



Cash Flow Analyzer[®]

User's Guide

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

Cash Flow Analyzer[®]
Flipper's[®] & Rehabber's[®]

www.RentalSoftware.com

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SYSTEM REQUIREMENTS

Our software requires Microsoft Excel; therefore, you must have Microsoft Excel 2007, 2010, 2013 or Office 365.

Excel for Mac 2011 or 2016 is required if you have a Macintosh computer.

INSTALLATION

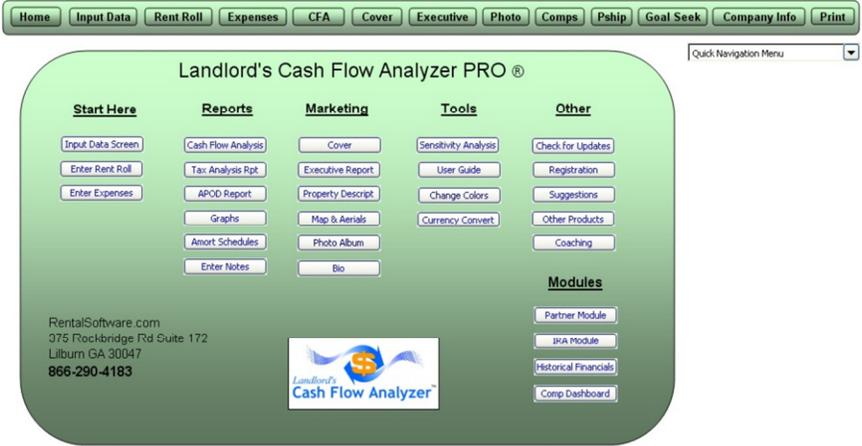
Insert the Cash Flow Analyzer Pro ® CD into your CD drive. If Windows does not automatically begin the installation procedure, click on "**Start**," click on "**Run**," and then type the name of your CD drive (e.g. C:\) and type "**install**." Press "**Enter**" to begin installation. After installation,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

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

5 Year Analysis (Print Only)

Screen Setting View 100%

Sq Ft

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: \$ 1,750,000
Initial Improvements: 25,000
Closing Costs:
Personal Property (5 Yr Life):
Personal Property (7 Yr Life):
Land Improvements (15 Yr Life):
% of Cost Allocated to Land: 20.00%
Total Cost: \$ 1,775,000

Reserves & Specific Improvements: Reserve Amount \$ 5,000 Annual Increase 1.00% Expense Portion 50.00%

Description	Amount	Select Year	Increase FMV?
\$ -		1	No
\$ -		1	No
\$ -		1	No
\$ -		1	No
\$ -		1	No
\$ -		1	No
\$ -		1	No
Total	\$ -	1	No

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: \$ 1,951,275
Enter a Cap Rate: 8.00%
Future Selling Expense (% of Selling Price): 6.00%

IV. Financing

Use % on Contract Price:
Down Payment Percentage: 30.0%
Amount Borrowed or Assumed: \$ 1,225,000
Interest Rate: 6.750%
Term / Remaining Term of Loan (In Months): 240
Interest Calculation Type: Simple Interest
Start Month: Month 1
Start Year: Year 1
Refinance Mortgage #1 or #2?: No - New Loan
Additional Monthly Payment:
Monthly Mortgage Payment (Formula): \$ 9,314
Finance Points? Yes No
Loan Origination Points: 1,000
Loan Origination Points (In Dollars): \$ 12,250
Amortization Type: 12 Months First Year
MP Payments? Yes No
Initial Investment or Down Payment (Cost less Debt - Automatically Calculated): \$ 562,250
Down Payment as a % of Cost: 31.46%
Down Payment as a % of FMV: 28.81%

V. Income Taxes

Before Tax Presentation? Yes No
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

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.



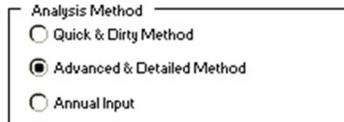
I. Rental Income & Expenses

Rental Income / Rent Roll:

Operating Expenses:

You may select one of three analysis methods:

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



Analysis Method

Quick & Dirty Method

Advanced & Detailed Method

Annual Input

1. OPTIONAL 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. OPTIONAL METHOD #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.

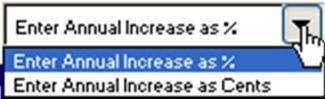
- b. **Number of Units:** Select the number of units by choosing from the drop-down menu. Keep in mind that you may lump like-kind units together to limit the number of required entries. See “No. of Units” in paragraph f below.



- c. **“Global” or “Specific Lease” 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.

Number of Units	Up to 10
Revenue Increase	2.00%
Vacancy Rate	5.00%

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%



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

- d. **Vacancy & Concessions 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.



Vacancy & Concessions

Use Rate for ALL Years
 Enter Vacancy Rate Per Year

Year	Gross Rent	Vacancy Rate	Vacancy Amount	Concession Rate	Concession Amount	Net Rent
Year 1	\$ 184,800		\$9,240	0.00%	\$ -	\$ 175,560
Year 2	188,496		9,425	0.00%	-	179,071
Year 3	192,266		9,613	0.00%	-	182,653
Year 4	196,111		9,806	0.00%	-	186,306
Year 5	200,033		10,002	0.00%	-	190,032
Year 6	204,034		10,202	0.00%	-	193,832
Year 7	208,115		10,406	0.00%	-	197,709
Year 8	212,277		10,614	0.00%	-	201,663
Year 9	216,523		10,826	0.00%	-	205,697
Year 10	220,853		11,043	0.00%	-	209,810
Year 11	225,270		11,264	0.00%	-	214,007
Year 12	229,776		11,489	0.00%	-	218,287
Year 13	234,371		11,719	0.00%	-	222,653
Year 14	239,059		11,953	0.00%	-	227,106
Year 15	243,840		12,192	0.00%	-	231,648
Year 16	248,716		12,436	0.00%	-	236,281
Year 17	253,691		12,685	0.00%	-	241,006
Year 18	258,765		12,938	0.00%	-	245,826
Year 19	263,940		13,197	0.00%	-	250,743
Year 20	269,219		13,461	0.00%	-	255,758

- 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.

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	<u>\$ 150</u>

- 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.

3. OPTIONAL METHOD #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:

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.

1. Expense Input Method #1: 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%	104.2%	35.71
Association Fees		1.0%			
Auto & Travel		1.0%			
Cleaning		1.0%			
Commissions		1.0%			
Insurance	4,250	1.0%	20.0%	885.4%	303.57
Landscaping	750	1.0%	3.5%	156.3%	53.57
Legal		1.0%			
Maintenance	3,500	1.0%	16.5%	729.2%	250.00
Management Fee	-				
On-Site Management		1.0%			
Payroll		1.0%			
Pest Control	3,500	1.0%	16.5%	729.2%	250.00
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%	260.4%	89.29
Telephone		1.0%			
Water		1.0%			
Other Utilities		1.0%			
Miscellaneous		1.0%			
Miscellaneous		1.0%			
Miscellaneous		1.0%			
Miscellaneous		1.0%			
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.

One-Time Expenses

Amount	Year Incurred
	1 <input type="button" value="▼"/>
	1 <input type="button" value="▼"/>
	1 <input type="button" value="▼"/>

- 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 (%)**

Management Fee %	Management Fee Method
5.00%	<input type="button" value="▼"/> <ul style="list-style-type: none"> Gross Rental Income Method <li style="background-color: #e6f2ff;">Gross Rental Income Method Net Rental Income Method Gross Rental Income Method w/ Other Income Net Rental Income Method w/ Other Income

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 income.

2. Expense Input Method #2: Annual Method

Annual Expense Input Screen

Gross Input		Optional Growth Rate	% of Revenue
Fill 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%

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.



II. Property Costs & Characteristics			
Select Property Type from Drop-Down Menu:			Apartments
Purchase Price of Property:	Contract Purchase Price	\$	1,750,000
	Initial Improvements		25,000
	Closing Costs		
	Personal Property (5 Yr Life)		-
	Personal Property (7 Yr Life)		
	Land Improvements (15 Yr Life)		
% of Cost Allocated to Land		20.00%	\$ 1,775,000

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 enter an annual reserve amount and/or enter specific annual improvements. 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.

Reserves & Specific Improvements			
Reserve Amount	\$ 5,000	Annual Increase	1.00%
		Expense Portion	50.00%
Description	Amount	Select Year	Increase FMV?
Roof	\$ 10,000	3	No
Carpet	\$ 2,500	5	No
	\$	1	No
Total	\$ 12,500		

If you have foreseeable improvements or repairs, you may want to choose enter them individually. 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.



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

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

IV. Financing			
	Mortgage #1	Mortgage #2	Mortgage #3
Use % on Contract Price			
Down Payment Percentage	30%		
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	\$	\$
Finance Points? <input type="radio"/> Yes <input checked="" type="radio"/> No	Loan Origination Points		
	1,000	-	-
Loan Origination Points (In Dollars)	\$ 12,250	\$	\$
Amortization Type	12 Months First Year		
MIP Payments? <input type="radio"/> Yes <input checked="" type="radio"/> No			

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.**

- 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.
- Interest Rate:** Enter the interest rate. If you have an adjustable rate mortgage, then use Mortgage #2 or #3. Enter the variable interest rate by clicking the 'Enter Loan Rates' link.
- Amortization (Months):** Enter the duration or remaining duration of the loan.
- Interest Calculation Type:** Simple Interest, Semi-Annual, Half-Monthly, Bi-Weekly, and Interest Only.
- 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.

Finance Points?
 Yes No

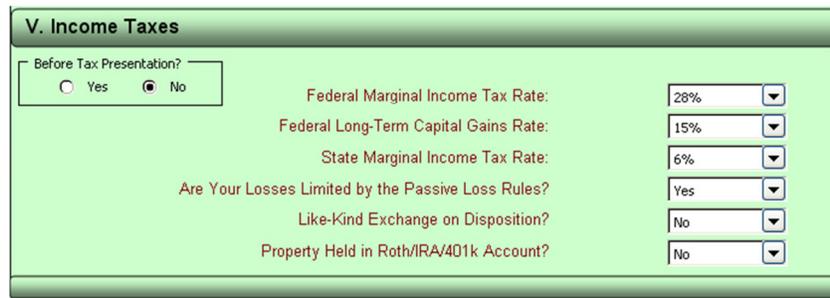
- J. **Amortization Type: Normal Amortization and 12-Months First Year.** A loan only has 11 payments in the first year of property ownership. If you want your mortgage payments and annual loan payoffs to tie to "normal" amortization tables, select this method. This method will result in Year 1's cash 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.

MIP Payments?
 Yes No

1.000% 0.000% 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



V. Income Taxes	
Before Tax Presentation?	<input type="radio"/> Yes <input checked="" type="radio"/> No
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.
- 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.



The image shows a software interface element. On the left, a light green horizontal bar contains the text "Property Held in Roth/IRA/401k Account?". To the right of this bar is a dropdown menu. The menu is currently open, showing a list of options: "No", "Roth Account", "IRA Account", and "Solo 401(k)". The "No" option is highlighted in blue. A mouse cursor is visible over the dropdown arrow on the right side of the menu.

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

Potential Rental Income
Other Income
Less: Vacancy & Credit Losses
Less: Funded Reserves and/or Improvements
Net Operating Income (NOI)
Less: Annual Debt Service
Less: Funded Reserves and/or Improvements
CASH FLOW Before Taxes
Income Taxes: Benefit / (Expense)
CASH FLOW After Taxes

Year 5	
Personally	IRA/401(k)
\$ 200,033	\$ 200,033
1,948	1,948
(10,002)	(10,002)
(22,113)	(22,113)
<u>\$ 169,867</u>	<u>\$ 169,867</u>
(111,774)	(111,774)
(7,703)	(7,703)
<u>\$ 50,391</u>	<u>\$ 50,391</u>
(14,121)	(10,372)
<u>\$ 36,270</u>	<u>\$ 40,019</u>

Property Resale Analysis

Projected Sale Price - Original Cost
Less: Selling Expenses
Adjusted Projected Sales Price
Less: Mortgage(s) Balance Payoff
SALE PROCEEDS Before Taxes
Income Taxes From Sale: Benefit / (Expense)
SALE PROCEEDS After Taxes

\$ 2,123,342	\$ 2,123,342
(127,400)	(127,400)
<u>1,995,941</u>	<u>1,995,941</u>
(1,052,589)	(1,052,589)
<u>\$ 943,352</u>	<u>\$ 943,352</u>
(121,182)	(85,558)
<u>\$ 822,171</u>	<u>\$ 857,794</u>

Cash Position
Cash Generated in Current Year
Cash Generated in Previous Years
Cash Generated from Property Sale
Original Initial Investment
Total Potential CASH Generated

\$ 36,270	\$ 40,019
136,119	148,457
822,171	857,794
(562,250)	(562,250)
<u>\$ 432,309</u>	<u>\$ 484,021</u>

Financial Measures

Net Present Value (NPV)	10.00%
Cash on Cash Return After Taxes	
Internal Rate of Return (IRR) After Taxes	
Modified Internal Rate of Return (MIRR) After Taxes	

77,765	111,941
6.45%	7.12%
13.17%	14.49%
12.08%	13.23%

Instant Comparison!

