MULTI-FAMILY RESIDENTIAL PROPERTY

REPOSITORY AND INVESTMENT ANALYSIS

by
Brian Wojcik

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EXECUTIVE SUMMARY

The following repository and investment analysis for Tiffany Monterey Associates LP (Tiffany) evaluates the exit strategy options for the ownership of a 36 unit garden style Class C apartment complex in a Class B neighborhood located in in North East Baltimore at Ednor Gardens-Lakeside community near Lake Montebello in Baltimore City, MD. They are at a decision point to either sell as it is, or to capitalize the property and sell after increasing the value. This analysis tests the efficacy of repositioning given the financial climate and the ownership circumstance. It then provides an exit strategy option resulting from an in depth investment analysis from the buyer side perspective.

The property is conveniently located at the junction of Loch Raven Blvd and The Alameda. Four different bus route stops are within a few blocks of the complex that provide access to the inner harbor to Bayview and Hopkins Hospitals, which is ideal for the city resident commuter and a primary selling point with new renters. It also boasts open floor plans that are larger than surrounding communities. It has large bedrooms and closets that were uncommon during the time of construction in 1960 – therefore this apartment community is not at immediate risk of becoming functionally obsolescent.

Tiffany is operating at a $25,000 loss per year. The loss is the result of deferred maintenance and correlates with the cost of turnover vacancy. Deferred maintenance has kept rent trailing market rent that has driven down the property value and increased cost basis. Several long term residents moved to purchase a home, leaving apartments that have had no upgrades or improvements in 10-15 years. The expense of these turnovers represents 4-6 months of equivalent rent, and Tiffany does not have substantial reserves to fund extensive turnovers (estimated at ~$4,500 vs. ~$1,500). Paying for these turnovers through free cash flow takes 150 days, which represent a significant absorption and turnover vacancy loss. Turnovers (painting, hardware replacement, kitchen floor replacement, tub resurfacing and bath wall lining) are being financed through cash flow and purchased on credit which is accruing debt. Each turnover takes about 5 months to complete due to owner financial constraints. Neither the property nor the ownership has cash reserves to make improvements. The ownership has the following choices:

1. Do nothing; spend less on maintenance, operate at break even.
2. Dispose; sell as is where is.

3. Reposition and hold; refinance existing debt service, get a renovation loan for improvements, and increase value through increased NOI and reduced expenses.
4. Reposition and sell; Utilize funding to make repairs, increase value and equity position, and assist a willing investor with seller financing options.

The market area supports increased rents if the property provides an improved product. The former model was rented for $200 above average rent in early 2011. It yielded a $125 rental rate premium with the minor kitchen and bath upgrades. The property stabilized in August 2010 at 92% occupancy with 15 percent increase in average rent over previous years. Average rents are currently $683 per month, or about $0.74 per sf. It reached 100% occupancy in May 2011 with a long term and stable tenant base. No occupants are subsidized. During this period, the property experienced healthy cash flows which paid down debt incurred for previously mentioned repairs and maintenance. The mean rent in the market area is $855.63 and the price per square foot for a two bedroom apartment is $1.05 per sf. Similar two bedroom units rent from $1,005 with 959 sf as compared to Tiffany with 900 sf with projected average rent of $783 for a two bedroom unit.

Opportunity to significantly increase NOI is accomplished through: 1.) Decreased turnover time from 150 days to 10 days, 2.) Cosmetic repairs to buildings/common areas, and exterior curb appeal enhancements which allow for increased (market rate) rents, 3.) Capital investment, utility and operational maintenance expense reduction, 4.) Rent growth through interior upgrades, and 5.) Install fixtures and complete the finishes to the remaining four one-bedroom units not currently rentable.

As an investment, from the buyer's perspective the "as is" adjusted value based on a direct capitalization method is $837,256 using a 10 percent Cap rate. This is the purchase price used for each scenario in the analysis. The variables for "Best Case" are a ten percent increase in rent above expected and a ten percent reduction in renovation costs from expected. The variables for "Worst Case" are the inverse of "Best Case." A sensitivity analysis in the *Investment Summary* section shows detailed levered returns for best and worst case scenarios.

Unlevered	Expected Case	Best Case	Worst Case
Purchase Price	$837,256	$837,256	$837,256
Direct Cap Value	$1,404,725	$1,579,083	$1,230,378
IRR	14.64%	16.56%	12.60%

Levered returns are based on 50 percent equity and 50 percent debt position on the property. This ratio allows for non-recourse financing which is a requirement of the equity investor.

Levered – Expected Returns	General Partner	Limited Partner
Equity Investment	$881,490	$31,483
IRR	12.94%	124.54%
Equity Multiplier	1.67 x	7.38 x
IRR Percent from Cash Flow	32%	76%
IRR Percent from Reversion	68%	24%

This investment yields a higher return than treasuries, CD's, and beats the one and five year averages of the major US stock indices (Wall Street Journal). Financially it is a good investment that has to be weighed against the strengths and weaknesses of using real estate as a financial vehicle for the individual investor. The *Investment Summary* section highlights the investment strengths and weaknesses and provides a summary of best and worst case scenarios.

REPOSITORY ASSESSMENT

There are four factors affecting the ownership to sell or to reposition the property.

1. Tiffany is operating at a loss and has no working capital, and the ownership has no capital.
2. One sibling in the ownership recently died, leaving his spouse without income. The balance of ownership is financially concerned for her welfare and would like her to benefit from a sale.
3. 16 financial institutions have been contacted with a pitch package to rewrite the existing note (which has a balloon payment due in June 2013), and receive renovation funds to make improvements on the property; all 16 have declined to lend on a 100 percent income producing property. The current debt holder Columbia Bank is giving it consideration due to a solid payment history. However, the decision making is by committee and now places a strong emphasis on global cash flow.
4. Operating losses on other properties among the current ownership contribute to a negative global cash flow.

The current ownership will be forced to sell if the existing loan application with the current lender is not approved as a result of the four factors mentioned above. If the loan application is approved, one consideration is the ownership reposition the property for sale within two years to possibly benefit from increased value. With this strategy, they may benefit from increased value and equity in the property. However, they'll also be incurring the additional risk from the increased debt load and unknown global financial circumstances. This decision has to be balanced with their desire to exit the real estate business.

If forced to sell without repositioning the property, a recommended list price is $1,175,588. This price is derived from an eight percent Cap rate on NOI ($94,047) before preparation and leasing costs. The ownership will benefit from current market compressed Cap rates. Currently, the ownership has accrued ~$700k in debt against the property (includes existing mortgage). Any difference between this number and the sale price is potential equity. Favorable returns for a potential buyer are achievable if the property were to settle at a nine or ten percent Cap rate, while providing the ownership with sufficient income to pay debt and have some remaining equity. Detail can be found in the *Investment – Financial Analysis* section.

Analysis of the four external factors stated above is outside the scope of this document. The efficacy of refinancing the current note is shown in the following summary. The summary below uses the sizing information provided by the existing lending institution; their terms are very favorable compared to other lenders. A detailed refinance and valuation analysis can be found in Appendices.

Refinance Financial Analysis – Summary

Refinance & Renovation Loan					
Stabilized Net Operating Income (Year 1)	$148,487				
Stabilized Cap Rate	**8.00%**				
Concluded Value "At Stabilization"	$ 1,856,088				
Proposed Refianance/Renovation Loan Amount	**$ 1,153,510**				
Proposed Acquisition/Construction Loan Term	12 Months	**1.00 Years**			
Construction Loan Points	$ -	**0.00 Points**			
Financial Institution Maximum Loan to Value	**70.0%**	Actual Loan to Value	62.15%	7.85% variance	
Contributed Equity to Cost			5.03%		
Construction Loan Costs		**Prime + 1, 5% Floor Rate**			
Underwritten Construction Rate - Interest Only Rate (locked)	**5.00%**	5%			
Percentage of Loan Outstanding During Construction/Leaseup	**100.00%**			**Loan Payment**	
Months Outstanding	12.00 months			Year 1	Year 2
Avg. Outstanding Balance During Construction/Leasing	$ 1,153,510		Interest Only	$57,675.49	
Interest Annually	$ 57,675.49		Principle + Interest (25 Yr. Amortization)		$60,729.49
Interest Monthly	$ 4,806				
Interest Carry - Calculated from % O/S	$ 57,675	***0.56% variance***			
Budgeted Interest Carry During Construction/Leaseup - from below	$ 58,000				
Calculated Interest	$ 57,675	***0.56% variance***			

Permanent Loan			
		Valuation Analysis	
Stabilized Net Operating Income (Year 1)	$ 148,487	Stabilized NOI	$ 148,487
		Stabilized Value	$ 1,856,088
Direct CAP Value	$ 1,856,088	Stabilized Bank Sizing Cap Rate	**8.00%**
Max. Loan per LTV	$ 1,299,261	Maximum Loan to Value	**70.00%**
Max Loan Cash Out Limit	$ 1,299,261	Maximum Cash Out Limit	**70.00%**
Loan Value	**$ 1,299,261**	Interest Rate for Takeout Loan	**5.00%**
Actual Loan to Value	70.00%		
Debt Service	$91,144	Perm. Loan Amort. 300 Months	**25 Years**
Actual DSC	1.63 x	Minimum DSCR	**1.20**
Loan Gap Analysis for Takeout by Pernmanet Lender			
Loan Constant	7.02%		
Equity Payback at Refinance	$ 145,752	(Excludes fees, see Sources & Uses in Cash Flow & Equity Splits, Year 2)	
Balance of Equity in Deal after Perm Takeout	$ 84,672		
GAP	**None**		

The loan is feasible provided the property appraises between ~$1.6 million and ~$1.8 million "As-Complete". The graphic above represents the $1.8M. Total funding for the needed renovations and payoff of the existing note ($1,153,510) is less than the total possible permanent loan amount ($1,299,261) with 70 percent of loan to value. The $1.6M number is estimated by making adjustments to reduce the equity payback at refinance toward $0.

If approved, the ownership must balance the risk of the increased debt load against the marginal gains. It may be best for the ownership to accept a small deferred premium and offer owner financing, sell the property "As-Is" and place the burden of financial risks to a new buyer.

INVESTMENT SUMMARY

This section determines the maximum purchase price threshold in order to achieve the investment objective. It also summarizes best and worst case scenarios with investment strengths and weaknesses. Lastly, a timeline provides a summary of the project plan and exit. Sources and uses, inputs, and assumptions are found in a later section entitled *Investment – Financial Analysis.*

The investment has a five year horizon, with a reversion occurring on the last day of the fifth year. The analysis has a specific investment partner who seeks non-recourse debt financing. The equity requirement from the lender for non-recourse debt is a minimum 50 percent of stabilized value. The equity investor has an eight percent preferred return, a 40 percent promote, and 50 percent distribution from a reversion, all with a minimum required return of 10 percent over the life of the investment. In this analysis, the Equity investor is the Limited Partner, and the Managing Member is the General Partner.

Using these criteria and the terms from the lender, this investment supports a purchase price as high as $1 million with an additional $850 thousand for renovations and soft costs assuming a sale in five years with a terminal Cap rate of nine percent. Additional details are shown in the graphic below showing the leveraged return to each of the partners if purchased at maximum price.

Maximum Purchase Price Threshold							
LIMITED PARTNER			RETURNS OVER HOLDING PERIOD				
	IRR	**Cash Out**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
	9.99%	($1,038,001)	$93,600	$123,063	$92,827	$93,873	$1,154,575
Equity Multiplier	1.50 X	EQUITY		PLUS REFINANCE EQUITY			PLUS REVERSION
IRR Percent from Cash Flow	32%						
IRR Percent from Reversion	68%						
GENERAL PARTNER			RETURNS OVER HOLDING PERIOD				
	IRR	**Cash Out**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
	82.14%	($31,483)	$15,840	$60,034	$14,680	$16,250	$15,750
Equity Multiplier	3.89 X	EQUITY		PLUS REFINANCE EQUITY			PLUS REVERSION
IRR Percent from Cash Flow	100%						
IRR Percent from Reversion	0%						

All cash from the reversion is provided to the Limited Partner to meet their investment objective.

Investment Highlights - Leveraged

The matrices below summarize leveraged returns for the expected, best and worst case scenarios. Each scenario assumes a purchase price of $837,256 (based on an adjusted direct capitalization method using a 10 percent Cap rate).

Expected Case							
LIMITED PARTNER			RETURNS OVER HOLDING PERIOD				
	IRR	**Cash Out**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
	12.94%	($881,490)	$86,602	$125,836	$85,314	$86,361	$1,091,188
Equity Multiplier	1.67 X	EQUITY		PLUS REFINANCE EQUITY			PLUS REVERSION
IRR Percent from Cash Flow	32%						
IRR Percent from Reversion	68%						
GENERAL PARTNER			RETURNS OVER HOLDING PERIOD				
	IRR	**Cash Out**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
	124.54%	($31,483)	$24,123	$82,975	$22,193	$23,762	$79,137
Equity Multiplier	7.38 X	EQUITY		PLUS REFINANCE EQUITY			PLUS REVERSION
IRR Percent from Cash Flow	76%						
IRR Percent from Reversion	24%						

The variables for “Best Case” are a ten percent increase in rent above market leasing assumptions and a ten percent reduction in budgeted renovation costs from the expected case scenario. In the Best Case below, the Limited Partner almost doubles their money in five years with a 16 percent IRR, six percentage points above their minimum IRR requirement.

Best Case							
LIMITED PARTNER				RETURNS OVER HOLDING PERIOD			
	IRR	**Cash Out**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
	16.04%	($880,357)	$94,741	$214,505	$92,536	$93,816	$1,111,591
Equity Multiplier	1.83 X	EQUITY		PLUS REFINANCE EQUITY			PLUS REVERSION
IRR Percent from Cash Flow	37%						
IRR Percent from Reversion	63%						
GENERAL PARTNER				RETURNS OVER HOLDING PERIOD			
	IRR	**Cash Out**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
	237.74%	($31,483)	$36,469	$216,115	$33,162	$35,081	$266,985
Equity Multiplier	18.67 X	EQUITY		PLUS REFINANCE EQUITY			PLUS REVERSION
IRR Percent from Cash Flow	61%						
IRR Percent from Reversion	39%						

The variables for "Worst Case" are the inverse of "Best Case." The worst case scenario demonstrates that an equity call would be required in year two. The Limited Partner does not meet their minimum preferred return or the lifetime return. Although the General Partner receives no financial benefit, once consideration is the management fees that will be earned from the investment. Management fee revenue assists with keeping the organization financially secure providing the means to find more opportunities.

Worst Case							
LIMITED PARTNER				RETURNS OVER HOLDING PERIOD			
	IRR	**Cash Out**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
	7.52%	($882,624)	$78,463	$0	$89,321	$91,347	$961,864
Equity Multiplier	1.38 X	EQUITY		PLUS REFINANCE EQUITY			PLUS REVERSION
IRR Percent from Cash Flow	29%						
IRR Percent from Reversion	71%						
GENERAL PARTNER				RETURNS OVER HOLDING PERIOD			
	IRR	**Cash Out**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
	-	($31,483)	$11,780	($12,961)	$0	$0	$0
Equity Multiplier	-.04 X	EQUITY		PLUS REFINANCE EQUITY			PLUS REVERSION
IRR Percent from Cash Flow	100%						
IRR Percent from Reversion	0%						

This investment yields a higher return than treasuries, CD's, and beats the one and five year averages of the major US stock indices (Wall Street Journal). Financially it is a good investment that has to be weighed against the strengths and weaknesses of using real estate as the financial vehicle for the individual investor.

This list below is not intended to be all inclusive, but merely highlights of items of typical concern with real estate investment in Baltimore City.

Strengths:

- The ratio of two bedroom vs. one bedrooms is ideal at 9:1
- Built after 1960, so according to city lead paint risk reduction law, it's "unaffected," which means any risk reduction effort is purely voluntary (there is no evidence of lead paint in the property).
- Mature stable neighborhood with high home ownership ratio of 73 percent.
- Ideal materials of construction, brick with pitched roofs
- Pro-forma rental projections is below competitor rents, room for rent growth
- Solid rental history with sought after neighborhood, no subsidized housing

Weaknesses:

- Uncertain financial markets due to uncertain global economic markets and political climates may lead to high inflation rates – an unfavorable outcome for a refinance or reversion is possible.
- High occupancy makes making improvements logistically difficult and possibly expensive.
- 50 percent of the return is from the reversion.
- Lower leveraged return than other possible real estate investments.
- Existing tenant base are occupants because rents are below market.
- Permitting to build the four vacant units may possibly trigger American with Disabilities Act requirements.

Timeline Summary

Renovations begin January 2012 and are expected to span from 12 months to a maximum of 24 months. Increased rents are projected stabilize during 2013. The permanent loan is scheduled to settle in the second year. Renovation details are provided in the *Renovation Overview* section. Curb appeal improvements and at least one section (six apartments) and shared common area is scheduled to be completed in June to be available for showing during the busy leasing season.

This early leasing time provides the opportunity to test rental rate projections on the improved units. This will provide a safeguard to ensure expected rents are achievable. If those improvements are not supported by additional rent, we have the option limit improvements on the property. For example, if rents do not support the breakfast bar installation, it will be removed from the scope of improvements.

Property Overview

Background and History

The Property has been family owned since 1989. It was operated by the late Emmanuel Kalathas until 2005. Historically he ran it at 100% occupancy at less than market rent. His objective was to maintain 100% occupancy and develop a loyal resident base, at below market rent. He was a hands-on manager who personally collected rent door to door, month to month. The property has since benefited from many long term tenants who take care of the place they call home. Unfortunately, these units have not been updated or refreshed since occupancy. Roughly 50% of the tenant base has been in the units longer than 10 years, several of them longer than 15 years. After the passing of Emmanuel in 2005, the property then was managed from 2006-2007 by the heirs, with Nicholas Kalathas serving as Managing Partner between the three sibling partners.

During 2005 through 2007, Nicholas Kalathas ran operations while doing consulting work and working at the Navy, the other two sibling partners assisted. After some time, it was realized more attention was needed on the property. Nicholas Kalathas was selected for a high level appointment in the Navy, and knew appropriate time wouldn't be devoted to efficiently run Tiffany. In 2008, after several interviews, they decided to hire The Signature Group as their property management company.

Signature Group had an interest to profit from the sale of the properties. At first they appeared to be doing the right things. They were helping sell off other portfolio properties, and were filling the few vacancies that remained at Tiffany. In time, patterns emerged with certain losses in revenue, and then extraordinary expenses developed. They filled vacancies with bad tenants to make the property look full, with a goal to increase the sale price. The tenants they placed weren't paying rent, and caused extraordinary amounts of damage to the property. Signature Group withheld about $40K of rents and numerous security deposits as they coasted into Chapter 11 bankruptcy. All of the Signature Group placed tenants have either moved or been evicted, each owing anywhere from $1K-$6K each; all unrecoverable losses.

In July 2009, Tiffany hired Wojo Realty Group., operated by, Brian Wojcik. Occupancy was at 67 percent. Vacant units were in need of significant repair. It was a hostile takeover. There were no accurate rent rolls, no keys, no maintenance records, and volumes of promised work to residents that was never completed. Phase one was triage to stabilize the property. Rent was discounted in July 2009 by $100 per resident as a show of good faith and intention to ensure rents were sent to the ownership, and not Signature. Without records, it was unknown who was behind in rent – resulting in a loss of revenue. Tiffany began to recover; Wojo improved tenant relations, improved collections, and slowly funded turnovers through cash flow and savings. Within 18 months, Tiffany realized 100% occupancy (May 2011), with 96.5 percent collections compared to 72 percent collections. Average rent increased almost $100 to its current average of $683 per month. Available cash was used to work through a backlog of over 200 work orders of promised repairs, maintenance and equipment deficiencies, appliances purchased as needed, minor upgrades where appropriate and cosmetic improvements in order to regain the confidence of the current resident base. Wojo has implemented the use of technology to assist in this effort. Online software manages and prioritizes work orders, offers residents the option to pay rent online, and is used to facilitate all leases that are currently held with Wojo Realty Group.

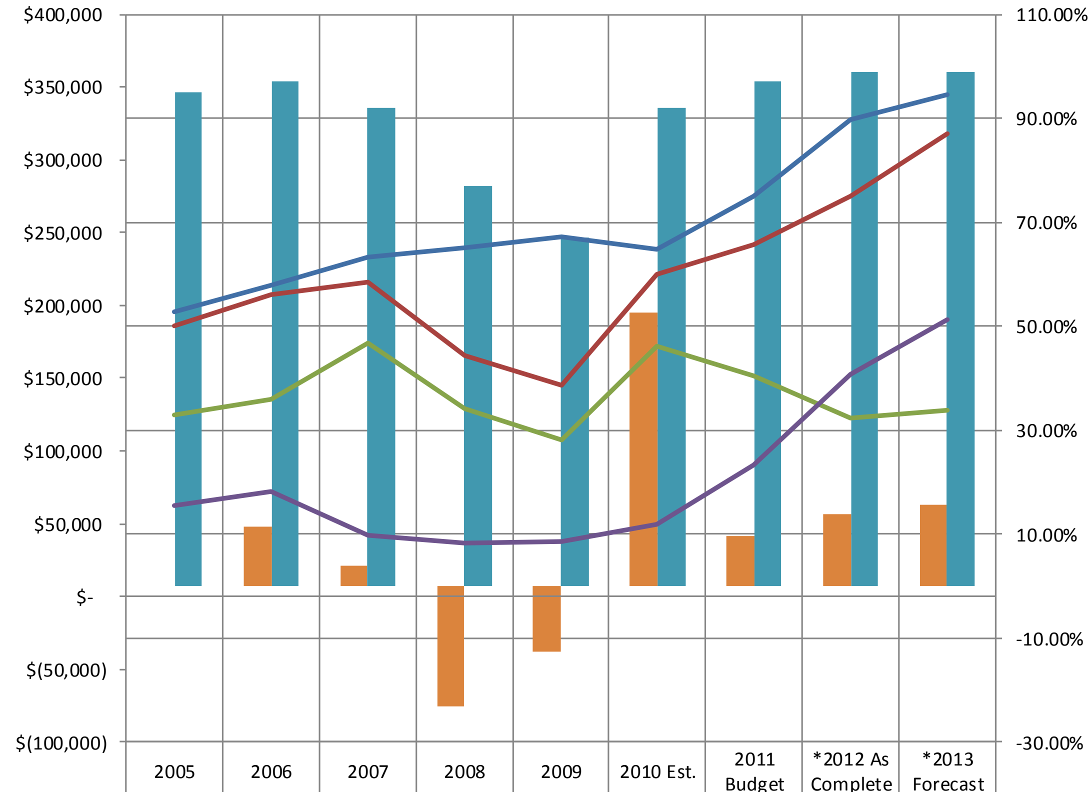
There are currently three vacant units, all of which are from long term residents of 10-18 years that have had no upgrades or improvements during that period. The average turnover for minimal updates cost $3,500 to make it rentable, which covers essentials. Two of these units will be more costly due to heavier estimated repairs. Also, the common areas have been neglected – mainly by necessity of established work priorities. They are beginning to show signs of wear and dissuading new prospective residents. Comments are “nice apartment, except the common areas look bad.” This leads them to incorrectly believe the owner/management doesn’t care. It has been more difficult to rent as a result, and reduced rental rates than we previously experienced when the common areas were in better condition. The floor plans are open and spacious, and they are not functionally obsolescent.

The graph below depicts the background and history graphically. It show stability before Signature Group took over management in 2008. It demonstrates the loss in rent, collections, along with the lagging expenses that ensued to recover from deferred maintenance and extraordinary repairs. The recovery began in 2009 with improved cash flows financing the heavy expenses needed to make necessary repairs ($42,000 in turnovers in 2010 alone.) Estimates are made for 2010 as a result of filing for an extension, and then projections are made for 2011 – 2013 with improvements as outlined.

History of Expenses

The Kalathas family admits several personal and family expenses were booked to Tiffany Apartments. From 2005 to 2009, there was $54,638.97 of family auto and office expenses charged against Tiffany. Additionally, during this same period there was $65,222 of legal and accounting expenses, much of which paid the handling the estate after the passing of the late Emmanuel Kalathas. Additionally, $150,000 was loaned to repair townhomes that were part of the original estate that were later sold, of which the loan was not repaid. An additional $100,000 loan was made to another property within the estate for repairs, which too was not paid back in full yet either.

Tiffany Apartments Historical Analysis



	2005	2006	2007	2008	2009	2010 Est.	2011 Budget	*2012 As Complete	*2013 Forecast
Year over Year EGR % Increase (-) Decrease		11.31%	3.96%	-23.16%	-12.63%	52.68%	9.56%	13.66%	15.51%
Physical Occupancy %	95%	97%	92%	77%	67%	92%	97%	99%	99%
Potential Gross Rental Revenue	$195,558	$213,536	$232,768	$239,751	$246,944	$238,577	$274,480	$327,758	$345,148
Effective Gross Rental Revenue (EGR)	$186,245	$207,317	$215,526	$165,602	$144,685	$220,905	$242,033	$275,105	$317,773
Expenses (Except Depreciation)	$124,277	$135,329	$173,995	$129,310	$107,255	$171,446	$151,779	$122,556	$127,582
NOI (Before Debt Service)	$61,968	$71,988	$41,531	$36,293	$37,430	$49,458	$90,254	$152,549	$190,191

Year over Year EGR % Increase (-) Decrease | Physical Occupancy % | Potential Gross Rental Revenue | Effective Gross Rental Revenue (EGR) | Expenses (Except Depreciation) | NOI (Before Debt Service)

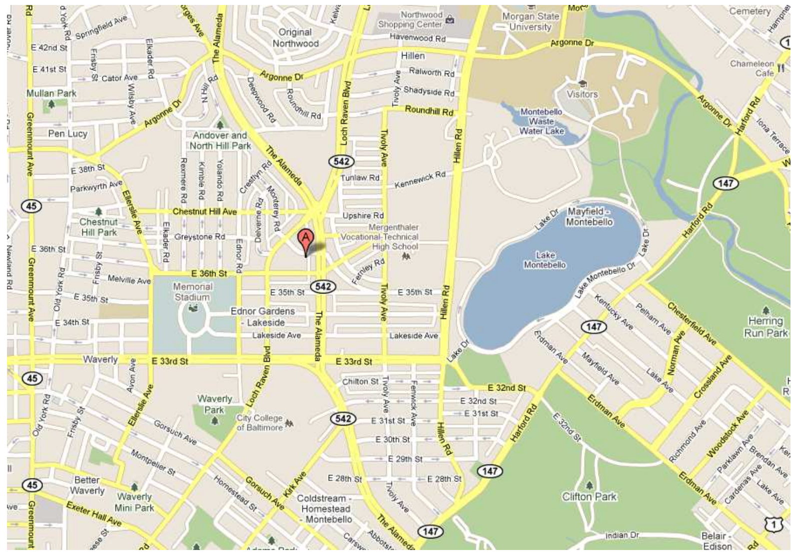
*2012 – 2013 Assumes expected case scenario

As evidenced from the graph above, Tiffany historically has a strong rental history. The ownership has a hand written ledger prior to 2005 which shows 100% physical occupancy for the preceding 7 years. The market analysis further supports pro forma estimates, and even suggests that projections for Potential Gross Rental Revenue are conservative.

Location

Ednor Gardens-Lakeside is sought after stable area that has a strong community Home Owners Association. It is located north of 33rd St., east of Ellerslie Ave, west of Hillen Rd and extends north to Argonne Dr in Ednor Gardens and to Roundhill Rd in Lakeside.

Ednor Gardens-Lakeside is a neighborhood of great diversity (Live Baltimore). The homes in the community range from large single family homes, semi-detached, and townhouses, in a number of different styles. 73 percent of homes are owner-occupied, which deliver value, stability and affordability to the area. Lake Montebello is east of Hillen Rd.



Nearby within a 5-10 minute walk or drive:

- Giant Super Market
- Lake Montebello and Herring Run Park
- Waverly Library
- Union Memorial Hospital
- Community Playground at Stadium Place
- Baltimore City College
- Morgan State University
- Waverly Farmer's Market
- Stadium Place
- Clifton Park Golf Course
- Baltimore Museum of Art
- Johns Hopkins University
- Loyola College

Driving Directions: Take the Alameda or Loch Raven from the north or the south, turn onto Monterey Rd. near the junction of The Alameda and Loch Raven

Property Features

The property is split by Monterey Rd, two buildings on the south side, and one building on the North side. Each building possesses extra off street parking. Second and third floor apartments have hardwood floors throughout. Ground floor units either have VCT tile or carpeting. The building are nestled away from crowded streets on a large grass lots, with access to bus lines 3, 22, 36, & 104 (MTA) within a few blocks providing access to the Inner Harbor, to Hopkins & Bayview hospitals, to Northern Ave & York Road.

Features Include:

- Secure Entry
- Full bath w/Linen Closet
- Dishwasher
- Heat: Gas: Forced Air
- Refrigerator
- Stove Exhaust Hood
- Extra Storage Closet
- Separate dining apart from kitchen area
- Garbage Disposal
- Central Air Conditioning
- Washer/Dryer in Building
- Gas Cooking Stove
- Hardwood Floors
- 2 Bedroom ~ 900 sf
- 1 Bedroom ~ 750 sf

Rental Apartment Market

Apartment living is once again in high demand, a result partially from the housing crisis. Location is a primary factor with prospects in choosing a place to live, and Tiffany Apartments is nicely located near 4 bus routes. We've experienced some rental rate compression as compared to 2010, but pricing is mainly a consideration of property condition which is a reason for the cash out funding request. Our biggest competition is not from other apartments, but from single family home rentals, town homes and row-homes being re-habbed and made available for rent.

Value Add Opportunity

Cosmetic repairs and curb appeal are essential components to yield higher effective average rents. Tiffany Apartments offers numerous upside opportunities through conservation of utilities (current water/sewer usage), water/sewer flat rate monthly surcharge, implementation of a utility pass through or sub-metering system, curb appeal initiatives, maintenance expense reductions, minor interior bath and kitchen renovations such as tub resurfacing, shower wall liner installation, medicine cabinet/vanity upgrades, kitchen cabinet re-facing, and countertop replacements – some which have demonstrated monthly rent increases from $100 to $200 more per month per unit.

An additional opportunity is to complete the build-out on the four apartments that have not been finished. They are each a one bedroom apartment shell, which provides opportunity to create a modern and open floor plan which, will likely achieve higher than average rents. Currently, one of those units serves as a shop area and parts storage – this can be relocated.

Current rents are underpriced; a function of the lackluster curb appeal of the property and outdated internal finishes. After making upgrades inside, the property has demonstrated the ability to rent at market rate. With curb appeal and common area improvements, market rate rents are expected. Due to a more open and larger floor plan compared to surrounding communities, it may even be possible to charge slightly above market rents (this has not been tested). The pro-forma estimates are conservative, at market rent or slightly below. With some in unit updates, competing rents from similar apartments are achieving $0.91 -$0.98 per SF as compared to the current $0.77 - $0.85 per SF at Tiffany (See Appendix X for comparable properties).

Address

3602-08 Monterey Rd.

Baltimore, MD 21218

Detailed Unit Mix – As Is

As Is at 100% Occupancy

			As Is Current Monthly Rent			Monthly Rent Per SF	
Unit Type	**# of Units**	**Unit SF**	**Low**	**High**	**Average**	**Low**	**High**
1 BR / 1BA ***Not Finished	4		N/A	N/A	N/A	N/A	
1 BR / 1BA Ground Floor	2	750	$575	$635	$605	$0.77	$0.85
2 BR / 1 BA Ground Floor	6	900	$550	$735	$638	$0.61	$0.71
2 BR / 1 BA Center Level	12	900	$650	$775	$683	$0.72	$0.76
2 BR / 1 BA Top Floor	12	900	$675	$795	$713	$0.75	$0.79
Total and weighted averages	**32**	**28,500**	**$21,785**		**$683**	**$0.74**	

Site Overview

Land Area: 1.535 Acres

Parking: Off Street, 1 per dwelling unit

Parking Ratio: 1 per dwelling Unit

Zoning: R-5, Multifamily Residential, 36 Units

Zoning Density: Low Density District

Real Estate Tax Information

An appeal was granted on three of the four properties this past tax year. The property sale will trigger an automatic reassessment. Taxes are projected to increase in 2014, after the improvements are completed.

Tax Info:	*Account #*	*Acreage*	*Assessment*	*Tax Years*
3602 Monterey Rd.	09/21/3986F/031	0.477	$310,000	2010
3603 Monterey Rd.	09/21/3986F/029A	0.276	$186,600	2010
3605 Monterey Rd.	09/21/3986F/030	0.278	$196,400*	2010
3606 Monterey Rd.	09/21/3986F/031A	0.504	$311,000	2010
			$1,004,000	

Jurisdiction: Baltimore City

*Assessment is currently under appeal

Total 10/11 Tax Rate: $2.268 per hundred

Utilities

Service	*Provider*	*Paid By*
Water/Sewer	Baltimore City	Property
Electric	BGE	Resident Metered
Natural Gas	BGE	Resident Metered
Waste Management	Allied Waste	Property

Construction/Building Description

The buildings are constructed with brick, the pitched roofs and brick veneer exterior offer a superior quality and durable product compared to many of the neighboring apartment communities.

Year Built: 1960

Configuration: Three buildings, each have two independent entries, each entry consisting of six units: totals 12 units per building. 32 units are rentable; four units have not been built out.

Construction: Load-bearing reinforced concrete masonry unit walls

Foundation: Concrete Block

Façade: Mix of red and light tan brick with painted wood trim

External Lighting: Pole-mounted and building-mounted fixtures spaced around the site

Roof:	Gabled roofs with standard-grade three-tab, asphalt shingles
Windows:	Single pane hung aluminum unit with factory finish
Front Entry:	Opposite-hand French style wooden door with glass panels
Security:	Keypad entry system, and removable swing security bars on ground floor
Plumbing:	Copper supply lines with cast iron and PVC waste lines
HVAC:	Each unit has an Independent updraft / downdraft gas fired furnace with central air conditioning.
Electrical:	Single-phase, three wire, 120/240-volt mains, feeding the circuit breaker panels in each apartment unit
Fire Prevention:	Hardwired smoke and carbon monoxide detectors with battery back-up.
Common Areas:	Stairs constructed with wood framing. The treads and risers are vinyl tile, covered with carpet. The walls and ceilings have a one color paint finish.
Laundry Rooms:	The mechanical rooms also serve as the laundry rooms. Each entry (two per building) has its own laundry and mechanical room. This dual purpose room houses the hot water heaters, furnaces, with gas and electric meters. Each has a coin operating washer and dryer for resident use.
Topography:	Relatively flat with minor sloping grades

Exterior Photographs & Site Plan

3603-05 Monterey Rd.

3606-08 Monterey Rd.

MARKET ANALYSIS

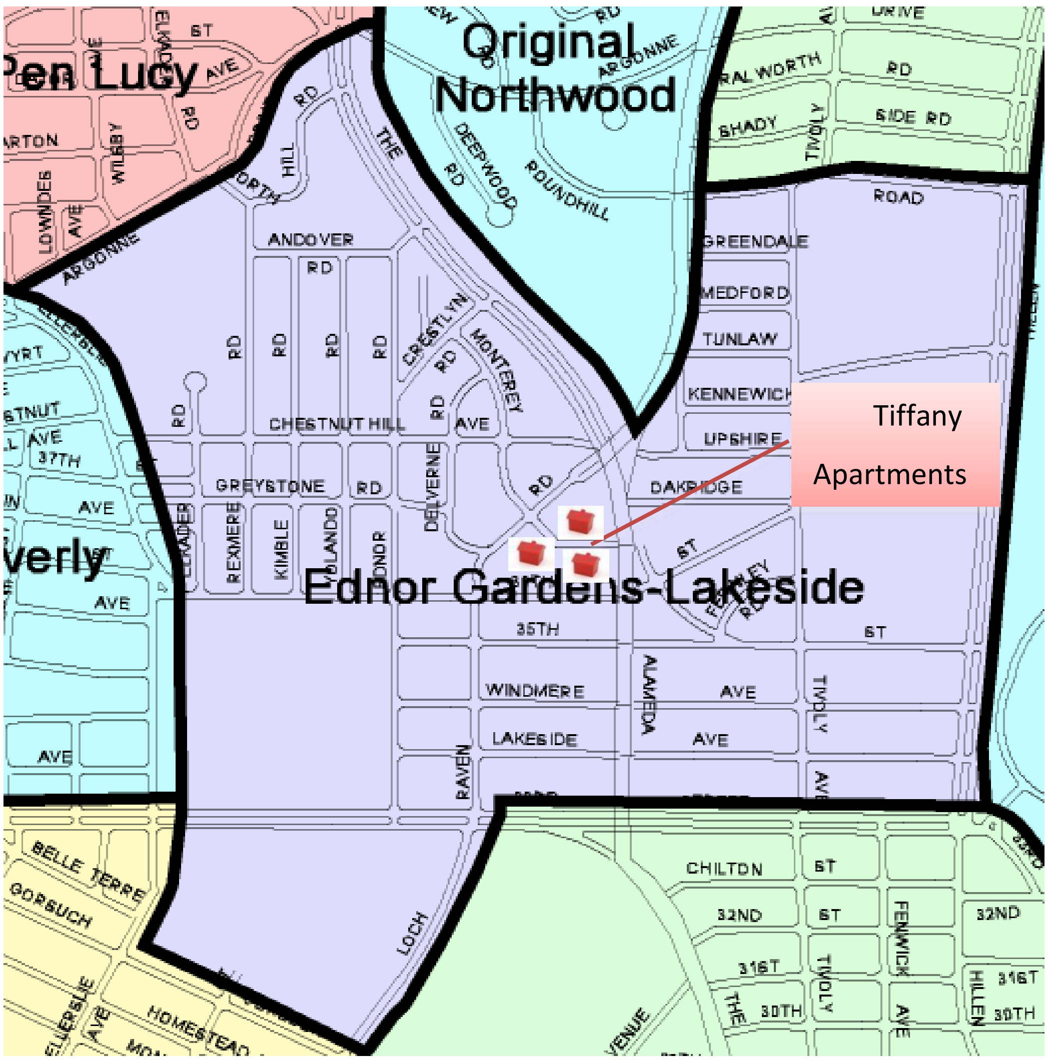
Inventory By Building Age

Year Built	Percent
Before 1970	38.0%
1970-1979	34.0%
1980-1989	12.0%
1990-1999	7.0%
2000-2009	9.0%
After 2009	1.0%
All	100.0%

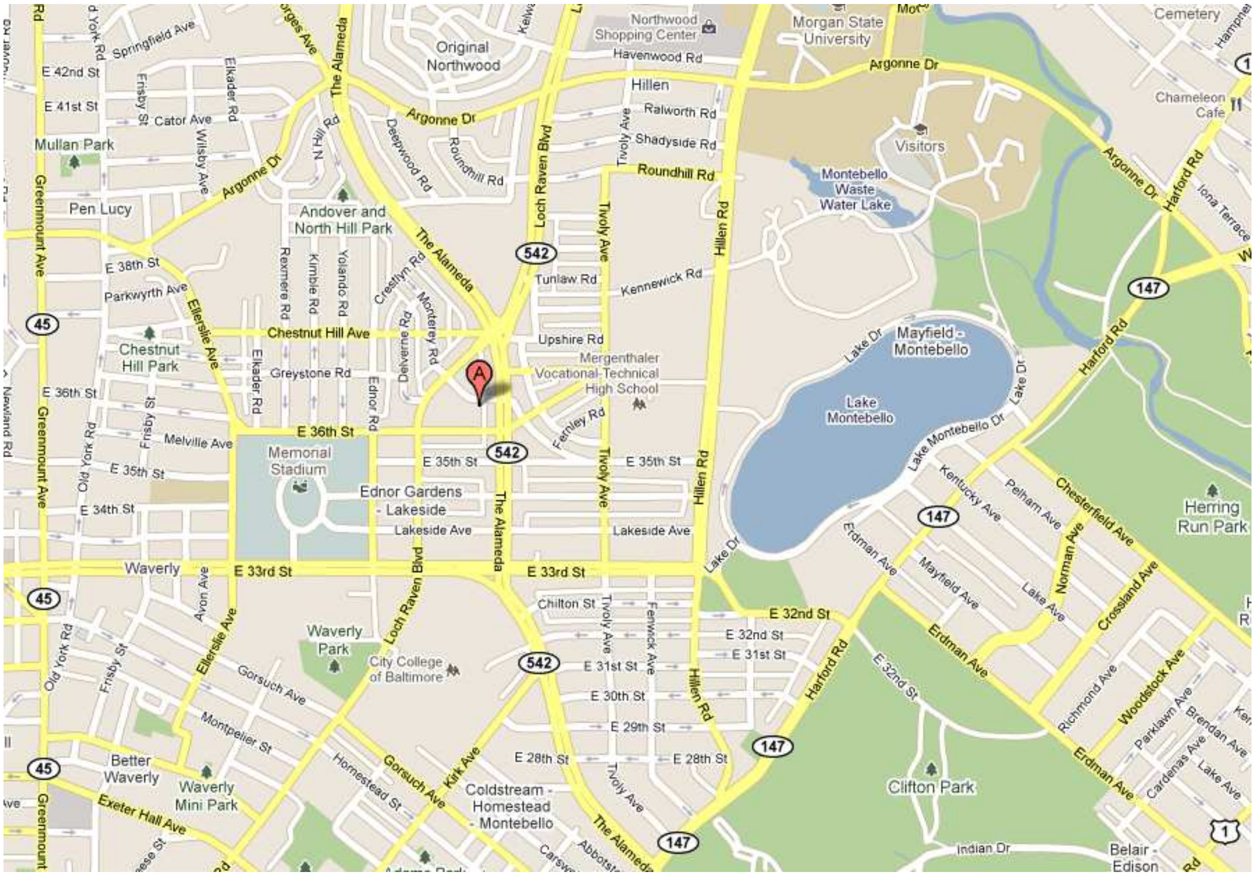
As of 09/30/11

Ednor Gardens Lakeside is a mature community with little risk of new competition. It's a solid class B community with apartment living price points that serves the blue collar working class community. A majority of the buildings have been built prior to 1979. The product and quality are aligned with the market consisting of medium grade finishes.

Baltimore Neighborhood Map Views



The purple area is Ednor Gardens-Lakeside community. The map below shows its location in a larger perspective with the location relative to Lake Montebello.



Comparable Rents

The mean rent in the market area is $855.63 and the price per square foot for a two bedroom apartment is $1.05 per sf. Projections used for the refinance and investment analyses both maintain less than $1.00 per sf. The 959 square foot per two bedroom unit among comparable properties is in alignment with Tiffany at 900 sf.

Comparable Group Summary Statistics

	Low	Mean	Median	High
Current Asking Rent/Unit	$564.00	$855.63	$802.00	$1,370.00
Current Vacancy Rate	0.0%	4.6%	2.8%	12.3%
Property Size (units)	41	237	212	493
Year Built	1926	1955	1952	1989

As of 9/30/11

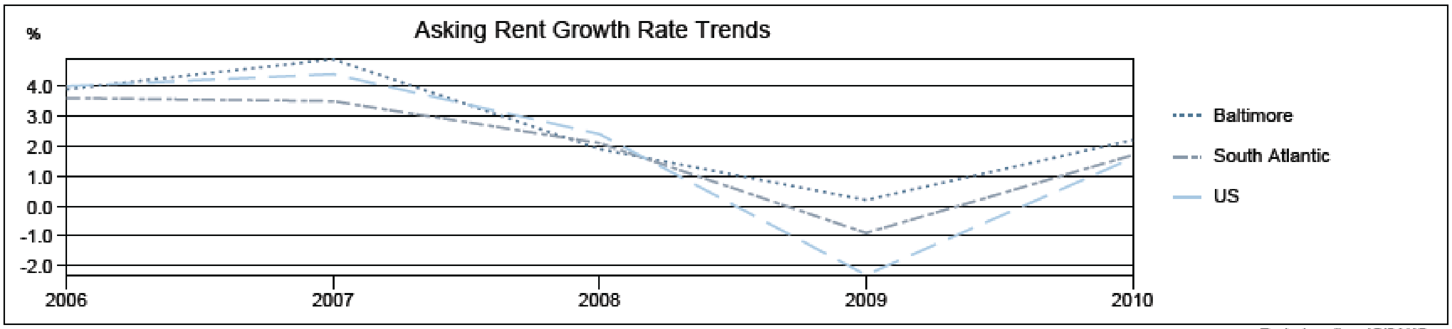
Comparable Group Summary Statistics

	Studio	1BR	2BR	3BR
Current Asking Rent/Unit	$734.17	$732.40	$1,004.78	$985.00
Unit Size (SF)	455	678	959	935
Current Asking Rent/SF	$1.61	$1.08	$1.05	$1.05

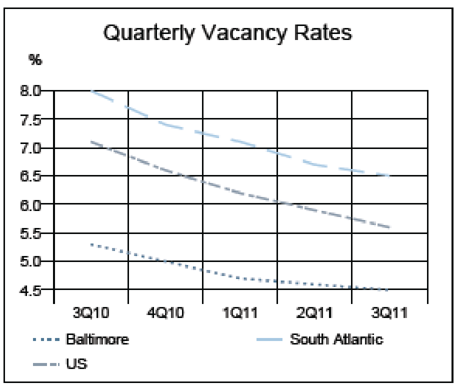
As of 9/30/11

A similar two bedroom unit rents from $1,005 with 959 sf as compared to Tiffany with 900 sf with projected average rents of $783 for a two bedroom unit. The following conclusions can be gathered from this comparison. First, the current average rent of $683 for a two bedroom is substantially below market, substantially a function of deferred maintenance. This suggests improvements are necessary. Second, the budgeted improvements do not require substantial rent increases to be cost effective – which indicates the project is not at risk of over improving the property. Third, projected average rent of $783 after improvements is conservative and substantially less than comparable two bedrooms. An argument can be made with a conservative estimate of $1.00 per sf, rents could possibly be driven to $900 per unit, which is still $100 less than the comparable average. Details of comparable properties can be found in Appendix 3.

Rent Growth and Vacancy Trends



Period ending 12/31/10

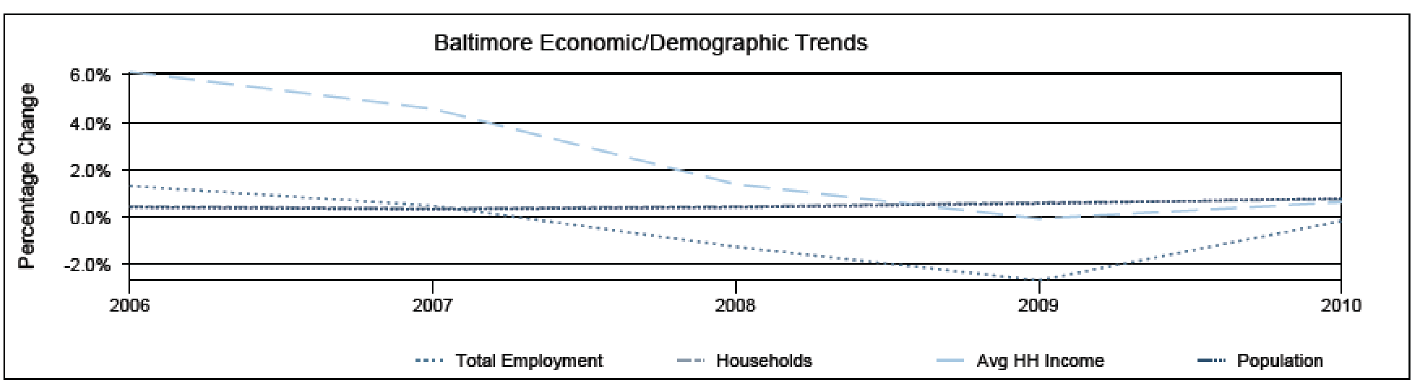


Period ending 09/30/11

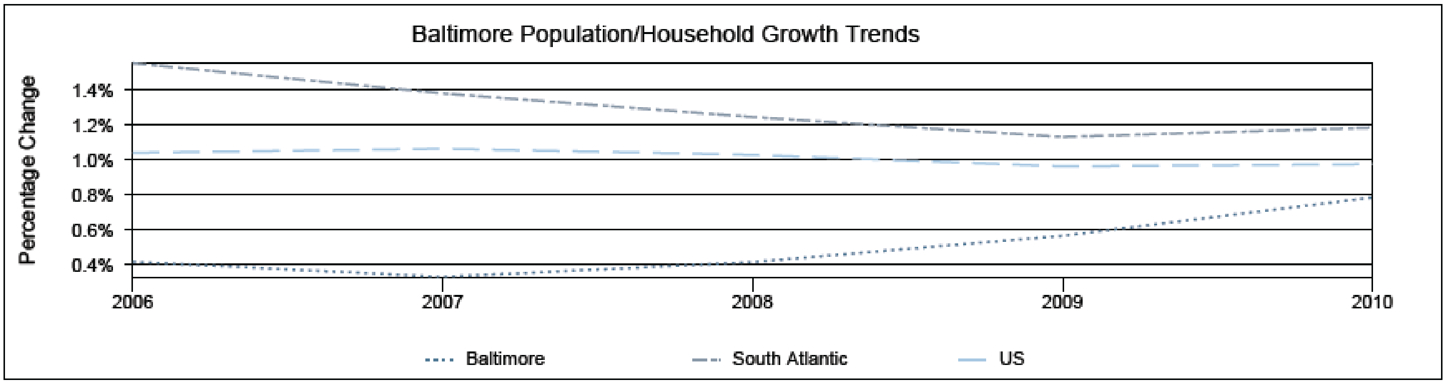
Since the financial collapse of 2008, fewer people are able to qualify for a mortgage, and therefore apartment living has gained traction. Subsequently, the increased demand has driven up the rent. As a result, vacancy rates have been trending downward. Rent growth has a five year average of 2.6 percent.

Economic & