

Adrian Apartments II

1212 Main St.
Atlanta GA 30304

Cash Flow Analysis

Self-Directed vs Personal Ownership

Jeffrey Sandford
404-555-1212



Rental Activity Analysis	Year 1		Year 2		Year 3		Year 4		Year 5	
	Personally	Self-Directed	Personally	Self-Directed	Personally	Self-Directed	Personally	Self-Directed	Personally	Self-Directed
Potential Rental Income	\$ 184,800	\$ 184,800	\$ 188,496	\$ 188,496	\$ 192,266	\$ 192,266	\$ 196,111	\$ 196,111	\$ 200,033	\$ 200,033
Other Income	1,800	1,800	1,836	1,836	1,873	1,873	1,910	1,910	1,948	1,948
Less: Vacancy & Credit Losses	(9,240)	(9,240)	(9,425)	(9,425)	(9,613)	(9,613)	(9,806)	(9,806)	(10,002)	(10,002)
Less: Operating Expenses	(21,250)	(21,250)	(21,463)	(21,463)	(21,677)	(21,677)	(21,894)	(21,894)	(22,113)	(22,113)
Net Operating Income (NOI)	\$ 156,110	\$ 156,110	\$ 159,445	\$ 159,445	\$ 162,848	\$ 162,848	\$ 166,322	\$ 166,322	\$ 169,867	\$ 169,867
Less: Annual Debt Service	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)
Less: Funded Reserves	(5,000)	(5,000)	(5,050)	(5,050)	(5,101)	(5,101)	(5,152)	(5,152)	(5,203)	(5,203)
CASH FLOW Before Taxes	\$ 48,956	\$ 48,956	\$ 52,240	\$ 52,240	\$ 55,594	\$ 55,594	\$ 59,016	\$ 59,016	\$ 62,510	\$ 62,510
Income Taxes: Benefit / (Expense)	(7,680)	(5,465)	(5,851)	(3,919)	(7,320)	(5,390)	(8,838)	(6,961)	(10,405)	(8,638)
CASH FLOW After Taxes	\$ 41,275	\$ 43,491	\$ 46,389	\$ 48,322	\$ 48,273	\$ 50,203	\$ 50,179	\$ 52,055	\$ 52,105	\$ 53,872

Property Resale Analysis	Year 1		Year 2		Year 3		Year 4		Year 5	
Projected Sale Price - Original Cost	\$ 1,951,375	\$ 1,951,375	\$ 1,993,059	\$ 1,993,059	\$ 2,035,603	\$ 2,035,603	\$ 2,079,024	\$ 2,079,024	\$ 2,123,342	\$ 2,123,342
Less: Selling Expenses	(117,083)	(117,083)	(119,584)	(119,584)	(122,136)	(122,136)	(124,741)	(124,741)	(127,400)	(127,400)
Adjusted Projected Sales Price	1,834,293	1,834,293	1,873,475	1,873,475	1,913,467	1,913,467	1,954,283	1,954,283	1,995,941	1,995,941
Less: Mortgage(s) Balance Payoff	(1,298,512)	(1,298,512)	(1,283,550)	(1,283,550)	(1,267,546)	(1,267,546)	(1,250,429)	(1,250,429)	(1,232,119)	(1,232,119)
SALE PROCEEDS Before Taxes	\$ 535,780	\$ 535,780	\$ 589,925	\$ 589,925	\$ 645,920	\$ 645,920	\$ 703,854	\$ 703,854	\$ 763,822	\$ 763,822
Income Taxes From Sale: Benefit / (Expense)	(24,680)	(18,481)	(48,589)	(37,071)	(72,691)	(56,543)	(96,990)	(76,919)	(121,490)	(98,233)
SALE PROCEEDS After Taxes	\$ 511,101	\$ 517,299	\$ 541,336	\$ 552,854	\$ 573,229	\$ 589,377	\$ 606,864	\$ 626,935	\$ 642,332	\$ 665,590

Cash Position	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Generated in Current Year	\$ 41,275	\$ 43,491	\$ 46,389	\$ 48,322	\$ 50,179
Cash Generated in Previous Years	n/a	n/a	41,275	43,491	87,665
Cash Generated from Property Sale	511,101	517,299	541,336	552,854	573,229
Original Initial Investment	(475,625)	(475,625)	(475,625)	(475,625)	(475,625)
Total Potential CASH Generated	\$ 76,751	\$ 85,165	\$ 153,376	\$ 169,041	\$ 233,542

