

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

<b>Tax Analysis - Operations</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Net Operating Income (NOI) from CFA</b>	\$ 156,110	\$ 159,445	\$ 162,848	\$ 166,322	\$ 169,867
Expense Portion of Capital Reserve	(2,500)	(2,525)	(2,550)	(2,576)	(2,602)
Tax Depreciation	(49,659)	(51,818)	(51,818)	(51,818)	(51,818)
Tax Depreciation - Reserve/Improvements	(87)	(179)	(272)	(365)	(460)
Amortization of Loan Origination Points	(587)	(613)	(613)	(613)	(613)
Interest Expense - Mortgage #1	(75,034)	(79,861)	(77,639)	(75,262)	(72,720)
<b>Operating Taxable Income (Loss)</b>	<u>\$ 28,243</u>	<u>\$ 24,449</u>	<u>\$ 29,957</u>	<u>\$ 35,688</u>	<u>\$ 41,655</u>
Federal & State Tax Rate	34.00%	34.00%	34.00%	34.00%	34.00%
<b>Income Tax Benefit (Expense)</b>	<u>\$ (9,602)</u>	<u>\$ (8,313)</u>	<u>\$ (10,185)</u>	<u>\$ (12,134)</u>	<u>\$ (14,163)</u>
Subject to Suspended Loss Rules?	<b>Yes</b>				

<b>Tax Analysis - Property Sale</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Adjusted Projected Sales Price</b>	\$ 1,834,293	\$ 1,873,475	\$ 1,913,467	\$ 1,954,283	\$ 1,995,941
Original Cost of Property	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)
Less: Funded Reserves	(2,500)	(5,025)	(7,575)	(10,151)	(12,753)
Loan Origination Points Paid	(12,250)	(12,250)	(12,250)	(12,250)	(12,250)
<b>Gain (Loss) on Property</b>	<u>\$ 44,543</u>	<u>\$ 81,200</u>	<u>\$ 118,641</u>	<u>\$ 156,882</u>	<u>\$ 195,939</u>
Accumulated Depreciation/Amortization	50,246	102,764	155,373	208,076	260,872
Accumulated Dep - Reserve/Improvements	87	179	272	365	460
<b>Total Accumulated Depreciation</b>	<u>\$ 50,333</u>	<u>\$ 102,943</u>	<u>\$ 155,645</u>	<u>\$ 208,441</u>	<u>\$ 261,331</u>
<b>Taxable Gain (Loss) on Property Sale</b>	<u>\$ 94,876</u>	<u>\$ 184,143</u>	<u>\$ 274,286</u>	<u>\$ 365,323</u>	<u>\$ 457,270</u>
Capital Gain & State Rate on Sale	21.00%	21.00%	21.00%	21.00%	21.00%
Income Tax Benefit (Expense)	(19,924)	(38,670)	(57,600)	(76,718)	(96,027)
Recapture Tax	(4,975)	(10,174)	(15,383)	(20,602)	(25,829)
<b>Income Tax Benefit (Expense)</b>	<u>\$ (24,899)</u>	<u>\$ (48,844)</u>	<u>\$ (72,983)</u>	<u>\$ (97,319)</u>	<u>\$ (121,856)</u>

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<b>Tax Analysis - Operations</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>Net Operating Income (NOI) from CFA</b>	\$ 173,486	\$ 177,179	\$ 180,948	\$ 184,795	\$ 188,721
Expense Portion of Capital Reserve	(2,628)	(2,654)	(2,680)	(2,707)	(2,734)
Tax Depreciation	(51,818)	(51,818)	(51,818)	(51,818)	(51,818)
Tax Depreciation - Reserve/Improvements	(555)	(652)	(749)	(848)	(947)
Amortization of Loan Origination Points	(613)	(613)	(613)	(613)	(613)
Interest Expense - Mortgage #1	(70,001)	(67,092)	(63,981)	(60,654)	(57,094)
<b>Operating Taxable Income (Loss)</b>	<u>\$ 47,871</u>	<u>\$ 54,350</u>	<u>\$ 61,107</u>	<u>\$ 68,156</u>	<u>\$ 75,515</u>
Federal & State Tax Rate	34.00%	34.00%	34.00%	34.00%	34.00%
<b>Income Tax Benefit (Expense)</b>	<u>\$ (16,276)</u>	<u>\$ (18,479)</u>	<u>\$ (20,776)</u>	<u>\$ (23,173)</u>	<u>\$ (25,675)</u>
Subject to Suspended Loss Rules?	<b>Yes</b>				

