

## Cash Flow Analysis



| <b>Rental Activity Analysis</b>   | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> | <b>Year 4</b> | <b>Year 5</b> |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Potential Rental Income</b>    | \$ 184,800    | \$ 188,496    | \$ 192,266    | \$ 196,111    | \$ 200,033    |
| Other Income                      | 1,800         | 1,836         | 1,873         | 1,910         | 1,948         |
| Less: Vacancy & Credit Losses     | (9,240)       | (9,425)       | (9,613)       | (9,806)       | (10,002)      |
| Less: Operating Expenses          | (21,250)      | (21,463)      | (21,677)      | (21,894)      | (22,113)      |
| <b>Net Operating Income (NOI)</b> | \$ 156,110    | \$ 159,445    | \$ 162,848    | \$ 166,322    | \$ 169,867    |
| Less: Annual Debt Service         | (130,082)     | (130,082)     | (130,082)     | (130,082)     | (130,082)     |
| Less: Funded Reserves             | (5,000)       | (5,050)       | (5,101)       | (5,152)       | (5,203)       |
| <b>CASH FLOW Before Taxes</b>     | \$ 21,028     | \$ 24,313     | \$ 27,666     | \$ 31,089     | \$ 34,583     |
| UBIT Expense                      | (6,798)       | (6,002)       | (7,755)       | (9,476)       | (11,128)      |
| <b>CASH FLOW After Taxes</b>      | \$ 14,230     | \$ 18,311     | \$ 19,911     | \$ 21,612     | \$ 23,455     |

| <b>Property Resale Analysis</b>       |              |              |              |              |              |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Projected Sales Price</b>          | \$ 1,951,375 | \$ 1,993,059 | \$ 2,035,603 | \$ 2,079,024 | \$ 2,123,342 |
| Less: Selling Expenses                | (117,083)    | (119,584)    | (122,136)    | (124,741)    | (127,400)    |
| <b>Adjusted Projected Sales Price</b> | \$ 1,834,293 | \$ 1,873,475 | \$ 1,913,467 | \$ 1,954,283 | \$ 1,995,941 |
| Less: Mortgage(s) Balance Payoff      | (1,176,112)  | (1,123,819)  | (1,067,886)  | (1,008,058)  | (944,065)    |
| <b>SALE PROCEEDS Before Taxes</b>     | \$ 658,181   | \$ 749,656   | \$ 845,580   | \$ 946,225   | \$ 1,051,876 |
| UBIT Expense from Sale                | (19,114)     | (35,357)     | (51,199)     | (66,402)     | (80,692)     |
| <b>SALE PROCEEDS After Taxes</b>      | \$ 639,067   | \$ 714,298   | \$ 794,382   | \$ 879,823   | \$ 971,184   |

| <b>Cash Position</b>                  |            |            |            |            |            |
|---------------------------------------|------------|------------|------------|------------|------------|
| Cash Generated in Current Year        | \$ 14,230  | \$ 18,311  | \$ 19,911  | \$ 21,612  | \$ 23,455  |
| Cash Generated in Previous Years      | n/a        | 14,230     | 32,541     | 52,452     | 74,064     |
| Cash Generated from Property Sale     | 639,067    | 714,298    | 794,382    | 879,823    | 971,184    |
| Original Initial Investment           | (550,000)  | (550,000)  | (550,000)  | (550,000)  | (550,000)  |
| <b>Total Potential CASH Generated</b> | \$ 103,297 | \$ 196,840 | \$ 296,834 | \$ 403,887 | \$ 518,703 |

| <b>Financial Measures</b>                                     |        |        |        |        |         |         |
|---|--------|--------|--------|--------|---------|---------|
| Debt Coverage Ratio (DCR)                                     |        | 1.20   | 1.23   | 1.25   | 1.28    | 1.31    |
| Loan-to-Value Ratio (LVR)                                     |        | 60.3%  | 56.4%  | 52.5%  | 48.5%   | 44.5%   |
| Capitalization Rate Based on Cost                             |        | 8.79%  | 8.98%  | 9.17%  | 9.37%   | 9.57%   |
| Net Present Value (NPV) - Before Taxes                        | 13.50% | 48,422 | 69,330 | 84,641 | 95,234  | 101,867 |
| Net Present Value (NPV) - After Taxes                         | 10.00% | 43,906 | 68,399 | 89,860 | 108,721 | 125,383 |
| <b>Cash-on-Cash Return on Equity</b>                          |        | 18.78% | 14.64% | 14.00% | 13.48%  | 13.05%  |
| <b>Cash-on-Cash Return - Before Taxes</b>                     |        | 3.82%  | 4.42%  | 5.03%  | 5.65%   | 6.29%   |
| <b>Cash-on-Cash Return - After Taxes</b>                      |        | 2.59%  | 3.33%  | 3.62%  | 3.93%   | 4.26%   |
| <b>Internal Rate-of-Return (IRR) - Before Taxes</b>           |        | 23.49% | 20.55% | 19.23% | 18.35%  | 17.68%  |
| <b>Internal Rate-of-Return (IRR) - After Taxes</b>            |        | 18.78% | 16.71% | 15.82% | 15.25%  | 14.83%  |
| <b>Modified Internal Rate-of-Return (MIRR) - Before Taxes</b> |        | 23.49% | 20.23% | 18.65% | 17.55%  | 16.70%  |
| <b>Modified Internal Rate-of-Return (MIRR) - After Taxes</b>  |        | 18.78% | 16.53% | 15.47% | 14.76%  | 14.21%  |

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| <b>Rental Activity Analysis</b>   | <b>Year 6</b>     | <b>Year 7</b>     | <b>Year 8</b>     | <b>Year 9</b>     | <b>Year 10</b>    |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Potential Rental Income</b>    | <b>\$ 204,034</b> | <b>\$ 208,115</b> | <b>\$ 212,277</b> | <b>\$ 216,523</b> | <b>\$ 220,853</b> |
| Other Income                      | 1,987             | 2,027             | 2,068             | 2,109             | 2,151             |
| Less: Vacancy & Credit Losses     | (10,202)          | (10,406)          | (10,614)          | (10,826)          | (11,043)          |
| Less: Operating Expenses          | (22,334)          | (22,557)          | (22,783)          | (23,011)          | (23,241)          |
| <b>Net Operating Income (NOI)</b> | <b>\$ 173,486</b> | <b>\$ 177,179</b> | <b>\$ 180,948</b> | <b>\$ 184,795</b> | <b>\$ 188,721</b> |
| Less: Annual Debt Service         | (130,082)         | (130,082)         | (130,082)         | (130,082)         | (130,082)         |
| Less: Funded Reserves             | (5,255)           | (5,308)           | (5,361)           | (5,414)           | (5,468)           |
| <b>CASH FLOW Before Taxes</b>     | <b>\$ 38,149</b>  | <b>\$ 41,790</b>  | <b>\$ 45,506</b>  | <b>\$ 49,299</b>  | <b>\$ 53,171</b>  |
| UBIT Expense                      | (12,660)          | (14,011)          | (15,100)          | (15,826)          | (16,060)          |
| <b>CASH FLOW After Taxes</b>      | <b>\$ 25,489</b>  | <b>\$ 27,779</b>  | <b>\$ 30,406</b>  | <b>\$ 33,473</b>  | <b>\$ 37,111</b>  |