Financial Measures	Year 1	Year 2	Year 3	Year 4	Year 5
Net Present Value (NPV) 10.00%	26,535	34,184	47,622	60,751	67,180
Cash on Cash Return After Taxes	8.68%	9.14%	9.75%	10.16%	10.15%
Internal Rate of Return (IRR) After Taxes	16.14%	17.91%	15.59%	17.09%	15.35%
Modified Internal Rate of Return (MIRR) After Taxes	16.14%	17.91%	15.00%	16.42%	14.24%

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Rental Activity Analysis	Year 6		Year 7		Year 8		Year 9		Year 10	
	Personally	Self-Directed	Personally	Self-Directed	Personally	Self-Directed	Personally	Self-Directed	Personally	Self-Directed
Potential Rental Income	\$ 204,034	\$ 204,034	\$ 208,115	\$ 208,115	\$ 212,277	\$ 212,277	\$ 216,523	\$ 216,523	\$ 220,853	\$ 220,853
Other Income	1,987	1,987	2,027	2,027	2,068	2,068	2,109	2,109	2,151	2,151
Less: Vacancy & Credit Losses	(10,202)	(10,202)	(10,406)	(10,406)	(10,614)	(10,614)	(10,826)	(10,826)	(11,043)	(11,043)
Less: Operating Expenses	(22,334)	(22,334)	(22,557)	(22,557)	(22,783)	(22,783)	(23,011)	(23,011)	(23,241)	(23,241)
Net Operating Income (NOI)	\$ 173,486	\$ 173,486	\$ 177,179	\$ 177,179	\$ 180,948	\$ 180,948	\$ 184,795	\$ 184,795	\$ 188,721	\$ 188,721
Less: Annual Debt Service	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)	(102,154)
Less: Funded Reserves	(5,255)	(5,255)	(5,308)	(5,308)	(5,361)	(5,361)	(5,414)	(5,414)	(5,468)	(5,468)
CASH FLOW Before Taxes	\$ 66,077	\$ 66,077	\$ 69,717	\$ 69,717	\$ 73,433	\$ 73,433	\$ 77,226	\$ 77,226	\$ 81,098	\$ 81,098
Income Taxes: Benefit / (Expense)	(12,025)	(10,425)	(13,700)	(12,330)	(15,433)	(14,358)	(17,226)	(16,515)	(19,082)	(18,806)
CASH FLOW After Taxes	\$ 54,051	\$ 55,651	\$ 56,017	\$ 57,387	\$ 58,000	\$ 59,075	\$ 60,001	\$ 60,711	\$ 62,017	\$ 62,292

Property Resale Analysis	Year 6		Year 7		Year 8		Year 9		Year 10	
Projected Sale Price - Original Cost	\$ 2,168,573	\$ 2,168,573	\$ 2,214,736	\$ 2,214,736	\$ 2,261,850	\$ 2,261,850	\$ 2,309,935	\$ 2,309,935	\$ 2,359,010	\$ 2,359,010
Less: Selling Expenses	(130,114)	(130,114)	(132,884)	(132,884)	(135,711)	(135,711)	(138,596)	(138,596)	(141,541)	(141,541)
Adjusted Projected Sales Price	2,038,458	2,038,458	2,081,852	2,081,852	2,126,139	2,126,139	2,171,339	2,171,339	2,217,469	2,217,469
Less: Mortgage(s) Balance Payoff	(1,212,534)	(1,212,534)	(1,191,586)	(1,191,586)	(1,169,179)	(1,169,179)	(1,145,211)	(1,145,211)	(1,119,576)	(1,119,576)
SALE PROCEEDS Before Taxes	\$ 825,924	\$ 825,924	\$ 890,266	\$ 890,266	\$ 956,961	\$ 956,961	\$ 1,026,127	\$ 1,026,127	\$ 1,097,894	\$ 1,097,894
Income Taxes From Sale: Benefit / (Expense)	(146,195)	(120,515)	(171,108)	(143,795)	(196,233)	(168,098)	(221,575)	(193,443)	(247,137)	(219,844)
SALE PROCEEDS After Taxes	\$ 679,730	\$ 705,409	\$ 719,159	\$ 746,471	\$ 760,728	\$ 788,863	\$ 804,553	\$ 832,684	\$ 850,757	\$ 878,050

Cash Position	Year 6		Year 7		Year 8		Year 9		Year 10	
Cash Generated in Current Year	\$ 54,051	\$ 55,651	\$ 56,017	\$ 57,387	\$ 58,000	\$ 59,075	\$ 60,001	\$ 60,711	\$ 62,017	\$ 62,292
Cash Generated in Previous Years	238,221	247,943	292,273	303,594	348,290	360,981	406,290	420,056	466,291	480,767
Cash Generated from Property Sale	679,730	705,409	719,159	746,471	760,728	788,863	804,553	832,684	850,757	878,050
Original Initial Investment	(475,625)	(475,625)	(475,625)	(475,625)	(475,625)	(475,625)	(475,625)	(475,625)	(475,625)	(475,625)
Total Potential CASH Generated	\$ 496,377	\$ 533,378	\$ 591,823	\$ 631,827	\$ 691,393	\$ 733,293	\$ 795,219	\$ 837,826	\$ 903,440	\$ 945,484

Financial Measures	Year 6		Year 7		Year 8		Year 9		Year 10	
Net Present Value (NPV) 10.00%	117,331	140,169	131,429	154,490	144,329	167,002	156,099	177,878	166,804	187,281
Cash on Cash Return After Taxes	11.36%	11.70%	11.78%	12.07%	12.19%	12.42%	12.62%	12.76%	13.04%	13.10%
Internal Rate of Return (IRR) After Taxes	14.95%	15.84%	14.85%	15.63%	14.75%	15.44%	14.66%	15.26%	14.58%	15.10%
Modified Internal Rate of Return (MIRR) After Taxes	12.65%	13.35%	12.24%	12.83%	11.87%	12.37%	11.54%	11.95%	11.23%	11.57%

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Atlanta GA 30304**Income Tax Analysis
- Self-Directed Account**Jeffrey Sandford
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Tax Analysis - Operations	Year 1	Year 2	Year 3	Year 4	Year 5
Net Operating Income (NOI) from Report	\$ 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	(49,746)	(51,997)	(52,090)	(52,183)	(52,278)
Amortization of Loan Origination Points	(419)	(438)	(438)	(438)	(438)
Interest Expense - Mortgage #1	(80,855)	(87,276)	(86,240)	(85,132)	(83,947)
Operating Taxable Income (Loss)	\$ 22,589	\$ 17,209	\$ 21,531	\$ 25,993	\$ 30,604
Unrelated Debt-Financed Income (UDIF) %	74.49%	75.86%	77.30%	78.77%	80.26%
Unrelated Debt-Financed Income (UDIF)	16,826	13,054	16,643	20,475	24,564
UBIT Deduction	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Unrelated Business Taxable Income (UBIT)	\$ 15,826	\$ 12,054	\$ 15,643	\$ 19,475	\$ 23,564
UBIT Expense	\$ (5,465)	\$ (3,919)	\$ (5,390)	\$ (6,961)	\$ (8,638)

Tax Analysis - Property Sale	Year 1	Year 2	Year 3	Year 4	Year 5
Adjusted Projected Sales Price	\$ 1,834,293	\$ 1,873,475	\$ 1,913,467	\$ 1,954,283	\$ 1,995,941
Original Cost of Property	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)
Less: Funded Reserves	(2,500)	(5,025)	(7,575)	(10,151)	(12,753)
Loan Origination Points Paid	(13,125)	(13,125)	(13,125)	(13,125)	(13,125)
Gain (Loss) on Property	\$ 43,668	\$ 80,325	\$ 117,766	\$ 156,007	\$ 195,064
Accumulated Depreciation/Amortization	50,165	102,600	155,127	207,748	260,464
Taxable Gain (Loss) on Property Sale	\$ 93,833	\$ 182,925	\$ 272,894	\$ 363,755	\$ 455,527
Unrelated Debt-Financed Income (UDIF) %	74.89%	76.30%	77.79%	79.31%	80.86%
Unrelated Debt-Financed Income (UDIF)	70,268	139,565	212,272	288,480	368,324
Unrelated Business Taxable Income (UBIT)	\$ 70,268	\$ 139,565	\$ 212,272	\$ 288,480	\$ 368,324
Capital Gain & State Rate on Sale	21.00%	21.00%	21.00%	21.00%	21.00%
UBIT Tax	(14,756)	(29,309)	(44,577)	(60,581)	(77,348)
Unrecaptured Section 1250 Tax (if any)	(3,725)	(7,763)	(11,966)	(16,338)	(20,885)
UBIT Expense from Sale	\$ (18,481)	\$ (37,071)	\$ (56,543)	\$ (76,919)	\$ (98,233)

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Tax Analysis - Operations	Year 6	Year 7	Year 8	Year 9	Year 10
Net Operating Income (NOI) from Report	\$ 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	(52,373)	(52,470)	(52,567)	(52,666)	(52,765)
Amortization of Loan Origination Points	(438)	(438)	(438)	(438)	(438)
Interest Expense - Mortgage #1	(82,679)	(81,323)	(79,873)	(78,321)	(76,662)
Operating Taxable Income (Loss)	\$ 35,368	\$ 40,295	\$ 45,390	\$ 50,663	\$ 56,122
Unrelated Debt-Financed Income (UDIF) %	81.78%	83.31%	84.86%	86.41%	87.96%
Unrelated Debt-Financed Income (UDIF)	28,924	33,570	38,517	43,778	49,365
UBIT Deduction	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Unrelated Business Taxable Income (UBIT)	\$ 27,924	\$ 32,570	\$ 37,517	\$ 42,778	\$ 48,365
UBIT Expense	\$ (10,425)	\$ (12,330)	\$ (14,358)	\$ (16,515)	\$ (18,806)

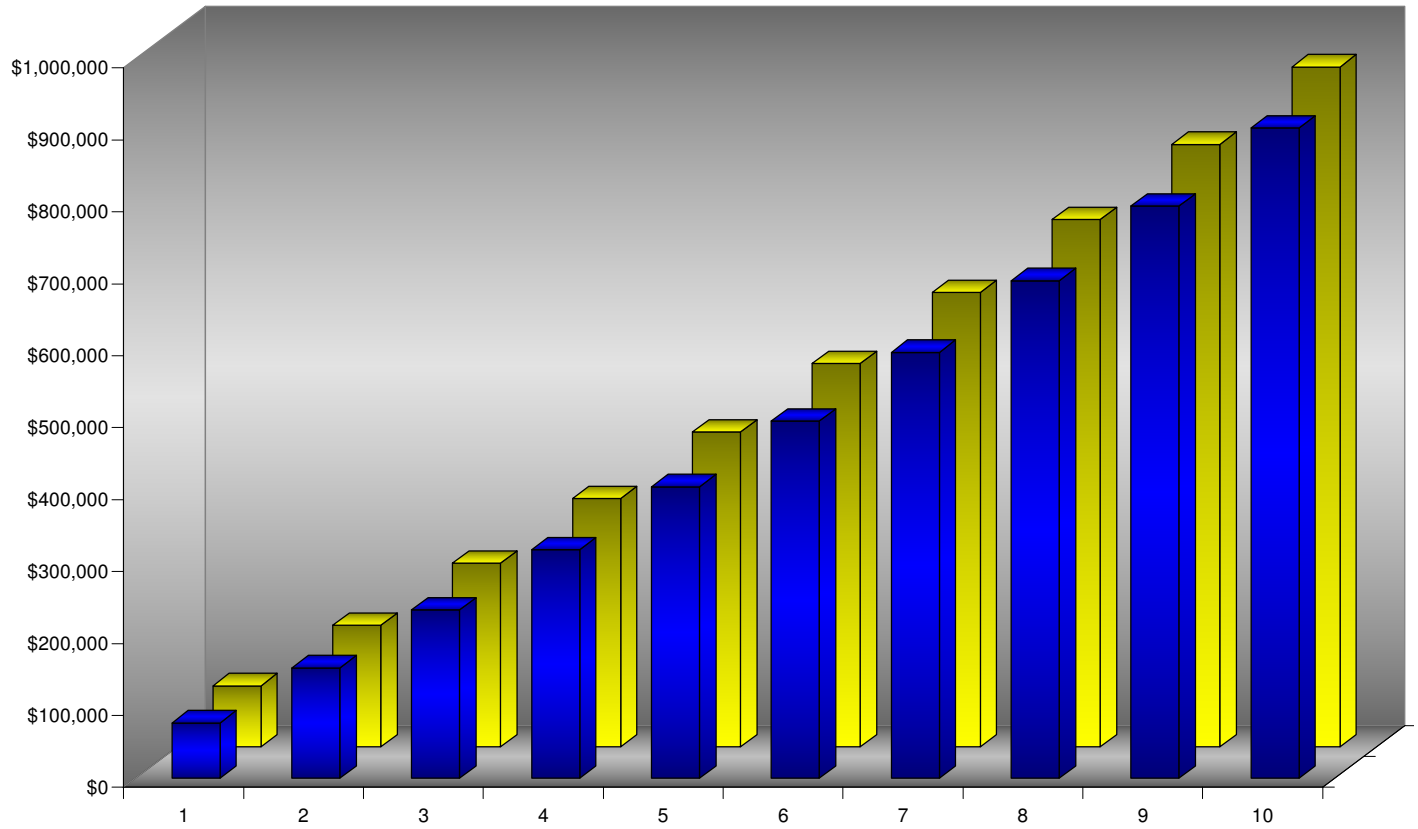
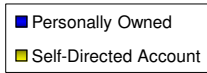
Tax Analysis - Property Sale	Year 6	Year 7	Year 8	Year 9	Year 10
Adjusted Projected Sales Price	\$ 2,038,458	\$ 2,081,852	\$ 2,126,139	\$ 2,171,339	\$ 2,217,469
Original Cost of Property	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)	(1,775,000)
Less: Funded Reserves	(15,380)	(18,034)	(20,714)	(23,421)	(26,156)
Loan Origination Points Paid	(13,125)	(13,125)	(13,125)	(13,125)	(13,125)
Gain (Loss) on Property	\$ 234,953	\$ 275,693	\$ 317,300	\$ 359,793	\$ 403,189
Accumulated Depreciation/Amortization	313,275	366,182	419,187	472,290	525,493
Taxable Gain (Loss) on Property Sale	\$ 548,228	\$ 641,875	\$ 736,487	\$ 832,083	\$ 928,682
Unrelated Debt-Financed Income (UDIF) %	82.43%	84.04%	85.66%	87.30%	88.96%
Unrelated Debt-Financed Income (UDIF)	451,930	539,419	630,894	726,441	826,121
Unrelated Business Taxable Income (UBIT)	\$ 451,930	\$ 539,419	\$ 630,894	\$ 726,441	\$ 826,121
Capital Gain & State Rate on Sale	21.00%	21.00%	21.00%	21.00%	21.00%
UBIT Tax	(94,905)	(113,278)	(132,488)	(152,553)	(173,485)
Unrecaptured Section 1250 Tax (if any)	(25,610)	(30,517)	(35,610)	(40,891)	(46,358)
UBIT Expense from Sale	\$ (120,515)	\$ (143,795)	\$ (168,098)	\$ (193,443)	\$ (219,844)

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Cash Generated Comparison Self-Directed vs Personal Ownership



Period	Net Cumulative Cash Generated		
	Personally	Self-Directed	Difference
Year 1	\$ 76,751	\$ 85,165	\$ 8,413
Year 2	153,376	169,041	15,665
Year 3	233,542	255,768	22,226
Year 4	317,356	345,381	28,025
Year 5	404,929	437,908	32,979
Year 6	496,377	533,378	37,001
Year 7	591,823	631,827	40,004
Year 8	691,393	733,293	41,900
Year 9	795,219	837,826	42,607
Year 10	903,440	945,484	42,044

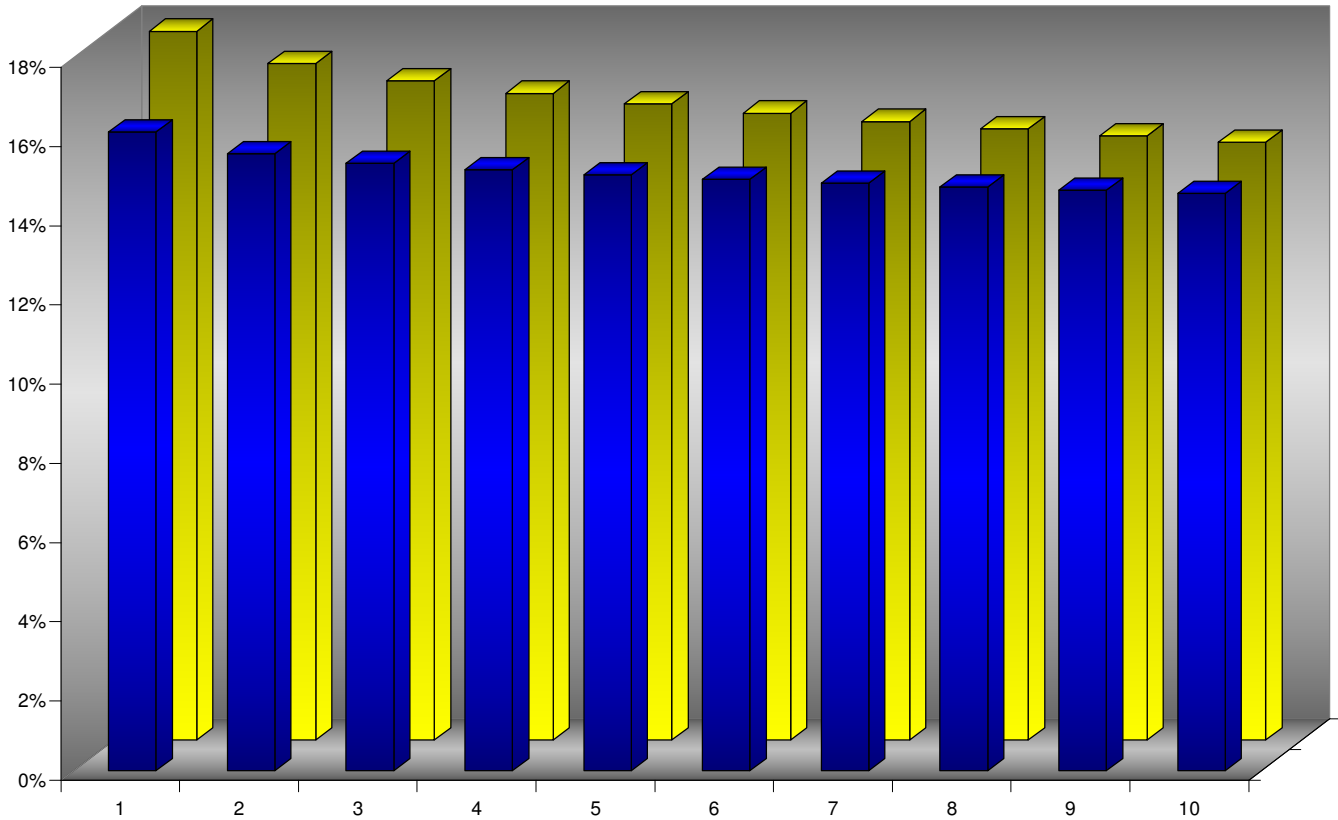
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Return Comparison Self-Directed vs Personal Ownership

■ IRR - Personally
 ■ IRR Self-Directed



Year	Internal-Rate-of-Return (IRR)			
	Personally	Self-Directed	Return Difference	Cash Difference
Year 1	16.14%	17.91%	1.77%	8,413
Year 2	15.59%	17.09%	1.51%	15,665
Year 3	15.35%	16.66%	1.31%	22,226
Year 4	15.19%	16.34%	1.15%	28,025
Year 5	15.06%	16.07%	1.01%	32,979
Year 6	14.95%	15.84%	0.89%	37,001
Year 7	14.85%	15.63%	0.78%	40,004
Year 8	14.75%	15.44%	0.68%	41,900
Year 9	14.66%	15.26%	0.60%	42,607
Year 10	14.58%	15.10%	0.52%	42,044