2017 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...
\$9,325	10%	\$18,650	10%
37,950	15%	75,900	15%
91,900	25%	153,100	25%
191,658	28%	233,350	28%
416,700	33%	416,700	33%
418,400	35%	470,700	35%
Over 418,400	39.6%	Over 470,700	39.6%

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...
\$9,325	10%	\$13,350	10%
37,950	15%	50,800	15%
76,550	25%	131,200	25%
116,675	28%	212,500	28%
208,350	33%	416,700	33%
235,350	35%	444,500	35%
Over 235,350	39.6%	Over 444,500	39.6%

2017 Long-Term Capital Gain Tax Rates:

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

For taxpayers in the 25% - 35% bracket -- **15%** ;

For taxpayers in higher brackets -- **20%**

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

2017 CANADIAN MARGINAL TAX TABLES

Federal Tax Rates

0 – 45,916	15%
45,916 – 91,831	20.5%
91,831 – 142,353	26%
142,353 – 202,800	29%
Over \$202,800	33%

Alberta	Northwest Territories
<p>10% on the first \$126,625 of taxable income, + 12% on the next \$25,325, + 13% on the next \$50,650, + 14% on the next \$101,300, + 15% on the amount over \$303,900</p>	<p>5.9% on the first \$41,585 of taxable income, + 8.6% on the next \$41,587, + 12.2% on the next \$52,047, + 14.05% on the amount over \$135,219</p>
British Columbia	Nova Scotia
<p>5.06% on the first \$38,898 of taxable income, + 7.7% on the next \$38,899, + 10.5% on the next \$11,523, + 12.29% on the next \$19,140, + 14.7% on the amount over \$108,460</p>	<p>8.79% on the first \$29,590 of taxable income, + 14.95% on the next \$29,590, + 16.67% on the next \$33,820, + 17.5% on the next \$57,000, + 21% on the amount over \$150,000</p>
Manitoba	Prince Edward Island
<p>10.8% on the first \$31,465 of taxable income, + 12.75% on the next \$36,540, + 17.4% on the amount over \$68,005</p>	<p>9.8% on the first \$31,984 of taxable income, + 13.8% on the next \$31,985, + 16.7% on the amount over \$63,969</p>
Nunavut	Ontario
<p>4% on the first \$43,780 of taxable income, + 7% on the next \$43,780, + 9% on the next \$54,793, + 11.5% on the amount over \$142,353</p>	<p>5.05% on the first \$42,201 of taxable income, + 9.15% on the next \$42,203, + 11.16% on the next \$65,596, + 12.16% on the next \$70,000, + 13.16% on the amount over \$220,000</p>

New Brunswick	Quebec	
9.68% on the first \$41,059 of taxable income, +	\$42,705 or less	16%
14.82% on the next \$41,060, +	More than \$42,705, but not more than \$85,405	20%
16.52% on the next \$51,388, +	More than \$85,405, but not more than \$103,915	24%
17.84% on the next \$18,593, +	More than \$103,915	25.75%
20.3% on the amount over \$152,100		
	Saskatchewan	
Newfoundland	11% on the first \$45,225 of taxable income, +	
8.7% on the first \$35,851 of taxable income, +	13% on the next \$83,989, +	
14.5% on the next \$35,850, +	15% on the amount over \$129,214	
15.8% on the next \$56,309, +		
17.3% on the next \$51,204, +	Yukon	
18.3% on the amount over \$179,214	6.4% on the first \$45,916 of taxable income, +	
	9% on the next \$45,915, +	
	10.9% on the next \$50,522, +	
	12.8% on the next \$357,647, +	
	15% on the amount over \$500,000	

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

Goal: 20.00%

Internal Rate of Return (IRR) - After Tax

Offer must be \$ 1,534,174

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

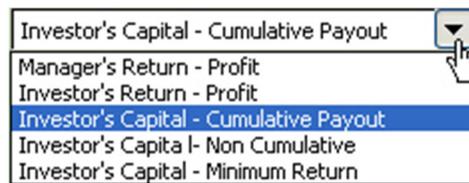
Seek Answer

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 Income Tax Rates	
Partner Name	Dan Johnson	Before Tax Presentation	
Limited Partner Ownership %	60.00%	Federal	0%
Managing Partner's Ownership %	40.00%	Capital Gains	0%
Manager's or Limited Partner's Preferred Return	\$0 0.00%	State	0%
Managing or Limited Partner's Preferred Return on Sale	0.00%		
Apply Preferred Return to All Non-Managing Partners?	<input checked="" type="radio"/> Yes <input type="radio"/> 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):	\$ 562,250	Show Manager's Return on Reports?	<input checked="" type="radio"/> Yes <input type="radio"/> No
Limited Partner Cash Investment (Not Including Syndication Fee)	\$337,350	Apply Partner %	60.0%
Managing Partner Cash Investment	\$ 224,900	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.

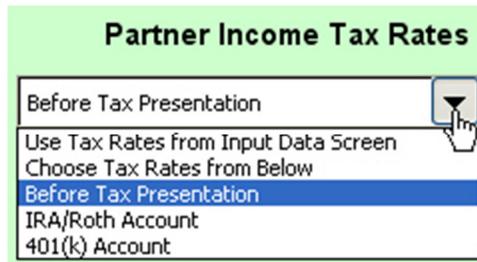
The second option is used to provide the **limited** partner with a preferred return based on profit.

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	\$ 39,336	\$ 42,621	\$ 45,974	\$ 49,397	\$ 52,891
Dan Johnson's 8% Preferred Return	(29,237)	(29,237)	(29,237)	(29,237)	(29,237)
Managing Partner's 35% Share	(3,535)	(4,684)	(5,858)	(7,056)	(8,279)
Dan Johnson's 65% of Before Tax Cash Flow	\$ 6,565	\$ 8,700	\$ 10,879	\$ 13,104	\$ 15,375
Dan Johnson's Share with Preferred Return	\$ 35,802	\$ 37,937	\$ 40,116	\$ 42,341	\$ 44,612

Property Resale Proceeds	Year 1	Year 2	Year 3	Year 4	Year 5
Resale Proceeds Before Taxes	\$ 639,295	\$ 710,570	\$ 784,888	\$ 862,421	\$ 943,352
All Partner's Return of Investment Capital	(562,250)	(562,250)	(562,250)	(562,250)	(562,250)
Remaining Funds from Sale to be Distributed	\$ 77,045	\$ 148,320	\$ 222,638	\$ 300,171	\$ 381,102
Managing Partner's 35% Share	(26,966)	(51,912)	(77,923)	(105,060)	(133,386)
Dan Johnson's 65% Share of Resale Proceeds	\$ 50,080	\$ 96,408	\$ 144,715	\$ 195,111	\$ 247,716

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	\$ 35,802	\$ 37,937	\$ 40,116	\$ 42,341	\$ 44,612
Previous Year's Cumulative Share of Cash Flow	n/a	35,802	73,738	113,855	158,196
Dan Johnson's 65% Share of Resale Proceeds	50,080	96,408	144,715	195,111	247,716
Dan Johnson's Share of Profit	\$ 85,881	\$ 170,147	\$ 258,569	\$ 351,307	\$ 448,524
Dan Johnson's Return of Investment Capital	365,463	365,463	365,463	365,463	365,463
Dan Johnson's Share of Resale & Liquidation	\$ 451,344	\$ 535,609	\$ 624,032	\$ 716,769	\$ 813,986
Percentage of Available Cash	66.51%	67.58%	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%	10.38%	10.96%	11.59%	12.21%
Internal Rate of Return - Before Taxes	23.50%	21.95%	21.08%	20.43%	19.90%
Modified Internal Rate of Return - Before Taxes	23.50%	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 ^{2,3}	100.0%	\$ 750,000	100.0%
Organization Expenses	(26,000)	-4.0%	(26,000)	-3.5%
Acquisition Fee	- ¹	0.0%	(100,000) ¹	-13.3%
Proceeds Available for Investment	<u>\$ 624,000</u>	<u>96.0%</u>	<u>\$ 624,000</u>	<u>83.2%</u>
Downpayment for Investment Property	\$ 550,000	84.6%	\$ 550,000	73.3%
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	<u>\$ 624,000</u>	<u>96.0%</u>	<u>\$ 624,000</u>	<u>83.2%</u>
Total Application of Proceeds	<u>\$ 650,000</u>	<u>100.0%</u>	<u>\$ 750,000</u>	<u>100.0%</u>

- 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.

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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.



Color Palette



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
	
3/2 Bedroom	Child-Friendly Recreation Area
	
South View	North View

MAP/AERIAL VIEW

You can easily insert a map into your presentation. If you do not already have a map image, then you will need to create one. Go to Google, MapQuest, Bing or a similar search engine and type in the address of the property. Once you have the map of choice on your screen, take a screen shot of your monitor.

In Windows, simply press the “Print Screen” key on your keyboard. Open a picture editor such as “Paint” (“Start”, “All Programs”, then “Accessories”) and then choose “Edit” and “Paste.” Crop the picture as needed and save the file as an image file such as .jpg or .gif. Note: You may also want to add place markers to mark comparative properties (comps) or other landmarks.

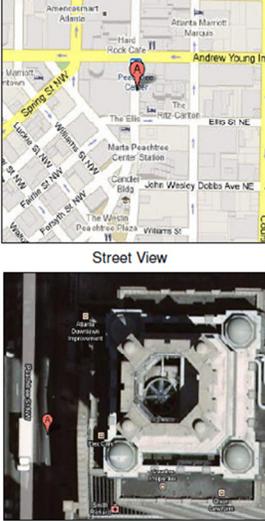
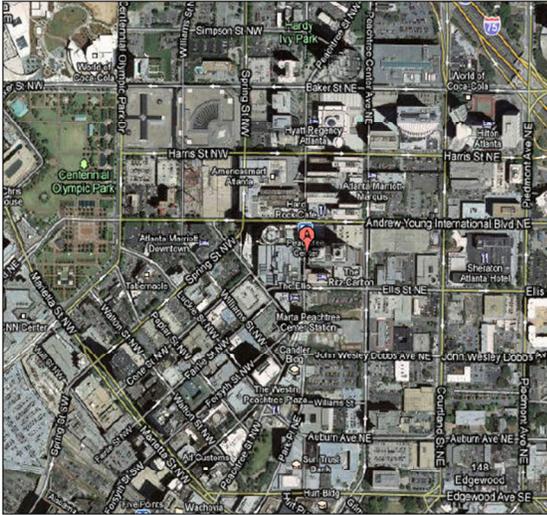
Insert this newly saved image into the software using the insert picture button located near where the picture is to be inserted. Enter a description of the map such as Satellite View, Zoom View, Front View, North View, Street View, etc.

For the Mac, Press Command-Shift-3. This will save the screenshot to your desktop labeled "Picture #" (with # representing a number—for example, if it's the 5th screenshot on your desktop it will be labeled "Picture 5").

Adrian Apartments II
1212 Main St
Atlanta GA 30304

Map/Aerial View

Your Logo
COMPANY
Jeffrey Sandford



Satellite View

Street View

Zoom View

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



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.

HIGHLIGHTS

Four to Five Star Quality

100% Renovated

Well Occupied

All Age Community

Attractive Ammenties Package

Great Location

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.

Sandford Realty Group

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Suite 1700
190 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 fifth 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 28% 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 outstrips 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 35% 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 55.8% 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 103,000 households.

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ABOUT US

About Us



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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
404-555-1212

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	650	\$ 1,150	\$ 1.77
1 Bed 1 Bath	5	850	\$ 1,350	\$ 1.59
1 Bed 1 Bath	10	1,100	\$ 1,500	\$ 1.36
1 Bed 1 Bath	5	1,250	\$ 1,600	\$ 1.28

Notes...