<b>Tax Analysis - Property Sale</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>Adjusted Projected Sales Price</b>	\$ 2,038,458	\$ 2,081,852	\$ 2,126,139	\$ 2,171,339	\$ 2,217,469
Original Cost of Property	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)
Less: Funded Reserves	(15,380)	(18,034)	(20,714)	(23,421)	(26,156)
Loan Origination Points Paid	(12,250)	(12,250)	(12,250)	(12,250)	(12,250)
Gain (Loss) on Property	<u>\$ 235,828</u>	<u>\$ 276,568</u>	<u>\$ 318,175</u>	<u>\$ 360,668</u>	<u>\$ 404,064</u>
Accumulated Depreciation/Amortization	313,762	366,748	419,831	473,010	526,289
Accumulated Dep - Reserve/Improvements	555	652	749	848	947
Total Accumulated Depreciation	<u>\$ 314,317</u>	<u>\$ 367,400</u>	<u>\$ 420,580</u>	<u>\$ 473,858</u>	<u>\$ 527,236</u>
<b>Taxable Gain (Loss) on Property Sale</b>	<u>\$ 550,146</u>	<u>\$ 643,968</u>	<u>\$ 738,755</u>	<u>\$ 834,526</u>	<u>\$ 931,300</u>
Capital Gain & State Rate on Sale	21.00%	21.00%	21.00%	21.00%	21.00%
Income Tax Benefit (Expense)	(115,531)	(135,233)	(155,138)	(175,250)	(195,573)
Recapture Tax	(31,067)	(36,314)	(41,571)	(46,837)	(52,114)
<b>Income Tax Benefit (Expense)</b>	<u>\$ (146,597)</u>	<u>\$ (171,547)</u>	<u>\$ (196,709)</u>	<u>\$ (222,087)</u>	<u>\$ (247,687)</u>

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<b>Tax Analysis - Operations</b>	<b>Year 11</b>	<b>Year 12</b>	<b>Year 13</b>	<b>Year 14</b>	<b>Year 15</b>
<b>Net Operating Income (NOI) from CFA</b>	\$ 192,728	\$ 196,817	\$ 200,990	\$ 205,250	\$ 209,596
Expense Portion of Capital Reserve	(2,762)	(2,789)	(2,817)	(2,845)	(2,874)
Tax Depreciation	(51,818)	(51,818)	(51,818)	(51,818)	(51,818)
Tax Depreciation - Reserve/Improvements	(1,047)	(1,149)	(1,251)	(1,355)	(1,459)
Amortization of Loan Origination Points	(613)	(613)	(613)	(613)	(613)
Interest Expense - Mortgage #1	(53,287)	(49,215)	(44,859)	(40,200)	(35,216)
<b>Operating Taxable Income (Loss)</b>	<u>\$ 83,201</u>	<u>\$ 91,234</u>	<u>\$ 99,633</u>	<u>\$ 108,419</u>	<u>\$ 117,617</u>
Federal & State Tax Rate	34.00%	34.00%	34.00%	34.00%	34.00%
<b>Income Tax Benefit (Expense)</b>	<u>\$ (28,288)</u>	<u>\$ (31,019)</u>	<u>\$ (33,875)</u>	<u>\$ (36,863)</u>	<u>\$ (39,990)</u>
Subject to Suspended Loss Rules?	<b>Yes</b>				

<b>Tax Analysis - Property Sale</b>	<b>Year 11</b>	<b>Year 12</b>	<b>Year 13</b>	<b>Year 14</b>	<b>Year 15</b>
<b>Adjusted Projected Sales Price</b>	\$ 2,264,550	\$ 2,312,599	\$ 2,361,636	\$ 2,411,683	\$ 2,462,758
Original Cost of Property	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)
Less: Funded Reserves	(28,917)	31,706	(34,523)	(37,369)	(40,242)
Loan Origination Points Paid	(12,250)	(12,250)	(12,250)	(12,250)	(12,250)
<b>Gain (Loss) on Property</b>	<u>\$ 448,383</u>	<u>\$ 557,055</u>	<u>\$ 539,863</u>	<u>\$ 587,064</u>	<u>\$ 635,266</u>
Accumulated Depreciation/Amortization	579,666	633,144	686,724	740,406	794,191
Accumulated Dep - Reserve/Improvements	1,047	1,149	1,251	1,355	1,459
<b>Total Accumulated Depreciation</b>	<u>\$ 580,714</u>	<u>\$ 634,293</u>	<u>\$ 687,975</u>	<u>\$ 741,760</u>	<u>\$ 795,650</u>
<b>Taxable Gain (Loss) on Property Sale</b>	<u>\$ 1,029,096</u>	<u>\$ 1,127,936</u>	<u>\$ 1,227,838</u>	<u>\$ 1,328,824</u>	<u>\$ 1,430,916</u>
Capital Gain & State Rate on Sale	21.00%	21.00%	21.00%	21.00%	21.00%
Income Tax Benefit (Expense)	(216,110)	(236,866)	(257,846)	(279,053)	(300,492)
Recapture Tax	(57,400)	(62,697)	(68,004)	(73,321)	(78,649)
<b>Income Tax Benefit (Expense)</b>	<u>\$ (273,510)</u>	<u>\$ (299,563)</u>	<u>\$ (325,850)</u>	<u>\$ (352,374)</u>	<u>\$ (379,141)</u>

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<b>Tax Analysis - Operations</b>	<b>Year 16</b>	<b>Year 17</b>	<b>Year 18</b>	<b>Year 19</b>	<b>Year 20</b>
<b>Net Operating Income (NOI) from CFA</b>	\$ 214,033	\$ 218,560	\$ 223,180	\$ 227,896	\$ 232,708
Expense Portion of Capital Reserve	(2,902)	(2,931)	(2,961)	(2,990)	(3,020)
Tax Depreciation	(51,818)	(51,818)	(51,818)	(51,818)	(51,818)
Tax Depreciation - Reserve/Improvements	(1,564)	(1,671)	(1,779)	(1,887)	(1,997)
Amortization of Loan Origination Points	(613)	(613)	(613)	(613)	(613)
Interest Expense - Mortgage #1	(29,886)	(24,184)	(18,085)	(11,562)	(4,585)
<b>Operating Taxable Income (Loss)</b>	<u>\$ 127,249</u>	<u>\$ 137,343</u>	<u>\$ 147,925</u>	<u>\$ 159,025</u>	<u>\$ 170,675</u>
Federal & State Tax Rate	34.00%	34.00%	34.00%	34.00%	34.00%
<b>Income Tax Benefit (Expense)</b>	<u>\$ (43,265)</u>	<u>\$ (46,697)</u>	<u>\$ (50,294)</u>	<u>\$ (54,069)</u>	<u>\$ (58,030)</u>
Subject to Suspended Loss Rules?	<b>Yes</b>				

<b>Tax Analysis - Property Sale</b>	<b>Year 16</b>	<b>Year 17</b>	<b>Year 18</b>	<b>Year 19</b>	<b>Year 20</b>
<b>Adjusted Projected Sales Price</b>	\$ 2,514,883	\$ 2,568,080	\$ 2,622,369	\$ 2,677,774	\$ 2,734,316
Original Cost of Property	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)
Less: Funded Reserves	(43,145)	(46,076)	(49,037)	(52,027)	(55,048)
Loan Origination Points Paid	(12,250)	(12,250)	(12,250)	(12,250)	(12,250)
Gain (Loss) on Property	<u>\$ 684,489</u>	<u>\$ 734,754</u>	<u>\$ 786,082</u>	<u>\$ 838,496</u>	<u>\$ 892,018</u>
Accumulated Depreciation/Amortization	848,080	902,076	956,177	1,010,387	1,064,705
Accumulated Dep - Reserve/Improvements	1,564	1,671	1,779	1,887	1,997
Total Accumulated Depreciation	<u>\$ 849,645</u>	<u>\$ 903,747</u>	<u>\$ 957,956</u>	<u>\$ 1,012,274</u>	<u>\$ 1,066,702</u>
<b>Taxable Gain (Loss) on Property Sale</b>	<u>\$ 1,534,134</u>	<u>\$ 1,638,500</u>	<u>\$ 1,744,038</u>	<u>\$ 1,850,770</u>	<u>\$ 1,958,720</u>
Capital Gain & State Rate on Sale	21.00%	21.00%	21.00%	21.00%	21.00%
Income Tax Benefit (Expense)	(322,168)	(344,085)	(366,248)	(388,662)	(411,331)
Recapture Tax	(83,987)	(89,336)	(94,696)	(100,066)	(105,448)
<b>Income Tax Benefit (Expense)</b>	<u>\$ (406,155)</u>	<u>\$ (433,421)</u>	<u>\$ (460,944)</u>	<u>\$ (488,728)</u>	<u>\$ (516,779)</u>