| <b>Property Resale Analysis</b>       |                     |                     |                     |                     |                     |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Projected Sales Price</b>          | <b>\$ 2,168,573</b> | <b>\$ 2,214,736</b> | <b>\$ 2,261,850</b> | <b>\$ 2,309,935</b> | <b>\$ 2,359,010</b> |
| Less: Selling Expenses                | (130,114)           | (132,884)           | (135,711)           | (138,596)           | (141,541)           |
| <b>Adjusted Projected Sales Price</b> | <b>\$ 2,038,458</b> | <b>\$ 2,081,852</b> | <b>\$ 2,126,139</b> | <b>\$ 2,171,339</b> | <b>\$ 2,217,469</b> |
| Less: Mortgage(s) Balance Payoff      | (875,616)           | (802,401)           | (724,088)           | (640,322)           | (550,724)           |
| <b>SALE PROCEEDS Before Taxes</b>     | <b>\$ 1,162,843</b> | <b>\$ 1,279,451</b> | <b>\$ 1,402,052</b> | <b>\$ 1,531,017</b> | <b>\$ 1,666,746</b> |
| UBIT Expense from Sale                | (93,735)            | (105,125)           | (114,363)           | (120,847)           | (123,837)           |
| <b>SALE PROCEEDS After Taxes</b>      | <b>\$ 1,069,107</b> | <b>\$ 1,174,327</b> | <b>\$ 1,287,688</b> | <b>\$ 1,410,170</b> | <b>\$ 1,542,909</b> |

| <b>Cash Position</b>                  |                   |                   |                   |                     |                     |
|---------------------------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Cash Generated in Current Year        | \$ 25,489         | \$ 27,779         | \$ 30,406         | \$ 33,473           | \$ 37,111           |
| Cash Generated in Previous Years      | 97,519            | 123,008           | 150,787           | 181,193             | 214,666             |
| Cash Generated from Property Sale     | 1,069,107         | 1,174,327         | 1,287,688         | 1,410,170           | 1,542,909           |
| Original Initial Investment           | (550,000)         | (550,000)         | (550,000)         | (550,000)           | (550,000)           |
| <b>Total Potential CASH Generated</b> | <b>\$ 642,115</b> | <b>\$ 775,114</b> | <b>\$ 918,881</b> | <b>\$ 1,074,836</b> | <b>\$ 1,244,685</b> |

| <b>Financial Measures</b>                                     |        |         |         |         |         |         |
|---|--------|---------|---------|---------|---------|---------|
| Debt Coverage Ratio (DCR)                                     |        | 1.33    | 1.36    | 1.39    | 1.42    | 1.45    |
| Loan-to-Value Ratio (LVR)                                     |        | 40.4%   | 36.2%   | 32.0%   | 27.7%   | 23.3%   |
| Capitalization Rate Based on Cost                             |        | 9.77%   | 9.98%   | 10.19%  | 10.41%  | 10.63%  |
| Net Present Value (NPV) - Before Taxes                        | 13.50% | 105,194 | 105,777 | 104,099 | 100,576 | 95,563  |
| Net Present Value (NPV) - After Taxes                         | 10.00% | 140,225 | 153,612 | 165,897 | 177,427 | 188,543 |
| <b>Cash-on-Cash Return on Equity</b>                          |        | 12.71%  | 12.44%  | 12.24%  | 12.11%  | 12.04%  |
| <b>Cash-on-Cash Return - Before Taxes</b>                     |        | 6.94%   | 7.60%   | 8.27%   | 8.96%   | 9.67%   |
| <b>Cash-on-Cash Return - After Taxes</b>                      |        | 4.63%   | 5.05%   | 5.53%   | 6.09%   | 6.75%   |
| <b>Internal Rate-of-Return (IRR) - Before Taxes</b>           |        | 17.14%  | 16.68%  | 16.28%  | 15.93%  | 15.62%  |
| <b>Internal Rate-of-Return (IRR) - After Taxes</b>            |        | 14.50%  | 14.22%  | 13.99%  | 13.80%  | 13.64%  |
| <b>Modified Internal Rate-of-Return (MIRR) - Before Taxes</b> |        | 15.99%  | 15.39%  | 14.86%  | 14.39%  | 13.97%  |
| <b>Modified Internal Rate-of-Return (MIRR) - After Taxes</b>  |        | 13.76%  | 13.39%  | 13.06%  | 12.79%  | 12.55%  |