2

Timberland Apartments

45 Main St Peachtree City GA

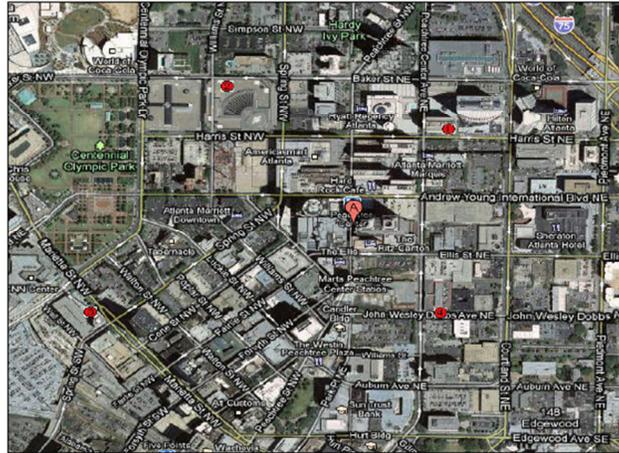


Sales Date	June 30, 2009
Sales Price	\$ 6,500,000
Number of Units	22
Price Per Unit	\$ 295,455
Square Footage	1,420
Price Per Sq. Ft.	\$ 4,577.46
Building Class	A
Location	NE
Year Built	1990

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 Propert (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



Douglas Rutherford
404.702.4428

	2008	Unit	%	May-09	Unit	%	Annualized	Unit	%
Potential Rental Income									
Base Rent	\$ 110,000	13,750.00	99.1%	\$ 53,000	6,625.00	99.2%	\$ 127,200	15,900.00	99.2%
Less: Vacancy & Credit Losses	-			-			-		
Effective Rental Income	\$ 110,000	13,750.00	99.1%	\$ 53,000	6,625.00	99.2%	\$ 127,200	15,900.00	99.2%
Laundry	1,000	125.00	0.2%	450	56.25	0.1%	1,080	135.00	0.2%
Other Income	-			-			-		
Gross Operating Income	\$ 111,000	13,875.00	100.0%	\$ 53,450	6,681.25	100.0%	\$ 128,280	16,035.00	100.0%
Operating Expenses									
Advertising	450	56.25	0.4%	350	43.75	0.7%	840	105.00	0.7%
Insurance	3,500	437.50	3.2%	2,000	250.00	3.7%	4,800	600.00	3.7%
Landscaping	1,500	187.50	1.4%	250	31.25	0.5%	600	75.00	0.5%
Maintenance	4,000	500.00	3.6%	1,500	187.50	2.8%	3,600	450.00	2.8%
Pest Control	3,500	437.50	3.2%	1,575	196.88	2.9%	3,780	472.50	2.9%
Property Taxes	7,500	937.50	6.8%	3,500	437.50	6.5%	8,400	1,050.00	6.5%
Electricity	1,200	150.00	1.1%	750	93.75	1.4%	1,800	225.00	1.4%
Total Operating Expenses	\$ 21,650	2,706.25	19.5%	\$ 9,925	1,240.63	18.6%	\$ 23,820	2,977.50	18.6%
Net Operating Income (NOI)	\$ 89,350	11,168.75	80.5%	\$ 43,525	5,440.63	81.4%	\$ 104,460	13,057.50	81.4%
Less: Capital Expenditures	(10,000)	(1,250.00)	-9.0%	(2,500)	(312.50)	-4.7%	(6,000)	(750.00)	-4.7%
Cash Flow Before Taxes	\$ 79,350	9,918.75	71.5%	\$ 41,025	5,128.13	76.8%	\$ 98,460	12,307.50	76.8%
Annual Debt Service	\$ 120,000			\$ 110,000					
Debt Coverage Rate (DCR)	0.74			0.40					

Sample 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

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Suite 1700
190 Peachtree St NW
Atlanta GA 30303



3. 20-Year Cash Flow Analysis Report

Adrian Apartments II		Cash Flow Analysis					 Jeffrey Sandford 404-555-1212	
1212 Main St Atlanta GA 30304								
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		(9,240)	(9,425)	(9,613)	(9,806)	(10,002)		
Less: Operating Expenses		(21,250)	(21,463)	(21,677)	(21,894)	(22,113)		
Net Operating Income (NOI)		\$ 156,110	\$ 159,445	\$ 162,848	\$ 166,322	\$ 169,867		
Less: Annual Debt Service		(119,757)	(119,757)	(119,757)	(119,757)	(119,757)		
Less: Funded Reserves		(5,000)	(5,050)	(5,101)	(5,152)	(5,203)		
CASH FLOW Before Taxes		\$ 31,353	\$ 34,637	\$ 37,990	\$ 41,413	\$ 44,907		
Income Taxes: Benefit (Expense)		(7,768)	(6,358)	(8,285)	(10,291)	(12,382)		
CASH FLOW After Taxes		\$ 23,587	\$ 28,279	\$ 29,706	\$ 31,122	\$ 32,525		
Property Resale Analysis								
Projected Sales Price		\$ 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)		
Adjusted Projected Sales Price		\$ 1,834,293	\$ 1,873,475	\$ 1,913,467	\$ 1,954,283	\$ 1,995,941		
Less: Mortgage(s) Balance Payoff		(1,280,354)	(1,245,970)	(1,209,191)	(1,169,852)	(1,127,774)		
SALE PROCEEDS Before Taxes		\$ 553,939	\$ 627,506	\$ 704,276	\$ 784,431	\$ 868,167		
Income Taxes from Sale: Benefit (Expense)		(24,724)	(48,679)	(72,827)	(97,172)	(121,718)		
SALE PROCEEDS After Taxes		\$ 529,215	\$ 578,827	\$ 631,448	\$ 687,259	\$ 746,450		
Cash Position								
Cash Generated in Current Year		\$ 23,587	\$ 28,279	\$ 29,706	\$ 31,122	\$ 32,525		
Cash Generated in Previous Years		n/a	23,587	51,866	81,571	112,893		
Cash Generated from Property Sale		529,215	578,827	631,448	687,259	746,450		
Original Initial Investment		(475,625)	(475,625)	(475,625)	(475,625)	(475,625)		
Total Potential CASH Generated		\$ 77,177	\$ 155,068	\$ 237,395	\$ 324,327	\$ 416,043		
Financial Measures								
Debt Coverage Ratio (DCR)		1.30	1.33	1.36	1.39	1.42		
Loan-to-Value Ratio (LVR)		65.6%	62.5%	59.4%	56.3%	53.1%		
Capitalization Rate Based on Cost		8.79%	8.98%	9.17%	9.37%	9.57%		
Value of Property Using this Cap Rate	7.75%	2,014,323	2,057,351	2,101,267	2,146,090	2,191,837		
Net Present Value (NPV) - Before Taxes	13.50%	40,050	65,995	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		6.59%	7.26%	7.99%	8.71%	9.44%		
Cash-on-Cash Return - After Taxes		4.96%	5.95%	6.25%	6.54%	6.84%		
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%	20.75%	19.33%	18.25%	17.35%		
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

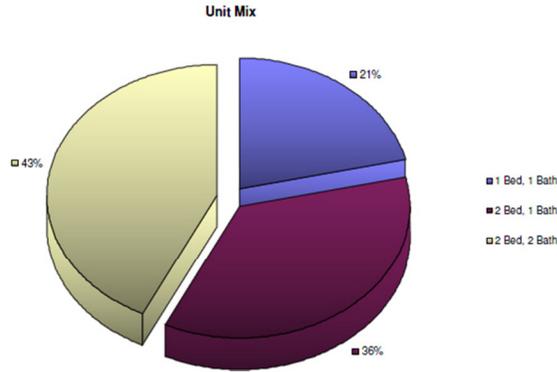
212 Main St
Atlanta GA 30304

Rent Roll Summary



Jeffrey Sandford
404-555-1212

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%	14.303	3,200	\$ 15,400	\$ 184,800



5. Expense Summary

Adrian Apartments II

1212 Main St
Atlanta GA 30303

Annual Expenses



Douglas Rutherford
404-702-4428

Expense Description	Annual Amount	Annual Increase	Per Unit	% of Expenses	% of Revenue
Advertising	500	1.0%	\$ 62.50	2.4%	0.4%
Insurance	4,250	1.0%	531.25	20.0%	3.6%
Landscaping	750	1.0%	93.75	3.5%	0.6%
Maintenance	3,500	1.0%	437.50	16.5%	3.0%
Pest Control	3,500	1.0%	437.50	16.5%	2.9%
Property Taxes	7,500	1.0%	937.50	35.3%	6.3%
Electricity	1,250	1.0%	156.25	5.9%	1.0%
Total Annual Operating Expenses	\$ 21,250		\$ 2,656.25	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	\$ 45,935	\$ 48,696	\$ 51,681	\$ 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)	(13,382)	(13,382)	(13,382)
Tax Depreciation - Reserve/Improvements	(174)	(360)	(549)	(741)	(938)
Interest Expense - Mortgage #1	(6,160)	(6,650)	(6,571)	(6,486)	(6,396)
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="text" value="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	(460,000)	(460,000)	(460,000)	(460,000)	(460,000)
Less: Funded Reserves	(5,000)	(10,100)	(15,302)	(20,608)	(26,020)
Gain (Loss) on Property	\$ 68,280	\$ 63,180	\$ 57,978	\$ 52,672	\$ 47,260
Accumulated Depreciation/Amortization	12,824	26,380	40,122	54,052	68,175
Accumulated Dep - Reserve/Improvements	174	360	549	741	938
Taxable Gain (Loss) on Property Sale	\$ 81,278	\$ 89,920	\$ 98,648	\$ 107,465	\$ 116,373
Capital Gain & State Rate on Sale	25.00%	25.00%	25.00%	25.00%	25.00%
Income Tax Benefit (Expense)	(20,320)	(22,480)	(24,662)	(26,866)	(29,093)
Recapture Tax	(650)	(1,337)	(2,034)	(2,740)	(3,456)
Income Tax Benefit (Expense)	\$ (20,970)	\$ (23,817)	\$ (26,696)	\$ (29,606)	\$ (32,549)

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	2,156			
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	147,418	144	829	973	16,732	2,726			
21	147,274	144	828	973	17,561	2,870			
22	147,130	145	828	973	18,388	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	4,208			
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



Douglas Rutherford
404-702-4428

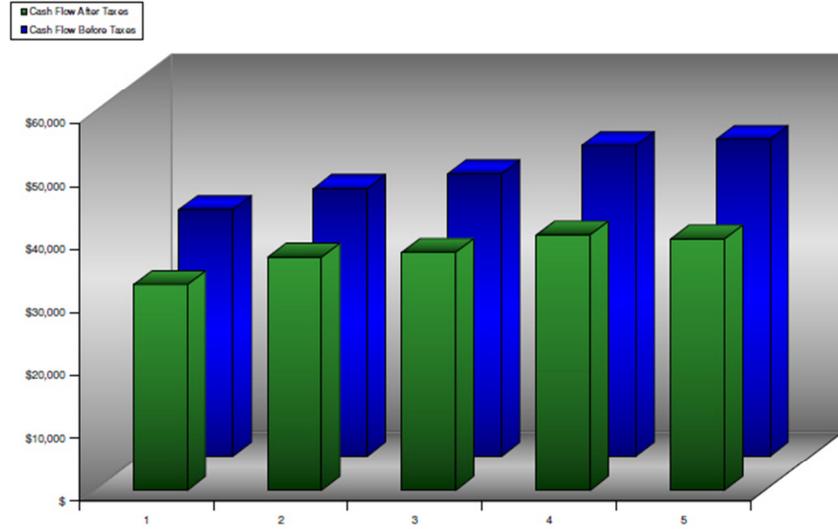
Annual Sq Foot

	Year 1	\$/Sq Ft	Year 2	\$/Sq Ft	Year 3	\$/Sq Ft	Year 4	\$/Sq Ft	Year 5	\$/Sq Ft
Potential Rental Income	\$ 83,400	10.43	\$ 86,736	10.84	\$ 90,205	11.28	\$ 93,814	11.73	\$ 97,566	12.20
Less: Vacancy & Credit Losses	(3,128)	(0.39)	(3,253)	(0.41)	(3,383)	(0.42)	(3,518)	(0.44)	(3,659)	(0.46)
Effective Rental Income	\$ 80,273	10.03	\$ 83,483	10.44	\$ 86,823	10.85	\$ 90,296	11.28	\$ 93,907	11.74
Other Income	4,200	0.53	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	\$ 91,365	11.42	\$ 95,020	11.88	\$ 98,821	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	0.92	7,386	0.92	7,470	0.93	7,544	0.94
Landscaping	750	0.09	750	0.09	765	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	\$ 38,638	4.83	\$ 39,156	4.89	\$ 39,684	4.96	\$ 40,223	5.03	\$ 40,773	5.10
Net Operating Income (NOI)	\$ 45,835	5.73	\$ 48,696	6.09	\$ 51,681	6.46	\$ 54,797	6.85	\$ 58,048	7.26
Less: Annual Debt Service	(7,783)	(0.97)	(7,783)	(0.97)	(7,783)	(0.97)	(7,783)	(0.97)	(7,783)	(0.97)
Less: MIP Payments	(5,000)	(0.63)	(4,947)	(0.62)	(4,890)	(0.61)	(4,829)	(0.60)	(4,764)	(0.60)
Less: Funded Reserves	(10,000)	(1.25)	(10,200)	(1.28)	(10,404)	(1.30)	(10,612)	(1.33)	(10,824)	(1.35)
Cash Flow Before Taxes	\$ 28,051	3.51	\$ 30,712	3.84	\$ 33,494	4.19	\$ 36,402	4.55	\$ 39,440	4.93

