766	\$ 23,992	\$ 23,219	\$ 22,445
Limited Partner's Preference	-	-	-	-	-
Managing Partner's Share	-	-	-	-	-
Other Partner's Share (if any)	25,540	24,766	23,992	23,219	22,445
This Partner's Share	\$ -	\$ -	\$ -	\$ -	\$ -
Partner					
Partner's Share	\$ -	\$ -	\$ -	\$ -	\$ -
Partner's Preferred return (if any)	-	-	-	-	-
Partner's Total Share	-	-	-	-	-
Partner's Required Cash Investment	\$ -	\$ -	\$ -	\$ -	\$ -
This Partner's Cash on Cash Return	0.00%	0.00%	0.00%	0.00%	0.00%

FLIP PROFIT / LOSS

Total Partnership Profit / Loss
 Limited Partner's Preference
 Managing Partner's Share
 Other Partner's Share (if any)
This Partner's Share

	Month 13	Month 14	Month 15	Month 16	Month 17
Total Partnership Profit / Loss	\$ 20,826	\$ 19,835	\$ 18,844	\$ 17,852	\$ 16,861
Limited Partner's Preference	-	-	-	-	-
Managing Partner's Share	-	-	-	-	-
Other Partner's Share (if any)	20,826	19,835	18,844	17,852	16,861
This Partner's Share	\$ -	\$ -	\$ -	\$ -	\$ -
Partner					
Partner's Share	\$ -	\$ -	\$ -	\$ -	\$ -
Partner's Preferred return (if any)	-	-	-	-	-
Partner's Total Share	-	-	-	-	-
Partner's Required Cash Investment	\$ -	\$ -	\$ -	\$ -	\$ -
This Partner's Cash on Cash Return	0.00%	0.00%	0.00%	0.00%	0.00%

SEVEN-PAGE DETAILED HOME INSPECTION REPORT

Inspection Checklist						
Name						
Property Location						
City, State, Zip						
Date of Inspection						
Exterior						
Asp/Gravel	Siding	Masonry	Roof Present	Roof Inspected	New Comments	
						Item
						Potential Issues/Concerns
						Notes
						Steps
						Cracking, slurriness, loose material, level
						Walkways
						Cracking, tree roots penetrating, uneven
						Decking
						Cracked beams, level wood
						Retaining Walls
						Leaning, cracks, weep holes for drainage
						Driveway
						Cracking, clean
						Trees
						Dead trees
						Vegetation
						Overgrown
						Basement Stairwell
						Look for signs of water penetration
						Grading
						Should grade away from home
						Fences
						Unstable, needs repair
						Type: Circle one Vinyl Brick Wood Alum. Stone
						Check for loose, bent, cracked, or broken pieces. Inspect all caulked joints, particularly around window and door trim.
						Soffits
						Rot, Falling from home
						Entry Doors
						Lock working properly-weather seals

BUDGET, REHAB & PERFORMANCE TRACKING

Tracking your budget and performance is easy. Enter the actual expenses that you incurred and compare them to the projected items that you previously entered. Choose which month you want to compare by selecting the month from the drop-down menu. You can keep track of your expenses and determine what your actual cash-on-cash return. The report can also be used to help organize your records for income tax preparation.

Budget, Rehab & Performance Tracking			
	Budget	Actual Costs	Variance Over / (Under)
Choose which month to compare: <input type="button" value="Month 7"/>			
Projected / Actual Sales Price	\$ 235,000	\$ 245,000	\$ 10,000
Estimated / Actual Selling Expenses	(14,100)	(15,000)	(900)
Net Projected / Actual Sales Price	\$ 220,900	\$ 230,000	\$ 9,100
Description of Rehab Expenses			
Bathroom	\$ (2,500)	\$ (2,650)	\$ (150)
Carpet	-	-	-
Ceiling Fans	-	-	-
Decks	(3,500)	(3,200)	300
Doors	-	-	-
Electrical	-	(3,200)	(3,200)
Fireplace	-	-	-
Flooring	(3,500)	(2,400)	1,100
	-	-	-
	(2,650)	(4,200)	(1,550)
	(750)	(850)	(100)
	-	(3,250)	(3,250)
Landscaping	-	-	-
Light Fixtures	-	-	-
Painting - Exterior	(3,200)	(2,750)	450
Painting - Interior	(1,100)	(1,350)	(250)
Paving	-	-	-
Pest Control	-	-	-
Plumbing	-	-	-
Roof Repairs	-	-	-
Siding/Brick/Stucco	-	-	-
Soil Inspection	-	(250)	(250)
Supplies	-	(750)	(750)
Trash Removal	-	(1,000)	(1,000)
Tree Removal	-	-	-
Wall Board	-	(985)	(985)
Water Heater	(250)	(275)	(25)
Windows	-	(1,250)	(1,250)
Other	-	-	-
Other	-	-	-
Miscellaneous	-	-	-
Miscellaneous	-	-	-
Miscellaneous	(2,000)	(1,575)	425
Miscellaneous	-	-	-
Miscellaneous	(500)	-	500
Total Rehab Costs	\$ (19,950)	\$ (29,936)	\$ (9,986)
Purchase Price of Property	\$ (157,500)	\$ (160,000)	\$ (2,500)
Points Estimated / Paid	(3,000)	(2,600)	400
Prepayment Penalty (if any)	-	-	-
Cumulative Interest Expense	(7,219)	(7,300)	(81)
Rental Income (if Any)	-	-	-
Operating Expenses	(2,175)	(3,000)	(825)
Income Taxes	(11,801)	(12,000)	(199)
Total Debt Borrowed	150,000	150,000	-
Total Cumulated Cash Generated	\$ 19,255	\$ 15,165	\$ (4,090)
Cash on Cash Return	63.23%	36.32%	-27.91%

Budget items are automatically filled from the analysis.

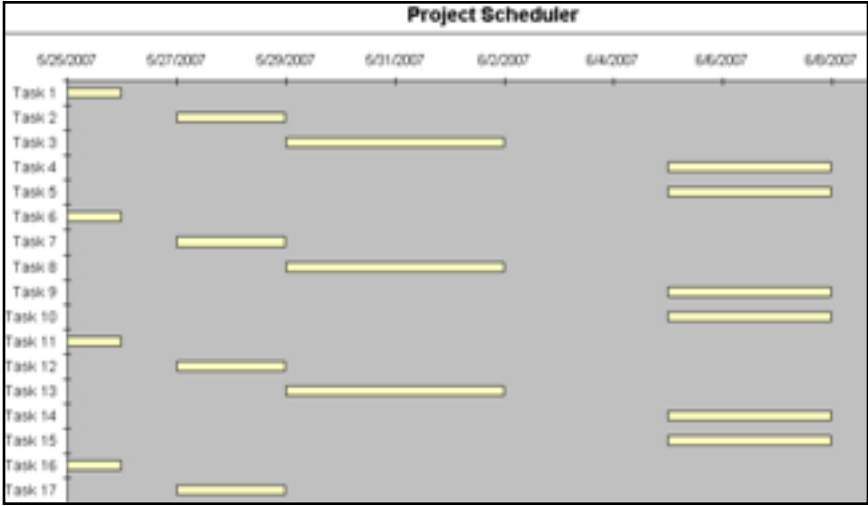
Your actual return is calculated

PROJECT & TASK SCHEDULER

Chart Title: **Project Scheduler** Make/Update Chart

	TASK	Start Date	End Date	% Complete
1	Begin demolition of drywall	5/25/2007	5/26/2007	20.0%
2	Structure repairs	5/27/2007	5/29/2007	20.0%
3	Kitchen wall addition	5/29/2007	6/2/2007	10.0%
4	Interior paint	6/5/2007	6/8/2007	0.0%
5	Landscape plans	6/5/2007	6/8/2007	0.0%
6				0.0%
7				0.0%
8				0.0%

The Project & Task Scheduler allows you to enter project tasks descriptions, start date, end date and the percent complete. Clicking on “**Make/Update Chart**” creates a Gantt chart listing the scheduled tasks and dates accordingly.



Sample Flipper's CFA Reports, Graphs & Charts

Cover



Jenson Foreclosure

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Fact # 1 About This Wonderful Property
Fact # 2 About This Wonderful Property
Fact # 3 About This Wonderful Property
Fact # 4 About This Wonderful Property
Fact # 5 About This Wonderful Property

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Executive Report

Executive Summary

Jenson Foreclosure

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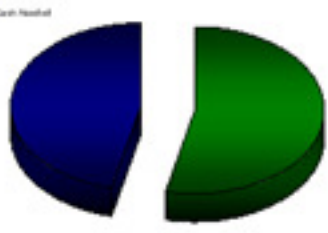
Financial Information

Estimated Project Completion Date	Months 6
Projected After-Repair Value Sales Price	\$ 175,000
Estimated Selling Expenses	(14,000)
Cumulative Rehab Costs & Holding Expenses	(15,074)
Income Tax Benefit (Cost) from Sale	(10,419)
Asking Price & Closing Costs	(110,000)
Funds Needed	\$ 22,000
TOTAL CASH Profit on FLIP	\$ 25,508
Total Cash on Cash Return b4 Taxes	163.30%
Total Cash on Cash Return at Taxes	115.94%

Financial Breakout

Summary Description & Notes

■ Funds Needed
■ Cash Needed



Type or cut & paste your summary and/or notes in this box.

Disclaimer: All Information Presented is Believed to be Accurate.

The information contained in this presentation is for informational purposes only and does not constitute an offer of any financial product. The information contained in this presentation is not intended to be used as a basis for any legal, accounting or other professional advice. Please seek professional advice as appropriate for the making of any financial decision.

Up to 24-Month Cash Flow

FLIP PROFIT / LOSS CALCULATION

Display 24 Months

	Month 1	Month 2	Month 3	Month 4
Projected After-Repair Value Sales Price	\$ 235,000	\$ 235,000	\$ 235,000	\$ 235,000
FMV Adjustment Option (+/-)				
Adj Projected After-Repair Value Sales Price	\$ 235,000	\$ 235,000	\$ 235,000	\$ 235,000
Selling Expenses	(14,100)	(14,100)	(14,100)	(14,100)
Income Tax Benefit (Cost) from Sale	(14,366)	(13,931)	(13,496)	(13,060)
Cumulative Rehab & Holding Expenses	(20,513)	(21,576)	(22,639)	(23,703)
Interest Expense - Rehab Costs (if financed)	(146)	(292)	(438)	(584)
Points Paid (if any)	(2,835)	(2,835)	(2,835)	(2,835)
Prepayment Penalty (if any)				
Equity Generated from Monthly Payments				
Initial Purchase Price	\$ (157,500)	\$ (157,500)	\$ (157,500)	\$ (157,500)
TOTAL CASH Profit/Loss on FLIP	\$ 25,540	\$ 24,766	\$ 23,992	\$ 23,219
Cumulative Funds Needed/Used	\$ 18,585	\$ 18,585	\$ 18,585	\$ 18,585
Total Cash on Cash Return b/f Taxes	214.72%	208.22%	201.71%	195.21%
Total Cash on Cash Return a/t Taxes	137.42%	133.26%	129.10%	120.77%

NET CASH GENERATED

Net Proceeds from Sale	\$ 220,900	\$ 220,900	\$ 220,900	\$ 220,900
Debt Payoff	(141,750)	(141,750)	(141,750)	(141,750)
Cumulative Rehab & Holding Expenses	(20,513)	(21,576)	(22,639)	(23,703)
Interest Expense - Rehab Costs (if financed)	(146)	(292)	(438)	(584)
Prepayment Penalty (if any)				
Income Tax Benefit (Cost) from Sale	(14,366)	(13,931)	(13,496)	(13,060)
Initial Cash Investment	(18,585)	(18,585)	(18,585)	(18,585)
TOTAL CASH Profit/Loss on FLIP	\$ 25,540	\$ 24,766	\$ 23,992	\$ 23,219

REHAB COSTS & HOLDING EXPENSES

REHAB Costs from Schedule	\$ (19,450)			
Other Monthly Expenses				
Mortgage Payments - 1st Mortgage	(1,063)	(1,063)	(1,063)	(1,063)
Mortgage Payments - 2nd Mortgage				
Rental Income (if any)				
Monthly Net Cash Out Flow	\$ (20,513)	\$ (1,063)	\$ (1,063)	\$ (1,063)
Cumulative REHAB & Holding Costs	\$ (20,513)	\$ (21,576)	\$ (22,639)	\$ (23,703)

Up to 24 Month Tax Analysis

Taxable Income Analysis - Property Sale				
	Month 1	Month 2	Month 3	Month 4
Projected Property Sales Price	\$ 235,000	\$ 235,000	\$ 235,000	\$ 235,000
Estimated Selling Expenses	(14,100)	(14,100)	(14,100)	(14,100)
Cumulative Improvements Made	(19,450)	(19,450)	(19,450)	(19,450)
Amortization Points Paid	(2,835)	(2,835)	(2,835)	(2,835)
Interest Expense	(1,209)	(2,418)	(3,627)	(4,836)
Prepayment Penalty (if any)	-	-	-	-
Other Holding Expenses Less Rents (if Any)	-	-	-	-
Original Cost of Property	(157,500)	(157,500)	(157,500)	(157,500)
Taxable Gain (Loss) on Property Sale	\$ 39,906	\$ 38,697	\$ 37,488	\$ 36,279
Combined Federal & State Tax Rate	35.00%	35.00%	35.00%	35.00%
Tax (Expense) Benefit from Sale	(14,366)	(13,931)	(13,496)	(13,060)

Taxable Income Analysis - Property Sale				
	Month 13	Month 14	Month 15	Month 16
Projected Property Sales Price	\$ 235,000	\$ 235,000	\$ 235,000	\$ 235,000
Estimated Selling Expenses	(14,100)	(14,100)	(14,100)	(14,100)
Cumulative Improvements Made	(19,450)	(19,450)	(19,450)	(19,450)
Amortization Points Paid	(2,835)	(2,835)	(2,835)	(2,835)
Interest Expense	(15,717)	(16,926)	(18,135)	(19,344)
Prepayment Penalty (if any)	-	-	-	-
Other Holding Expenses Less Rents (if Any)	-	-	-	-
Original Cost of Property	(157,500)	(157,500)	(157,500)	(157,500)
Taxable Gain (Loss) on Property Sale	\$ 25,398	\$ 24,189	\$ 22,980	\$ 21,771
Combined Federal & State Tax Rate	18.00%	18.00%	18.00%	18.00%
Tax (Expense) Benefit from Sale	(4,572)	(4,354)	(4,136)	(3,919)

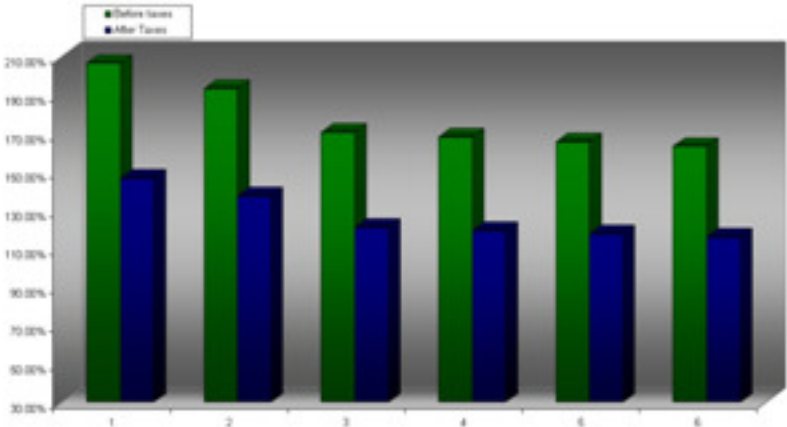
Cash-on-Cash Return Graph

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 2233 Main St
 Atlanta GA 30304



Douglas Rutherford, CPA
 800-260-4100

Cash on Cash Return



Time Period	Net Cash Profit	Income Taxes	Net Cash Profit & P Losses	Non Financed Expenses	Cash on Cash Return of Taxes	Cash on Cash Return w/ Taxes
Month 1	\$ 32,276	\$ (13,180)	\$ 45,457	\$ -	205.52%	146.71%
Month 2	36,228	(12,347)	42,574	0	189.52%	137.40%
Month 3	26,626	(10,080)	37,510	0	179.52%	121.08%
Month 4	26,262	(10,720)	36,974	-	176.52%	119.33%
Month 5	25,675	(10,000)	36,443	-	165.52%	117.61%
Month 6	25,600	(10,410)	36,308	-	163.35%	115.94%

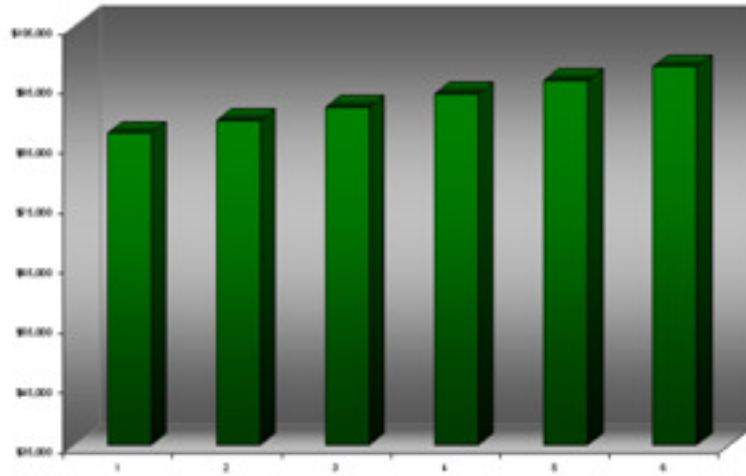
Equity Generated

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Equity Generated



Time Period	End of Period Property Value	Loan(s) Outstanding	Property Equity	Loan to Value Ratio	Ownership Percentage	Child's Equity
Month 1	\$ 175,000	\$ 98,000	\$ 77,000	56.2%	46.7%	1.21
Month 2	175,000	95,796	79,204	54.7%	51.2%	2.86
Month 3	175,000	93,579	81,421	53.5%	52.2%	3.81
Month 4	175,000	91,350	83,650	52.2%	53.5%	4.87
Month 5	175,000	89,107	85,893	51.0%	54.8%	5.82
Month 6	175,000	86,841	88,149	49.6%	56.1%	6.76

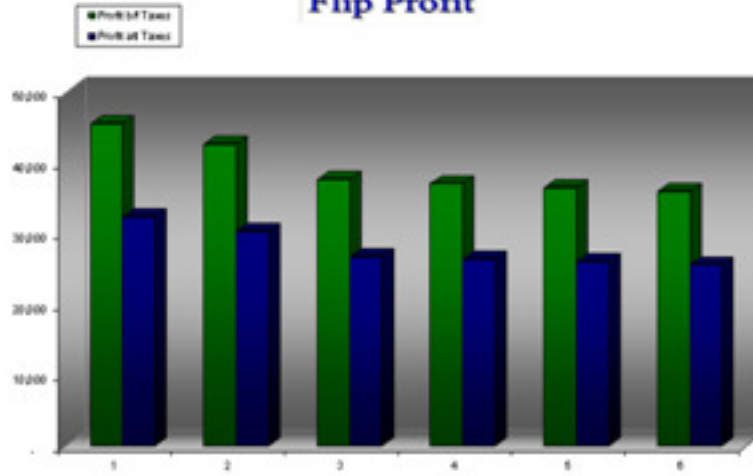
Flip Profit

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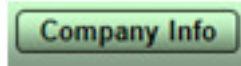
Flip Profit



Time Period	Net Cash Profit at Taxes	Net Cash Profit of Taxes
Month 1	46,421	33,275
Month 2	42,574	30,239
Month 3	37,519	26,939
Month 4	36,574	26,292
Month 5	36,442	25,875
Month 6	35,928	25,508


INSERTING PICTURES & LOGO

To insert picture on the Cover and Photo Album, click the "Insert Picture" button. To insert a company logo, click the "Logo/Prop Info" button and follow the prompts.



SAVING A FILE

In Excel 2003, go to "**File**" and choose "**Save As...**". Enter the name of the file, choose the directory in which you want the file saved, and click "**OK.**"

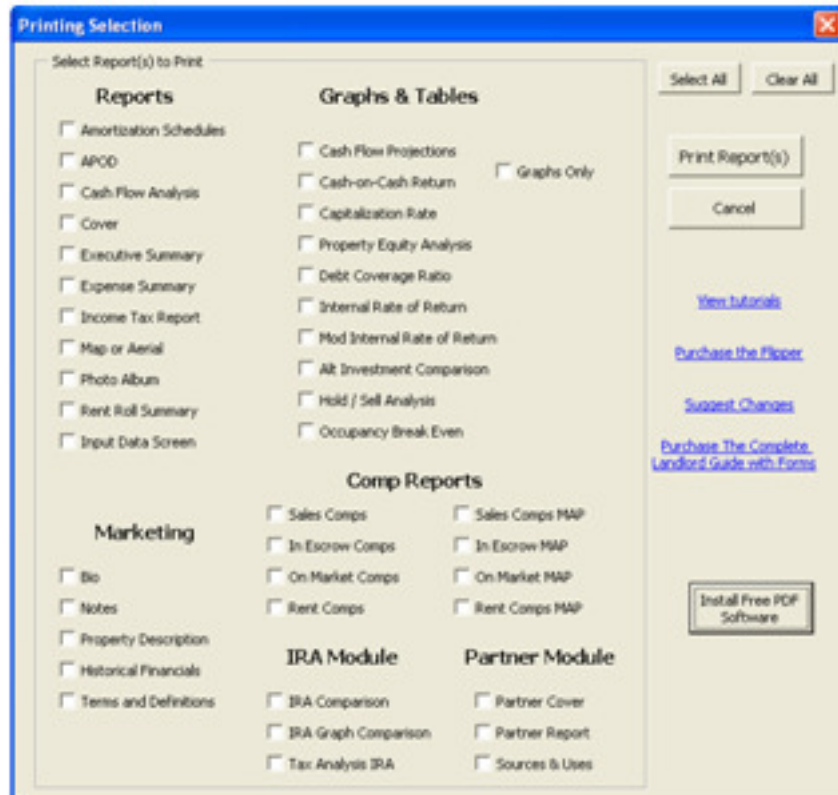
In Excel 2007, click on the Excel circle  and choose "**Save As...**". Enter the name of the file, choose the directory in which you want the file saved, and click "**OK.**" Be sure the file is saved as a macro-enabled workbook.

In Excel 2010, go to "**File**" and choose "**Save As...**". Enter the name of the file, choose the directory in which you want the file saved, and click "**OK.**"

PRINTING



The Cash Flow Analyzer (CFA) Reports menu allows you to specify which of the many reports you wish to print. Click the "**Print**" button and a print menu screen will appear. Select which reports you want to print by clicking the box next to the report name. When you have selected your reports, click the "**Print Report(s)**" button and the printer selection screen will open.



INSTALLING THE PDF WRITER & PRINTING IN PDF

If you do not already have the capability of printing in PDF format, we have included a PDF writer that you can install. Click on "**Print Reports**," then on the print menu, click "**Install Free PDF Software**." This will launch the two programs required to install a new printer called "Cute PDF Writer."

Print reports in PDF by printing normally but choosing the Cute PDF printer. You will be prompted to save the file. You can then email or fax the saved file to a client or investor.

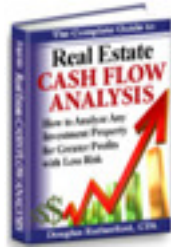
USING RULES OF THUMB

One of the frequent requests we receive is for an estimate or 'rule of thumb' for certain input items such as vacancy rate or property appreciation rate.

While using estimates is common in the beginning stages of an analysis or screening, you must do your homework and own legwork to find out for yourself what those items will realistically be for your area, region, and property type.

Relying on someone else's estimate when that person does not know you, know your risk tolerance, know your experience level, your area and region, or have any information about your specific property is dangerous to say the least.

A DISCUSSION OF FINANCIAL RATIOS



The following is a brief discussion of various financial ratios and concepts. For a more in-depth discussion of these ratios and an over view of the decision-making process, please consult [The Complete Guide to Real Estate Cash Flow Analysis](#) which is available for purchase from our website.

NET OPERATING INCOME (NOI)

Net operating income (NOI) is the net cash generated before mortgage payments and taxes. NOI is calculated by adding the property's gross rental income to any other income (such as late fees or parking income) and then subtracting vacancies and rental expenses.

DEBT COVERAGE RATIO (DCR)

Debt Coverage Ratio (DCR) is also known as the Debt Service Coverage Ratio (DSCR). The DCR measures your ability to pay the property's monthly mortgage payments from the cash generated by the rental property. Bankers and lenders use this ratio as a guide to determine whether the property will generate enough cash to pay rental expenses and whether there will be enough money remaining to pay back the money borrowed.

The DCR is calculated by dividing the property's annual net operating income (NOI) by the property's annual debt service. Annual debt service is the annual total of all mortgage payments (i.e. the principal and accrued interest but not escrow payments).

EXAMPLE:

Assume a net operating income of \$20,000 and debt payments of \$15,000. The DCR is 1.33 ($\$20,000 \div \$15,000 = 1.33$).

A debt coverage ratio less than one (e.g. .75) indicates that there is not enough cash flow to pay the property's rental expenses much less the mortgage payments. Obviously, a lender will not be willing to loan you money to purchase a property that does not generate enough cash to pay him/her back. In the above example, the DCR of 1.33 means that the property will generate 1.33 times (33%) more cash required than what is required to pay the mortgage.

CASH-ON-CASH RETURN

Cash-on-Cash Return is probably the most important ratio needed when evaluating the long-term performance of a rental property. Cash-on-Cash Return is the property's annual net cash flow divided by the net investment, expressed as a percentage.

EXAMPLE:

If the net cash flow from a property is \$10,000 and the cash invested in the property is \$100,000, the Cash-on-Cash return is calculated to be 10% ($\$10,000 \div \$100,000$). The net investment in the property is the cost of the property minus the amount borrowed.

An easy way to understand the ratio is to compare it to a return on a certificate of deposit. If the bank pays you an annual return of, say 5%, the 5% is the Cash-on-Cash return on the deposit.

Please note that the Cash-on-Cash return does not include property appreciation which is a non-cash flow item until the year of sale. Therefore, if you are evaluating a property on a long-term basis, you need to focus more on the annual cash flow as it relates to your investment and focus less on property appreciation.

CAPITALIZATION RATE (CAP RATE)

The Cap Rate is a ratio that places a value on a property based on the net operating income (NOI) it generates which allows for a comparison of properties with different fair market values (FMV). The Cap Rate is computed by taking the rental NOI and dividing it by the property's FMV. The higher the Cap Rate, the better the property is said to be performing. Note that the Cap Rate is not a computation of an investment return but rather a way of

understanding how a property will generate NOI so it can be compared to other properties.

Cap Rate - Practical Use #1

You can use the Cap Rate to value your property. Let's say that your property generates \$10,000 of annual net operating income. Your real estate agent tells you that the Capitalization Rate in your area is approximately 4%. That would mean that the approximate fair market value of your property is \$250,000 ($\$10,000 \div .04$).

Cap Rate - Practical Use #2

Assume that you are comparing two properties. The first property has a projected NOI of \$20,000 and an asking price of \$500,000. The second property has a NOI of only \$10,000 with an asking price of \$110,000. Which one would the Cap Rate suggest is a better investment? The Cap Rate would suggest that the second property is a better investment since the Cap Rate is 9% ($\$10,000 \div \$110,000$) versus 4% ($\$20,000 \div \$500,000$).

If you are able to obtain reliable capitalization rate data, you can use this information to compare to the output that the Landlord's Cash Flow Analyzer Pro calculates, based on your input. This will help you to gauge whether or not the asking price for a property is over or under the property's fair market value.

LOAN-TO-VALUE RATIO (LVR)

The Loan-to-Value Ratio is the amount of a secured loan or mortgage divided by the fair market value of the property. For example, if your property is worth \$100,000 and you have a mortgage balance of \$50,000, the Loan-to-Value ratio on your home would be 50%. The LVR helps you quickly determine how leveraged your property is based on the fair market value of the property versus your cost. You can also use the LVR to determine the amount of your equity.

If you have more than one loan secured against your property, add together the outstanding value of each loan in order to calculate the Loan-to-Value ratio. For example, if your home is worth \$100,000 and you have a mortgage balance of \$50,000, the Loan-to-Value ratio on your home would be 50%. However, if you also have a second secured loan on your home for \$25,000, the Loan-to-Value ratio on your home would be 75% ($(50,000 + 25,000) \div 100,000$).

GROSS RENT MULTIPLIER (GRM)

The Gross Rent Multiplier (GRM) is another way to value and compare properties. Used mostly in the apartment industry, the GRM is much like the Capitalization Rate except the gross rental income rather than the net operating income (NOI) is used to determine the value of a property. The GRM is calculated by dividing the fair market value of the property by the annual or monthly gross rental income.

EXAMPLE:

If the sales price for a property is \$200,000 and the annual gross rental income for a property is \$25,000, the GRM is equal to 8 ($\$200,000 \div \$25,000$).

INTERNAL-RATE-OF-RETURN (IRR)

When an investment creates differing amounts of annual cash flow, a rate-of-return can be determined by calculating the Internal-Rate-of-Return (IRR). The formula for computing the IRR is very complicated but essentially an IRR is the rate needed to convert (or discount) the future uneven cash flow to equal your initial investment or down payment.

EXAMPLE:

Assume a cash flow of \$10 in the second year. Also, assume that in order to generate that \$10, you had to invest \$50. In this example, you have an outflow of \$50 the first year and an inflow of \$60 in the second year (\$10 earnings plus the \$50 return of your initial investment). To convert or discount the \$60 back to today's dollars to equal your initial investment of \$50, a discount rate of 20% is required. Thus, your IRR is 20%.

In other words, IRR is the discount rate at which the "net" present value of all future cash flow is zero (discounted future cash flows = starting investment amount). The "net" meaning you subtract your initial investment.

Please note that an IRR can't be computed if the investment is zero such as no-money down investment, or an IRR can be astronomically large if the investment (down payment) is very small in comparison to the cash flow and profit.

MODIFIED INTERNAL-RATE-OF-RETURN (MIRR)

The Modified-Internal-Rate-of-Return (MIRR) is used to correct a significant inherent problem with the IRR calculation. The IRR formula assumes that you are reinvesting the annual cash flow at the same rate as calculated by the IRR. As a result, when you have a property that generates significant cash flow, the calculated IRR will overstate the likely financial return of the property. The MIRR allows you to enter a different rate that is applied to the property's annual cash flow. Using the MIRR will more closely mimic the real rate of return since operating cash flow is rarely invested at a higher rate than a bank savings rate.

The *finance rate* is the annual interest rate paid to borrow money during years the property experiences a negative cash flow.

The *reinvestment rate* is the rate-of-return earned on the excess cash flow that is generated by the property.

CUSTOMER SERVICE

If you have any questions, need technical assistance, or if you need to contact us for any other reason, please call us toll free at **866-290-4183**.

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Lilburn, GA 30047
Info@LandlordSoftware.com

NEED PERSONAL HELP WITH YOUR ANALYSIS?

Our customer service is unmatched by our competition. We are here to help you get started and answer any questions about our software on our toll-free line. But sometimes our customers want more hands-on help understanding a particular rental property analysis. Either worried about making a mistake or knowing the value of experienced professional consulting, many of our customers seek our assistance to ensure they are analyzing real estate properly. Thus, we offer our **Coaching and CPA Analysis Review Service**.

Our **Coaching & CPA Analysis Service** goes beyond the normal customer service. We actually review your rental property analysis with you over the phone and through email. We also explain the significance of the calculations, financial ratios, and their respective purposes. We help you understand the story the numbers are painting so that you can determine whether that property's performance will meet your investment objectives. Our customers not only gain the confidence to begin investing sooner, but they walk away with an education! There really is nothing like having a CPA firm on call that specializes in rental property analysis.



Cash Flow Analyzer



About the Software's Creator:

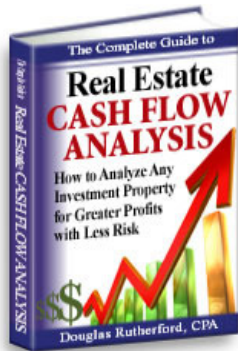
Douglas Rutherford is a nationally recognized CPA practicing in the real estate industry. He is an author, businessman, real estate investor, the founder of Rutherford, CPA & Associates, P.C., and is the President and CEO of LandlordSoftware.com LLC.

Doug developed the Cash Flow Analyzer® software series beginning in 1993 to assist his clients in analyzing real estate investments. **Today, over 25,000 real estate investors, brokers, agents, bankers, mortgage lenders, and others in the USA, Canada, Australia, and other foreign countries use the Cash Flow Analyzer® software.**

The Cash Flow Analyzer® software series is the leading investment analysis software product on the market today.

Doug earned a Bachelors in Accounting and a Masters of Taxation degree from Georgia State University, Atlanta, Georgia.

Doug is a member of the America Institute of Certified Public Accountants (AICPA), the Georgia Society of Certified Public Accountants (GSCPA), and the National Society of Tax Professionals (NSTP).



The Complete Guide to Real Estate Cash Flow Analysis

www.RentalSoftware.com