9. Graphs & Charts

Adrian Apartments II
 1212 Main St
 Atlanta GA 30304

Cash Flow Projections



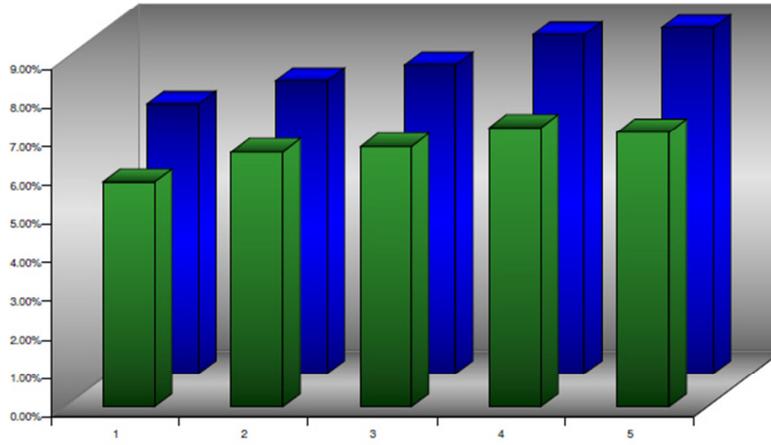
Time Period	Net Operating Income	Reserves & MID Payments	Debt Service	Cash Flow Before Tax	Incomes Taxes	Cash Flow After Tax
Int Investment				\$ (562,250)		\$ (562,250)
Year 1	156,110	(5,000)	(111,774)	39,336	(6,560)	32,777
Year 2	159,445	(5,050)	(111,774)	42,621	(5,509)	37,112
Year 3	162,848	(6,101)	(111,774)	44,974	(7,084)	37,891
Year 4	166,322	(5,152)	(111,774)	49,397	(8,719)	40,678
Year 5	169,867	(7,703)	(111,774)	50,391	(10,372)	40,019

Cash on Cash Return



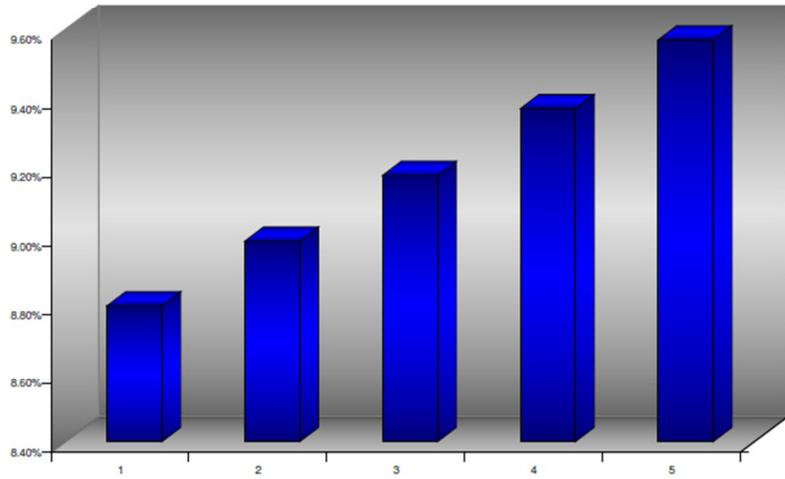
Jeffrey Sandford
404-555-1212

■ After Taxes
■ Before Taxes



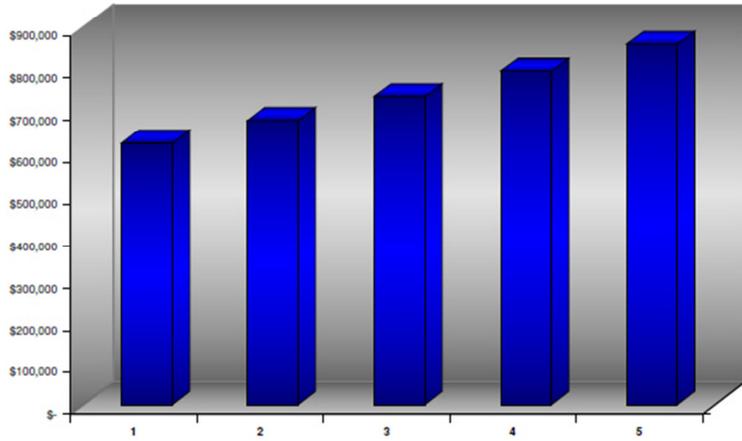
Time Period	Initial Investment Adj for Refinance	Cash Flow Before Taxes	Cash on Cash Before Taxes	Income Taxes	Cash Flow After Taxes	Cash on Cash After Taxes
Year 1	\$ 562,250	\$ 39,336	7.00%	\$ (6,560)	\$ 32,777	5.83%
Year 2	562,250	42,621	7.58%	(5,509)	37,112	6.60%
Year 3	562,250	44,974	8.00%	(7,084)	37,891	6.74%
Year 4	562,250	49,397	8.79%	(8,719)	40,678	7.23%
Year 5	562,250	50,391	8.96%	(10,372)	40,019	7.12%

Capitalization Rate



<i>Time Period</i>	<i>Net Operating Income (NOI)</i>	<i>Cap Rate on Cost</i>	<i>Rentale Value</i>
Year 1	\$ 156,110	8.79%	\$ 1,851,375
Year 2	159,445	8.98%	1,993,059
Year 3	162,848	9.17%	2,035,603
Year 4	166,322	9.37%	2,079,024
Year 5	169,867	9.57%	2,123,342

Property Equity Analysis

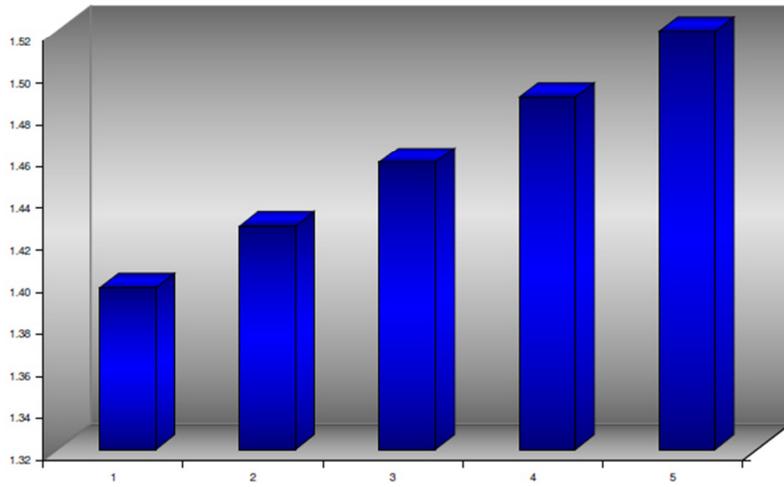


Time Period	Projected Ad Resale Value	Projected Increase	Refill Proceeds (if any)	Mortgage(s) Balance Payoff	Sale Proceeds Before Taxes	Income Taxes From Sale	Sale Proceeds After Taxes	Property Equity	Year / Year Equity Increase
Year 1	\$ 1,834,293	4.82%	\$ -	\$ (1,194,997)	\$ 639,295	\$ (17,402)	\$ 621,893	\$ 621,893	\$ 59,643
Year 2	1,873,475	2.14%	-	(1,162,905)	710,570	(34,296)	676,275	676,275	54,381
Year 3	1,913,467	2.13%	-	(1,128,579)	784,888	(51,294)	733,594	733,594	57,319
Year 4	1,954,283	2.13%	-	(1,091,862)	862,421	(68,586)	793,835	793,835	60,241
Year 5	1,995,941	2.13%	-	(1,052,589)	943,352	(85,558)	857,794	857,794	63,959

Debt Coverage Ratio



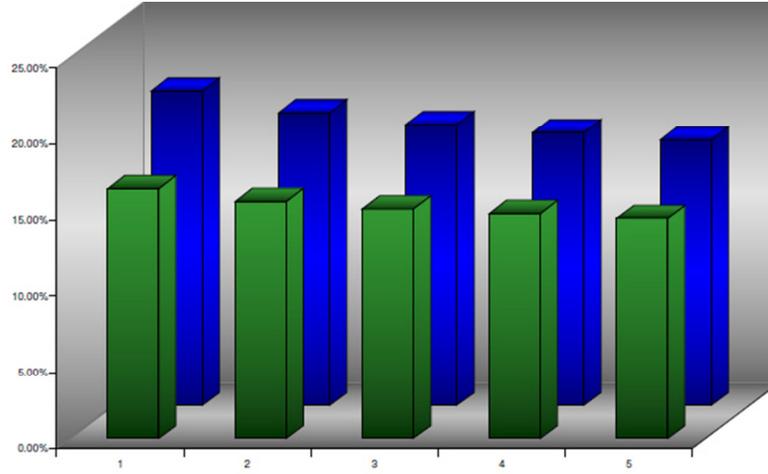
Jeffrey Sandford
404-555-1212



<i>Time Period</i>	<i>Net Operating Income</i>	<i>Mortgage Payments</i>	<i>Debt Coverage Before Taxes</i>
Year 1	\$ 156,110	\$ (111,774)	1.40
Year 2	159,445	(111,774)	1.43
Year 3	162,848	(111,774)	1.46
Year 4	166,322	(111,774)	1.49
Year 5	169,867	(111,774)	1.52

Internal Rate of Return

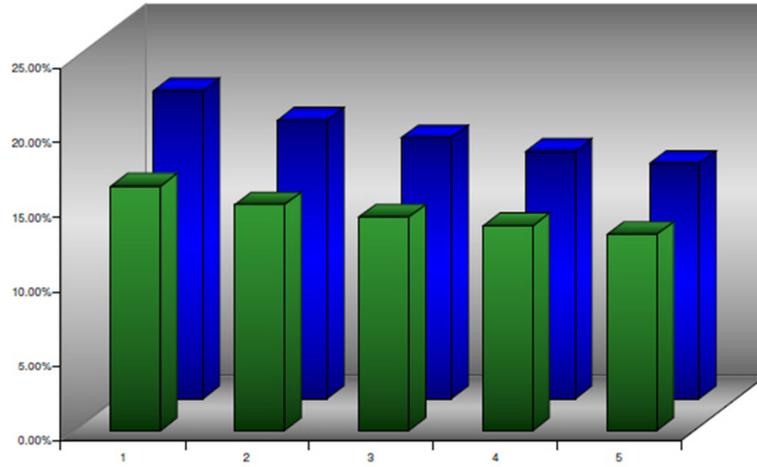
■ IRR After Tax
■ IRR Before Tax



Time Period	Internal Rate of Return (IRR)	
	Before Taxes	After Taxes
Year 1	20.70%	16.44%
Year 2	19.29%	15.59%
Year 3	18.50%	15.11%
Year 4	17.96%	14.80%
Year 5	17.47%	14.49%

Modified Internal Rate of Return

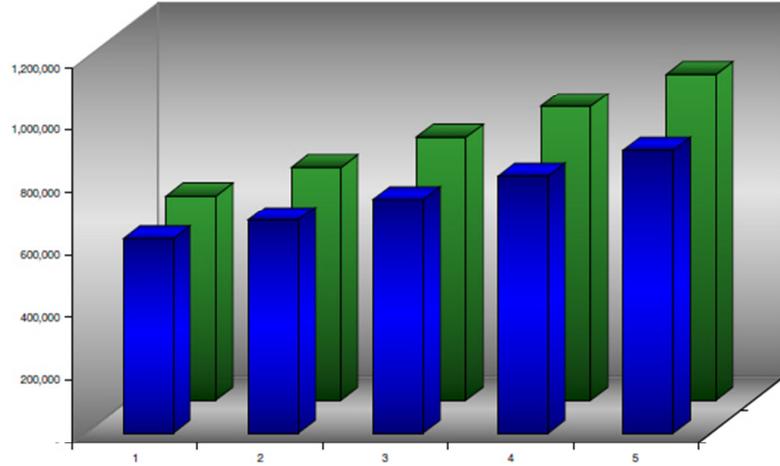
■ MIRR - After Taxes
 ■ MIRR - Before Taxes



Time Period	Modified Internal Rate of Return	
	Before Taxes	After Taxes
Year 1	20.70%	16.44%
Year 2	18.73%	15.20%
Year 3	17.49%	14.38%
Year 4	16.59%	13.78%
Year 5	15.79%	12.23%

Alternative Investment Comparison

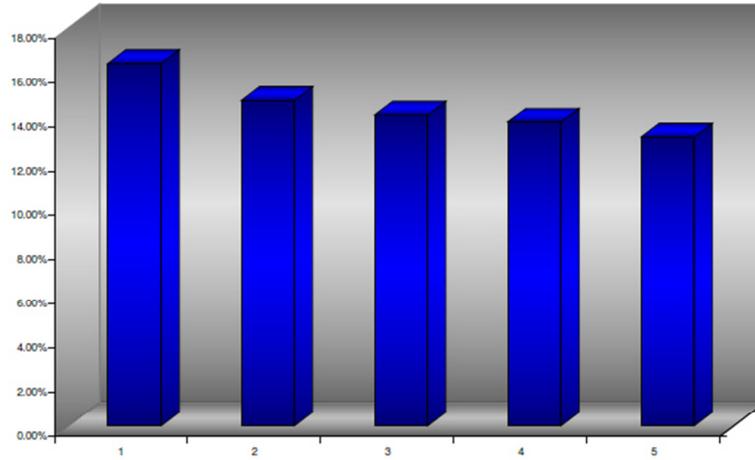
■ Alternative Investment
 ■ Subject Property - After Taxes



Alt Investment Return (after taxes)	Time Period	Alternative Investment Value	Property After-Taxes Net Value	Difference	Better Investment	Property Before-Taxes Net Value	Difference	Better Investment
10.00%	Initial Investment	\$ 562,250	\$ 562,250			\$ 562,250		
	Year 1	618,475	654,670	\$ 36,195	Property	686,128	\$ 67,653	Property
	Year 2	680,323	746,163	65,841	Property	807,077	126,754	Property
	Year 3	748,355	841,373	93,018	Property	933,310	184,955	Property
	Year 4	823,190	942,292	119,102	Property	1,067,295	244,105	Property
	Year 5	905,509	1,046,271	140,761	Property	1,205,695	300,186	Property

Hold/Sell Analysis

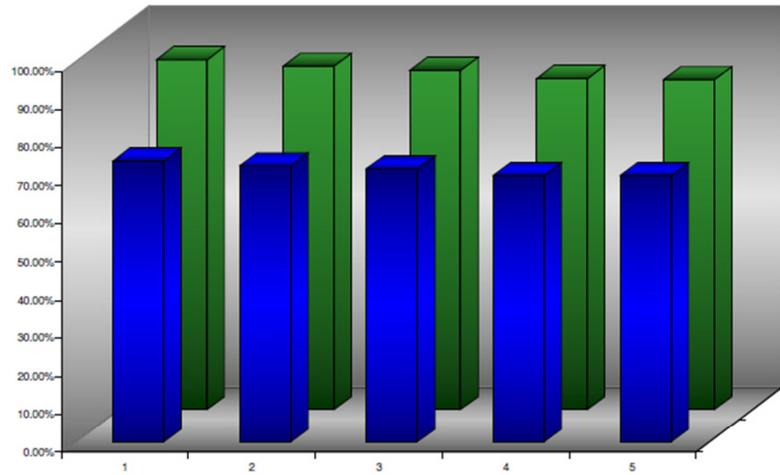
■ Return on Equity (ROE)



Required Return on Equity	Time Period	Rental 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	32,777	59,643	92,420	562,250	16.44%	Hold
After Year	Year 2	37,112	54,381	91,493	621,893	14.71%	Hold
5	Year 3	37,891	57,319	95,210	676,275	14.08%	Hold
	Year 4	40,678	60,241	100,919	733,594	13.76%	Hold
	Year 5	40,019	63,959	103,978	793,835	13.10%	Hold

BreakEven Occupancy

■ Break Even Occupancy
 ■ Break Even 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
6.00%							w/ Cash on Cash	w/ Cash on Cash
	Year 1	186,600	(138,024)	95.00%	73.97%	26.03%	92.05%	7.95%
	Year 2	190,332	(138,286)	95.00%	72.66%	27.34%	90.38%	9.62%
	Year 3	194,139	(139,551)	95.00%	71.88%	28.12%	89.26%	10.74%
	Year 4	198,021	(138,819)	95.00%	70.10%	29.90%	87.14%	12.86%
	Year 5	201,982	(141,589)	95.00%	70.10%	29.90%	86.80%	13.20%

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 "tied 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[®] SOFTWARE

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. Purchase Price,**
- II. Rehab Input,**
- III. Rental Income & Expenses,**
- IV. Financing, and**
- V. Income Taxes.**

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

Input Data Screen

Bank Owned - REOI
1463 Leland Dr
Decatur GA 30037

Print 6 Months

I. Purchase Price	
Purchase or Asking Price:	\$ 205,000
Estimated Initial Improvements:	\$
Estimated Initial Improvements:	\$
Closing Costs:	\$
Other Initial Costs:	\$
Other Initial Costs:	\$
Total Initial Costs:	\$ 205,000
Projected Selling Price / After Repair Value (ARV):	\$ 299,000
Projected Selling Expenses (as a % of Selling Price):	7.00%

II. Rehab Input	
<input type="button" value="Detailed Rehab"/>	
Total Rehab Costs Entered From Rehab Input:	\$ 11,595
Finance Rehab Costs?	100% of Rehab Costs <input type="button" value="v"/>

III. Rental Income & Expenses	
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" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #e0f0e0;"> <th style="width: 50%;"></th> <th style="width: 25%;">1st Mortgage</th> <th style="width: 25%;">2nd Mortgage</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Loan to Value Percentage:</td> <td style="text-align: center; padding: 5px;">54.85%</td> <td style="text-align: center; padding: 5px;">0.00%</td> </tr> <tr> <td style="padding: 5px;">Down Payment Percentage:</td> <td style="text-align: center; padding: 5px;">20% <input type="button" value="v"/></td> <td style="text-align: center; padding: 5px;"></td> </tr> <tr> <td style="padding: 5px;">Debt Borrowed or Assumed:</td> <td style="text-align: right; padding: 5px;">\$ 164,000</td> <td style="text-align: right; padding: 5px;">\$</td> </tr> <tr> <td style="padding: 5px;">Interest Rate:</td> <td style="text-align: center; padding: 5px;">15.000%</td> <td style="text-align: center; padding: 5px;">0.000%</td> </tr> <tr> <td style="padding: 5px;">Interest Only?</td> <td style="text-align: center; padding: 5px;">Yes <input type="button" value="v"/></td> <td style="text-align: center; padding: 5px;">Yes <input type="button" value="v"/></td> </tr> <tr> <td style="padding: 5px;">Pay Monthly or Accrue?</td> <td style="text-align: center; padding: 5px;">Accrue <input type="button" value="v"/></td> <td style="text-align: center; padding: 5px;">Accrue <input type="button" value="v"/></td> </tr> <tr> <td style="padding: 5px;">Term or Remaining Term of Loan (Months):</td> <td style="text-align: center; padding: 5px;">36</td> <td style="text-align: center; padding: 5px;">36</td> </tr> <tr> <td style="padding: 5px;">Monthly Mortgage Payment (formula):</td> <td style="text-align: right; padding: 5px;">\$ 2,050.00</td> <td style="text-align: right; padding: 5px;">\$ -</td> </tr> <tr> <td style="padding: 5px;">Loan Origination Points</td> <td style="text-align: center; padding: 5px;">\$</td> <td style="text-align: center; padding: 5px;">-</td> </tr> <tr> <td style="padding: 5px;">Loan Origination Points (in Dollars):</td> <td style="text-align: right; padding: 5px;">\$ -</td> <td style="text-align: right; padding: 5px;">\$ -</td> </tr> <tr> <td style="padding: 5px;">Finance Points?</td> <td style="text-align: center; padding: 5px;">No <input type="button" value="v"/></td> <td style="text-align: center; padding: 5px;"></td> </tr> <tr> <td style="padding: 5px;">Prepayment Penalty Percent (if any):</td> <td style="text-align: center; padding: 5px;">0.00%</td> <td style="text-align: center; padding: 5px;">0.00%</td> </tr> <tr> <td style="padding: 5px;">Initial Investment / Excess Proceeds (Automatically Calculated):</td> <td colspan="2" style="text-align: right; padding: 5px;">\$ 41,000</td> </tr> <tr> <td style="padding: 5px;">Total Cash Needed for Investment (Automatically Calculated):</td> <td colspan="2" style="text-align: right; padding: 5px;">\$ 41,882</td> </tr> </tbody> </table>		1st Mortgage	2nd Mortgage	Loan to Value Percentage:	54.85%	0.00%	Down Payment Percentage:	20% <input type="button" value="v"/>		Debt Borrowed or Assumed:	\$ 164,000	\$	Interest Rate:	15.000%	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):	\$ 2,050.00	\$ -	Loan Origination Points	\$	-	Loan Origination Points (in Dollars):	\$ -	\$ -	Finance Points?	No <input type="button" value="v"/>		Prepayment Penalty Percent (if any):	0.00%	0.00%	Initial Investment / Excess Proceeds (Automatically Calculated):	\$ 41,000		Total Cash Needed for Investment (Automatically Calculated):	\$ 41,882	
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Initial Investment / Excess Proceeds (Automatically Calculated):	\$ 41,000																																													
Total Cash Needed for Investment (Automatically Calculated):	\$ 41,882																																													

V. Income Taxes	
Federal Marginal Income Tax Rate:	28.0% <input type="button" value="v"/>
State Marginal Income Tax Rate:	5% <input type="button" value="v"/>
Capital Gain Income Tax Rate:	15% <input type="button" value="v"/>
Capital Losses Subject to \$3,000 Limitation?	Yes <input type="button" value="v"/>

I. Purchase Price

1. Purchase 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 "Purchase or Asking Price" or enter multiple amounts in the various input lines 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. Estimated 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 / After Repair Value (ARV):

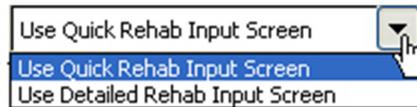
Enter the expected selling price or re-sale value (expected value after repairs have been made to the property.) This amount is different than the purchase price. This amount is used as the sales price of the property in the property re-sale analysis.

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

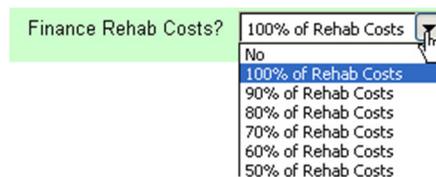
Enter the amount your plan to incur in selling the property once the renovation is completed. The amount is expressed as a percentage of the sales price. An example of a selling expense would be a real estate agent's commission, or the buyer's closing costs you elect to pay.

II. Rehab Input

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.



Finance Rehab Costs?



When incurring costs to rehab your property, you can pay these costs out of pocket or finance them through your lender. If you plan to pay for them yourself, then select "No" to "Finance Rehab Costs". Otherwise, choose the amount of financing that is applicable. Interest is computed on these amounts based on the month incurred as inputted on the "Rehab Input" screen. The "Cash Needed for Investment" is also updated accordingly.

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.

Quick Rehab Input

Description	Project Costs	Month of Expense Outlay
Bathroom		Month 1
Carpet	\$ 1,500	Month 2
Ceiling Fans	\$ 400	Month 1
Decks		Month 1
Doors	\$ 650	Month 8
Electrical	\$ 750	Month 9
Fireplace	\$ 110	Month 2
Flooring		Month 1
Garage Doors		Month 2
Gutters	\$ 60	Month 3
Heating & Cooling	\$ 600	Month 4
HVAC	\$ 175	Month 5
Kitchen Appliances	\$ 4,500	Month 6
Kitchen Cabinets		Month 7
Landscaping		Month 8
Light Fixtures	\$ 250	Month 9
Painting - Exterior		Month 10

Detailed Rehab Input

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.

- Total:** The total is automatically calculated by multiplying the inputs from the "Cost Estimate" and the "Sq. Ft or Quantity."
- Select Month of Expense Outlay:** Select the month the cost of the rehab project will be incurred.

Total \$ 3,276

Detailed Rehab Input

Description	National Avg.	Sq. Ft. (Or Quantity)	Cost Estimate	Total
Structure/Exterior				
Structure	Natl Avg	Sq Ft / Qty	Cost Estimate	
Addition (foundation to roof)	\$75 - \$110/sq ft.	1.5	\$ 20.00	\$ 30.00
Basement entrance	\$6,000-\$10,000	1.5	\$ 20.00	\$ 30.00
Basement main beam	\$1,500			\$ -
Basement support	\$500	1.5	\$ 20.00	\$ 30.00
Excavation/waterproofing	\$90 - 110 sq ft.	1.5	\$ 20.00	\$ 30.00
Foundation cracks (excavation method)	\$300 - \$900	1.5	\$ 20.00	\$ 30.00
Foundation cracks (injection method)	\$350	1.5	\$ 20.00	\$ 30.00
Lintel (masonry wall)	\$600	1.5	\$ 20.00	\$ 30.00
Lower basement	\$175 - \$110/lin. Ft.			\$ -
Remove bearing wall	\$2,500			\$ -
Remove partition wall	\$600 - \$1,600			\$ -
Re-support floor joist (sistering)	\$200 - \$300			\$ -
Roof sheathing (replace)	\$5 - \$6/sq. ft.			\$ -
Underpinning	\$300 - \$400/ lin. Ft.			\$ -
Termite prevention (chemical soil treatment)	\$1400+			\$ -
				\$ 210
Wall System				
	Natl Avg	Sq Ft / Qty	Cost Estimate	
Aluminum siding	\$4 - \$5/sq. ft.	1.5	\$ 20.00	\$ 30.00
Brick veneer	\$8 - \$20/sq. ft.	1.5	\$ 20.00	\$ 30.00

Month 1
Month 2
Month 3
Month 4
Month 5
Month 6
Month 7
Month 8
Month 9
Month 10
Month 11
Month 12
Month 13
Month 14
Month 15
Month 16
Month 17
Month 18
Month 19
Month 20
Month 21
Month 22
Month 23
Month 24

III. Rental Income & Expenses

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."

- Lease Description:** Enter the lessee's name or description of the lease.

2. **Monthly Rent:** Enter the monthly amount per lease in the column provided.

Sum Total \$ 12,000

Rental Income

Lease Description		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Unit 1	<input type="text" value="Fill Across"/>	500	500	500	500	500	500
Unit 2	<input type="text" value="Fill Across"/>						
Unit 3	<input type="text" value="Fill Across"/>						
Unit 4	<input type="text" value="Fill Across"/>						
Unit 5	<input type="text" value="Fill Across"/>						
Unit 6	<input type="text" value="Fill Across"/>						
Unit 7	<input type="text" value="Fill Across"/>						
Unit 8	<input type="text" value="Fill Across"/>						
Unit 9	<input type="text" value="Fill Across"/>						
Unit 10	<input type="text" value="Fill Across"/>						
Unit 11	<input type="text" value="Fill Across"/>						
Unit 12	<input type="text" value="Fill Across"/>						
Unit 13	<input type="text" value="Fill Across"/>						

B. Other Expenses & Holding Costs

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 (non-rehab) 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. **Monthly Amount:** Enter the expenses that you expect to incur on a monthly basis.

Sum Total \$ 3,528

Other Expenses & Holding Costs

Expense Description	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7
Advertising <small>Fill Across</small>							
Auto & Travel <small>Fill Across</small>							
Cleaning & Maintenance <small>Fill Across</small>							
Commissions <small>Fill Across</small>							
Insurance <small>Fill Across</small>	22	22	22	22	22	22	22
Professional Fees <small>Fill Across</small>							
Management Fees <small>Fill Across</small>							
Supplies <small>Fill Across</small>	30	30	30	30	30	30	30
Pest Control <small>Fill Across</small>							
Property Taxes <small>Fill Across</small>	50	50	50	50	50	50	50
Yard <small>Fill Across</small>							
Gas <small>Fill Across</small>							
Electricity <small>Fill Across</small>	25	25	25	25	25	25	25
Phone <small>Fill Across</small>							
Water <small>Fill Across</small>	20	20	20	20	20	20	20
Trash <small>Fill Across</small>							
Misc. <small>Fill Across</small>							
Misc. <small>Fill Across</small>							
Total	\$ 147	\$ 147	\$ 147	\$ 147	\$ 147	\$ 147	\$ 147

IV. Financing

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

IV. Financing		1st Mortgage	2nd Mortgage
<input type="button" value="Amort Schedules"/>	Loan to Value Percentage:	54.85%	0.00%
	Down Payment Percentage:	20%	
	Debt Borrowed or Assumed:	\$ 164,000	
	Interest Rate:	15.000%	0.000%
	Interest Only?	Yes	Yes
	Pay Monthly or Accrue?	Accrue	Accrue
	Term or Remaining Term of Loan (Months):	36	36
	Monthly Mortgage Payment (formula):	\$ 2,050.00	\$ -
	Loan Origination Points		-
	Loan Origination Points (in Dollars):	\$ -	\$ -
	Finance Points?	No	
	Prepayment Penalty Percent (if any):	0.00%	0.00%

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. **Pay Monthly or Accrue?** If you will be making loan payments per month, select "Pay Monthly". If not, enter "Accrue" and interest expense will accrue each month and assumed paid when the property is sold and the loan balance paid.
5. **Term or Remaining Term of Loan (Months):** Enter the term or length of the loan.
6. **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.
7. **Prepayment Penalty Percent (if any):** Enter the prepayment penalty percentage if the loan is subject to a penalty.

8. **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.

“**Total Cash Needed for Investment**” is the initial down payment plus amounts you have paid out of pocket by the month indicated from the drop down menu. This amount is also reflected on the Executive Summary.

Initial Investment / Excess Proceeds (Automatically Calculated):	\$	41,000
Total Cash Needed for Investment (Automatically Calculated):	\$	41,882



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.**

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%
State Marginal Income Tax Rate:	5%
Capital Gain Income Tax Rate:	15%
Capital Losses Subject to \$3,000 Limitation?	Yes

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 **"Goal Seek"** button.

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.

Solve Backwards

Current Input

Original Purchase Price	\$205,000
Original Fair Market Value	\$299,000
Total Rehab Expenses	\$3,276

Calculate Maximum Offer Price

To achieve a Profit of \$ 40,000 by Month 6

Your offer should be: \$ 291,917 Compared to Existing Input of \$ 205,000 and Profit of \$ 37,812

Seek Answer

Determine Optimal Selling Price

To achieve a Profit of \$ 40,000 by Month 6

You must sell the property for: \$ 302,512 Compared to Existing Input of \$ 299,000 and Profit of 37,812

Seek Answer

Determine Maximum Rehab Expenses

To achieve a Profit of \$ 40,000 by Month 6

You can't spend more than: \$ 156 Compared to Existing Input of \$ 3,150 and Profit of 37,812

Seek Answer

PARTNER REPORTS

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

1. Enter the partner name,
2. Enter the partner's ownership percentage,
3. Enter the partner's preferred return (if any),
4. Enter the managing partner's ownership percentage,
5. Enter the **Required Partner Cash Investment** (amount you are trying to raise from the investor).

Partner Name	Dan Johnson	Graph: Display 6 Months
Partner Ownership %	50.00%	
Partner's Preferred Return	10.00%	LP Preferred Return Paid from Profits
Managing Partner's Ownership %	50.00%	Apply Partner %
Required Partner Cash Investment	\$ 20,500	

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Decatur GA 30037

Partner Report

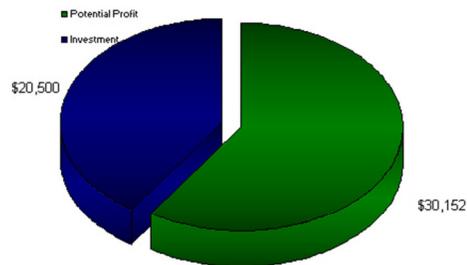


Jeffrey Sandford
404-555-1212

Partner Profit Share	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Before-Tax Projected Cash from Sale	\$ 109,231	\$ 107,001	\$ 104,772	\$ 101,995	\$ 99,759	\$ 97,523
Return of Capital	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
Before-Tax Profit (Loss)	68,231	66,001	63,772	60,995	58,759	56,523
Dan Johnson's Preferred Return	(6,823)	(4,421)	(4,271)	(4,083)	(3,932)	(3,781)
Net Distributable Cash/Profit	\$ 61,408	\$ 61,580	\$ 59,501	\$ 56,912	\$ 54,827	\$ 52,741
Managing Partner's Profit Share	(30,704)	(30,790)	(29,751)	(28,456)	(27,413)	(26,371)
Dan Johnson's Share of Profits	\$ 30,704	\$ 30,790	\$ 29,751	\$ 28,456	\$ 27,413	\$ 26,371

Summary of Cash to Dan Johnson

Dan Johnson's Preferred Return	6,823	4,421	4,271	4,083	3,932	3,781
Dan Johnson's Share of Profits	30,704	30,790	29,751	28,456	27,413	26,371
Dan Johnson's Return of Capital	20,500	20,500	20,500	20,500	20,500	20,500
Total Cash to Dan Johnson	\$ 58,027	\$ 55,711	\$ 54,521	\$ 53,039	\$ 51,846	\$ 50,652
Dan Johnson's Cash on Cash Return	183.1%	171.8%	166.0%	158.7%	152.9%	147.1%



Investment Period is Six Months

SEVEN-PAGE DETAILED HOME INSPECTION REPORT

Home										Inspection Checklist		
Property Location												
City, State, Zip												
Date of Inspection												
Exterior												
Acceptable	Defective	Marginal	Not Present	Not Inspected	See Comments	Item	Potential Issues/ Concerns	Notes				
						Steps	Cracking, sturdiness, 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. Stucco	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: 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	-	-	-
Site 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)	\$ (29,935)	\$ (9,985)
Purchase Price of Property	\$ (157,500)	\$ (160,000)	\$ (2,500)
Points Estimated / Paid	(3,000)	(2,600)	
Prepayment Penalty (if any)	-	-	-
Cumulative Interest Expense	(7,219)	(7,300)	
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%	35.32%	-27.91%

Budget items are automatically filled from the analysis.

Your actual return is calculated

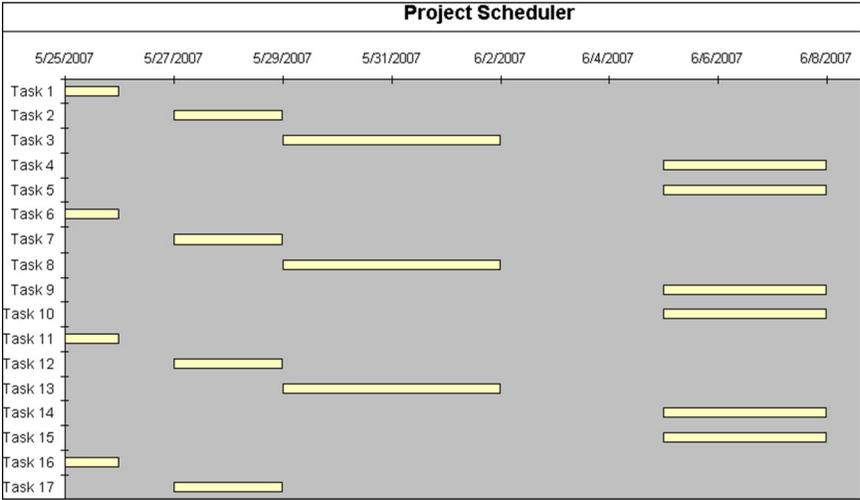
PROJECT & TASK SCHEDULER

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® Reports, Graphs & Charts

Cover



Bank Owned - REO!

1463 Leland Dr
Decatur GA 30037

Bank is Motivated to Unload!
Great Neighborhood
Walking Distance to Downtown Decatur
Schools Ranked in Top 10 in Georgia
Needs Just a Little Work

Presented By

Sanford Realty Group

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1212 Main St
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COMPANY

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Executive Report

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Executive Summary

Bank Owned - REO!

1463 Leland Dr
Decatur GA 30037



Suite 172
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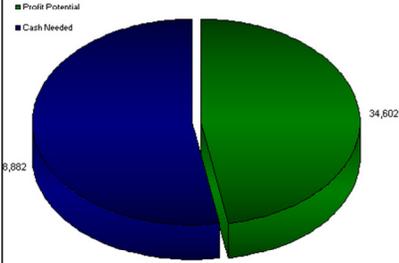
Financial Information




Estimated Project Completion Date	Month 6
Projected After-Repair Value Sales Price	\$ 299,000
Estimated Selling Expenses	(20,930)
Cumulative Rehab Costs & Holding Expenses	(21,122)
Income Tax Benefit (Cost) from Sale	(17,347)
Asking Price & Closing Costs	(205,000)
Total Potential Profit	\$ 34,602
Total Cash on Cash Return b/f Taxes	133.61%
Total Cash on Cash Return a/t Taxes	88.99%
Cash Needed for Investment	\$38,882

Financial Breakout

Summary Description & Notes



■ Profit Potential
■ Cash Needed

Easy rehab and flip! Great location and this needs little work to be done to this beauty. Just a little TLC and this will sell fast.

We don't think it will take 6 months to turn this property, but even if it did, we project a healthy profit of over \$34,000 with little to no effort.

Disclaimer: All Information Presented is Believed to be Accurate.

The information, calculations & data presented in this report are believed to be accurate but are not guaranteed or warranted. The information contained in this report shall not be considered as a substitution for legal, accounting or other professional advice. Please seek proper legal and tax advice as appropriate before making any purchases of real estate.

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Property Description

Property Description



Bank Owned - REO!

1463 Leland Dr
Decatur GA 30037

This property was built in 2006 and is almost in perfect condition. There are just a few minor repairs needed to put this property in retail condition.

The previous owner declared bankruptcy due to medical issues and turned the property over to the bank in 2010.

The bank has kept this property immaculate and is motivated to sell!

The property is within walking distance to downtown Decatur's shops and restaurants. The neighborhood is one of the more prestigious communities in Decatur with over 200 other beautiful homes.

Property needs a few appliances replaced and some minor damage repaired from a recent storm. We estimate total rehab costs to be less than \$12,000.

HIGHLIGHTS

Little work needs to be done!

Walking distance to downtown Decatur

Great schools

Prestigious neighborhood and area

Newly-built property

Won't last long

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Photo Album

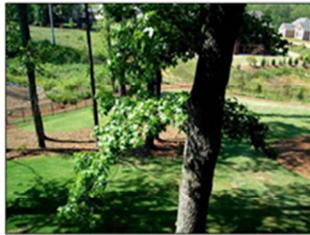
Property Photos



Front



Back



Backyard



Foyer



Bonus Room



Kitchen



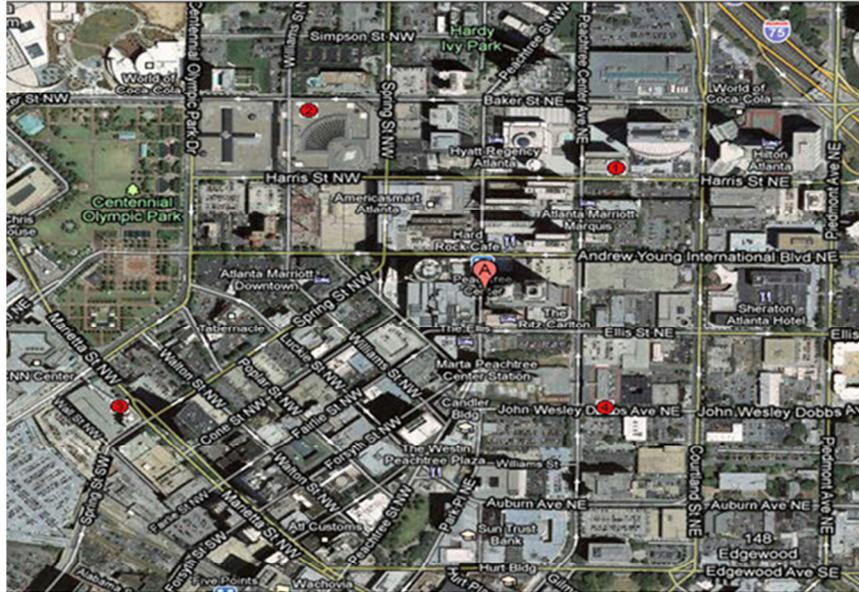
Park across the street



Dining Room

Map & Aerial

Map & Aerial View



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Up to 24-Month Profit Projection

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Cash Flow Analysis



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Profit / Loss	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Projected After-Repair Sale Value	\$ 299,000	\$ 299,000	\$ 299,000	\$ 299,000	\$ 299,000	\$ 299,000
FMV Adjustment Option (+/-)	-	-	-	-	-	-
Adj Projected After-Repair Sale Value	\$ 299,000	\$ 299,000	\$ 299,000	\$ 299,000	\$ 299,000	\$ 299,000
Selling Expenses	(20,930)	(20,930)	(20,930)	(20,930)	(20,930)	(20,930)
Income Tax Benefit (Cost) from Sale	(20,685)	(19,587)	(19,027)	(18,467)	(17,907)	(17,347)
Cumulative Rehab & Holding Expenses	(10,389)	(13,824)	(15,648)	(17,473)	(19,297)	(21,122)
Initial Purchase Price	\$ (205,000)	\$ (205,000)	\$ (205,000)	\$ (205,000)	\$ (205,000)	\$ (205,000)
Total Profit (Loss) if Sold by Month End	\$ 41,996	\$ 39,660	\$ 38,395	\$ 37,131	\$ 35,866	\$ 34,602
Cumulative Funds Needed/Used	\$ 40,647	\$ 40,204	\$ 39,941	\$ 39,588	\$ 39,235	\$ 38,882
Total Cash on Cash Return b/f Income Taxes	154.21%	147.03%	143.77%	140.44%	137.05%	133.61%
Total Cash on Cash Return a/f Income Taxes	103.32%	98.43%	96.13%	91.41%	91.41%	88.99%

Projected Cash Generated

Net Proceeds from Sale	\$ 278,070	\$ 278,070	\$ 278,070	\$ 278,070	\$ 278,070	\$ 278,070
Additional Rehab Loan Draws	8,585	10,195	10,195	10,195	10,195	10,195
Initial Loan Payoff	(164,000)	(164,000)	(164,000)	(164,000)	(164,000)	(164,000)
Rehab Loan Payoff	(8,585)	(10,195)	(10,195)	(10,195)	(10,195)	(10,195)
Cumulative Rehab & Holding Expenses	(10,389)	(13,824)	(15,648)	(17,473)	(19,297)	(21,122)
Income Tax Benefit (Cost) from Sale	(20,685)	(19,587)	(19,027)	(18,467)	(17,907)	(17,347)
Initial Cash Investment	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
Total Profit (Loss)	\$ 41,996	\$ 39,660	\$ 38,395	\$ 37,131	\$ 35,866	\$ 34,602

Rehab, Expenses & Holding Costs

Rehab Costs from Schedule	\$ (8,585)	\$ (1,610)				
Other Monthly Expenses	(147)	(147)	(147)	(147)	(147)	(147)
Mortgage Payments - 1st Mortgage	(2,050)	(2,050)	(2,050)	(2,050)	(2,050)	(2,050)
Interest Expense - Rehab Costs	(107)	(127)	(127)	(127)	(127)	(127)
Rental Income (if any)	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Monthly Net Out Flow	\$ (10,389)	\$ (3,434)	\$ (1,824)	\$ (1,824)	\$ (1,824)	\$ (1,824)
Cumulative Rehab & Holding Costs	\$ (10,389)	\$ (13,824)	\$ (15,648)	\$ (17,473)	\$ (19,297)	\$ (21,122)

Rehab Expenses – Quick Input

Bank Owned - REO

1463 Leland Dr
Decatur GA 30037

Rehab Expenses



Total Rehab Expenses: \$ 11,595

Description	Project Costs
Carpet	1,500
Ceiling Fans	400
Doors	650
Electrical	750
Fireplace	110
Gutters	60
Heating & Cooling	600
HVAC	175
Kitchen Appliances	4,500
Light Fixtures	250
Pest Control	850
Plumbing	750
Miscellaneous	1,000
Total	\$11,595

Rehab Expenses – Detailed Input

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1463 Leland Dr
Decatur GA 30037

Rehab Expenses



Total Rehab Expenses: \$ 11,595

Description	Sq. Ft. / Quantity	Unit Cost	Total
Structure			
Addition (foundation to roof)	1.5	\$20	\$30
Basement entrance	1.5	\$20	\$30
Basement support	1.5	\$20	\$30
Excavation/waterproofing	1.5	\$20	\$30
Foundation cracks (excavation method)	1.5	\$20	\$30
Foundation cracks (injection method)	1.5	\$20	\$30
Lintel (masonry wall)	1.5	\$20	\$30
		SubTotal	\$210
Wall System			
Aluminum siding	1.5	\$20	\$30
Brick veneer	1.5	\$20	\$30
Brick cleaning (unpainted)	1.5	\$20	\$30
Brick cleaning (painted)	1.5	\$20	\$30
Brick repointing	1.5	\$20	\$30
Painting	1.5	\$20	\$30
Painting - Trim	1.5	\$20	\$30
Painting - Windows	1.5	\$20	\$30
Cedar siding	1.5	\$20	\$30
Stucco	1.5	\$20	\$30
Vinyl siding	1.5	\$20	\$30
		SubTotal	\$330
Exterior Door			
Aluminum storm door	1.5	\$20	\$30
Metal insulated door	1.5	\$20	\$30
Patio door--replace	1.5	\$20	\$30
Patio door--brick wall (6 ft.)	1.5	\$20	\$30
Patio door--wood wall (6ft.)	1.5	\$20	\$30
		SubTotal	\$150
Sloped Roofs			
Asphalt shingle (over existing)	1.26	\$20	\$25
Asphalt shingle (strip & reshingle)	1.26	\$20	\$25
Asphalt shingle (high quality)	1.26	\$20	\$25
Cedar shake/shingle	1.26	\$20	\$25
Clay tile	1.26	\$20	\$25
Concrete tile	1.26	\$20	\$25
Wood shake/shingle	1.26	\$20	\$25
Slate tile	1.26	\$20	\$25
			\$202
Fiat Roofs			
roll roofing asphalt (90 lb.)	1.26	\$20	\$25
4 ply (tar and gravel)	1.26	\$20	\$25
single ply membrane	1.26	\$20	\$25
		SubTotal	\$76

Other Expenses & Holding Costs

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1463 Leland Dr
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Other Expenses & Holding Costs



Jeffrey Sandford
404-555-1212

Expense Description	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Insurance	22	22	22	22	22	22
Supplies	30	30	30	30	30	30
Property Taxes	50	50	50	50	50	50
Electricity	25	25	25	25	25	25
Water	20	20	20	20	20	20
Total	\$147	\$147	\$147	\$147	\$147	\$147

Up to 24 Month Income Tax Analysis

Bank Owned - REOI

1463 Leland Dr
Decatur GA 30037

Income Tax Analysis



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	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Projected Sales Price	\$ 299,000					
Estimated Selling Expenses	(20,930)	(20,930)	(20,930)	(20,930)	(20,930)	(20,930)
Cumulative Improvements Made	(8,585)	(10,195)	(10,195)	(10,195)	(10,195)	(10,195)
Interest Expense	(2,157)	(4,227)	(6,277)	(8,327)	(10,377)	(12,427)
Other Holding Expenses Less Rents (if Any)	353	706	1,059	1,412	1,765	2,118
Original Cost of Property	(205,000)	(205,000)	(205,000)	(205,000)	(205,000)	(205,000)
Taxable Gain (Loss) on Property Sale	\$ 62,681	\$ 59,354	\$ 57,657	\$ 55,960	\$ 54,263	\$ 52,566
Combined Federal & State Tax Rate	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%
Tax (Expense) Benefit from Sale	(20,685)	(19,587)	(19,027)	(18,467)	(17,907)	(17,347)

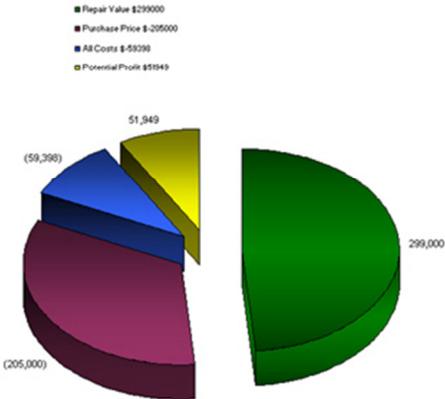
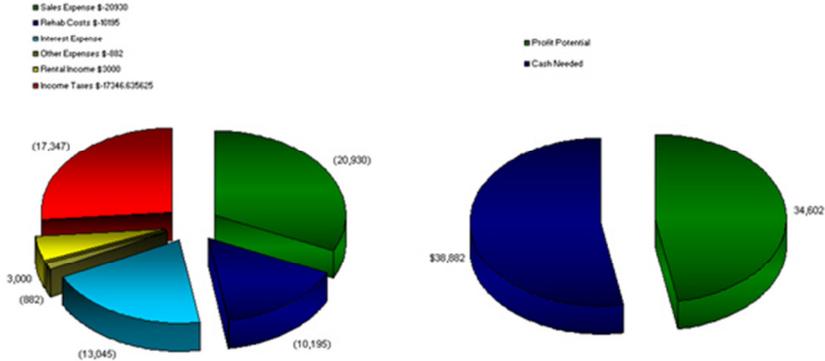
Graphs

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 1463 Leland Dr
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Financial Graphs



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Sales Comparables

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1463 Leland Dr
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Sales Comparables

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1

220 Cotton Field Ct
Decatur, GA

Sales Date	August 31, 2010
Sales Price	\$ 429,000
Year Built	2001
Bedrooms	5
Bathrooms	3
Square Footage	4,500



2

101 Field Crest St
Decatur, GA

Sales Date	August 31, 2010
Sales Price	\$ 389,000
Year Built	2005
Bedrooms	5
Bathrooms	3
Square Footage	4,650



3

4522 Moreland Sr
Decatur, GA

Sales Date	8/31/2010
Sales Price	\$ 525,000
Year Built	2000
Bedrooms	5
Bathrooms	3
Square Footage	3,950



4

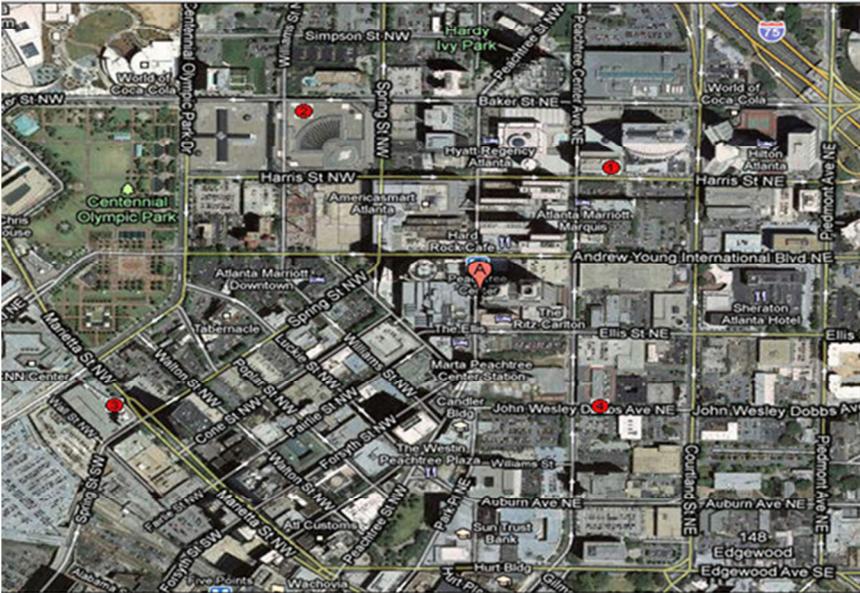
133 Church St
Decatur, GA

Sales Date	September 30, 2010
Sales Price	\$ 455,000
Year Built	2003
Bedrooms	6
Bathrooms	3
Square Footage	5,200



Sales Comparables Map

Comparables Map



Sandford Realty Group

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Partner Report

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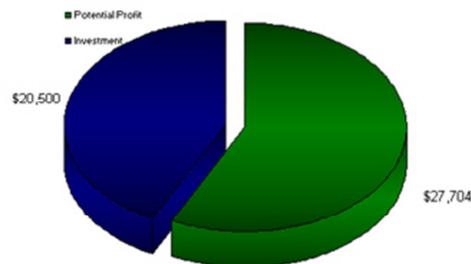
Partner Report



Partner Profit Share	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Before-Tax Projected Cash from Sale	\$ 103,681	\$ 100,246	\$ 98,422	\$ 96,597	\$ 94,773	\$ 92,949
Return of Capital	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
Before-Tax Profit (Loss)	62,681	59,246	57,422	55,597	53,773	51,949
Dan Johnson's Preferred Return	(6,268)	(3,966)	(3,840)	(3,713)	(3,587)	(3,460)
Net Distributable Cash/Profit	\$ 56,413	\$ 55,280	\$ 53,582	\$ 51,884	\$ 50,186	\$ 48,488
Managing Partner's Profit Share	(28,206)	(27,640)	(26,791)	(25,942)	(25,093)	(24,244)
Dan Johnson's Share of Profits	\$ 28,206	\$ 27,640	\$ 26,791	\$ 25,942	\$ 25,093	\$ 24,244

Summary of Cash to Dan Johnson

Dan Johnson's Preferred Return	6,268	3,966	3,840	3,713	3,587	3,460
Dan Johnson's Share of Profits	28,206	27,640	26,791	25,942	25,093	24,244
Dan Johnson's Return of Capital	20,500	20,500	20,500	20,500	20,500	20,500
Total Cash to Dan Johnson	\$ 54,974	\$ 52,106	\$ 51,131	\$ 50,155	\$ 49,180	\$ 48,204
Dan Johnson's Cash on Cash Return	168.2%	154.2%	149.4%	144.7%	139.9%	135.1%



Investment Period is Six Months

Notes and Discussion

Notes and Discussion



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Notes....

Sandford Realty Group

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About Us



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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.

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.



ENABLING MACROS

To use all of the great features of our software, our software requires the use of macros. Macros are basically mini-programming that makes using our software much easier... such as drop down menus, print screens, insertion of pictures and logos, etc.

Since macros can also be used by people who want to do harm to your computer, Microsoft has a built-in security feature that warns you of the existence of macros.

We have a "digital certificate" that allows us to "sign" the macros we have created, so all you need to do is "accept" them as a trusted publisher.

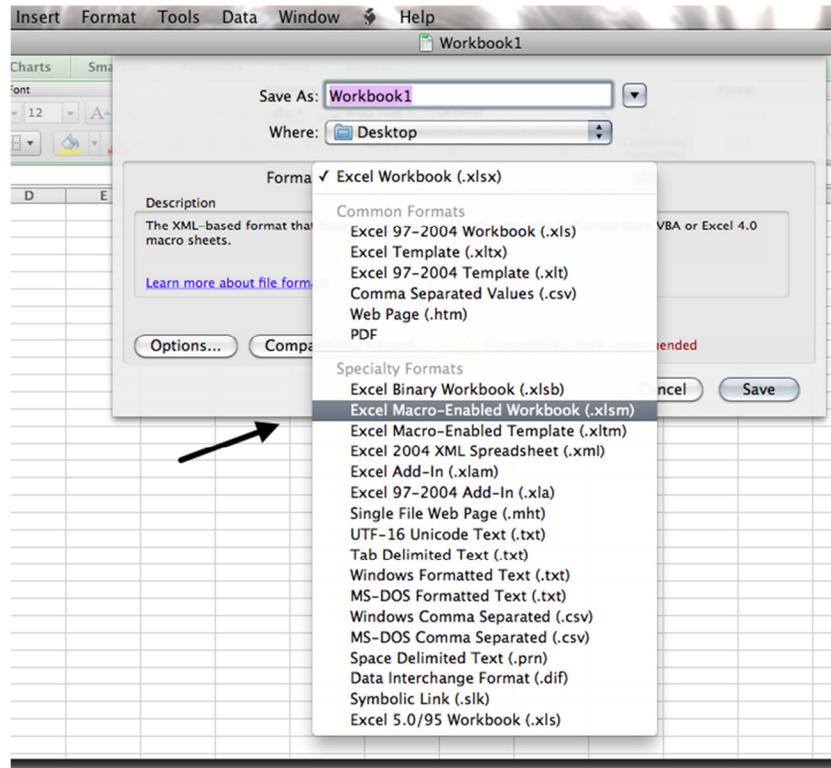
Please review the instructions at the following webpage:
http://www.rentalsoftware.com/enable_macros.html

SAVING A FILE

Excel 2007: click on the Excel circle  in the upper left hand corner and choose "Save As...". Enter the name of the file, choose the directory where you want the file saved, and **ALWAYS** select “Save as type” to be “**Excel Macro-Enabled Workbook.**”

Excel 2010/13 and Excel for Mac 2011/2016 (see picture), go to "File" and choose "Save As...". Enter the name of the file, choose the directory where you want the file saved, and **ALWAYS** select “Save as type” to be “**Excel Macro-Enabled Workbook.**”

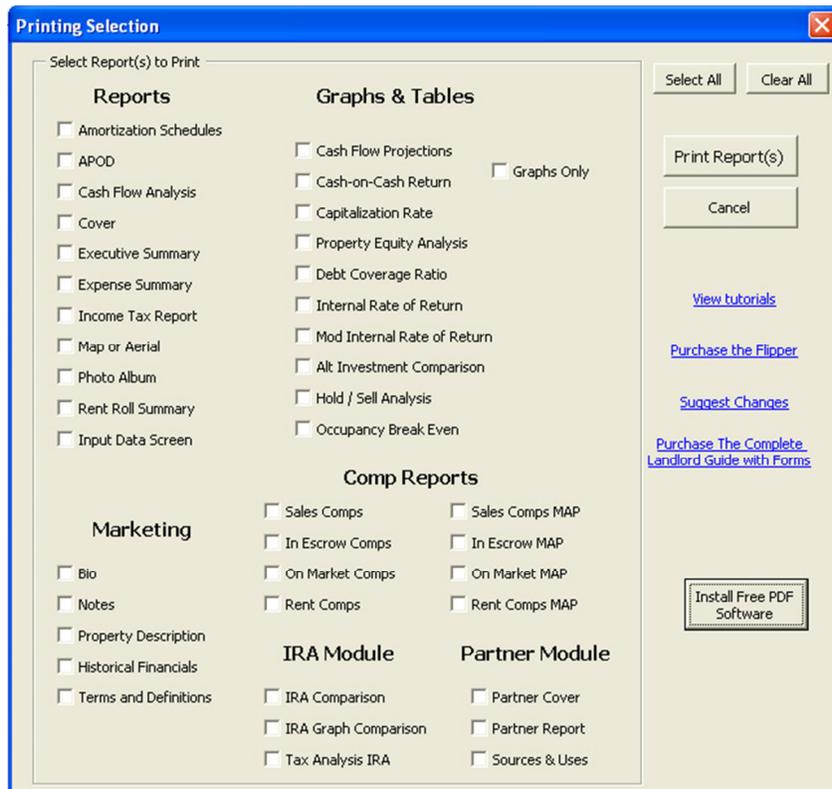
Saving the file on a Mac:



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.

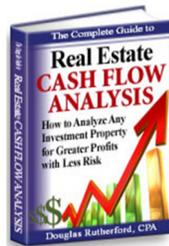
USING RULES OF THUMB

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**.

Our address is: Real Estate Analysis Software, LLC
375 Rockbridge Rd Suite 172-114
Lilburn, GA 30047
Info@RentalSoftware.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:

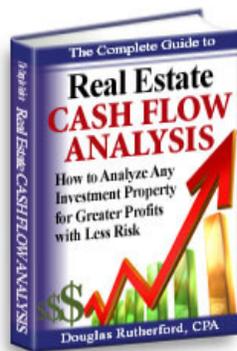
Douglas Rutherford is a nationally recognized CPA practicing in the real estate industry. He is an author, businessman, real estate investor, the founder of Rutherford, CPA & Associates, P.C., and is the President and CEO of LandlordSoftware.com LLC.



Doug developed the Cash Flow Analyzer® software series beginning in 1993 to assist his clients in analyzing real estate investments. **Today, over 30,000 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® and Flipper's® software are the leading investment analysis software product on the market today.

Doug earned a Bachelor of Business Administration (BBA) in Accounting and a Master of Taxation (MTX) 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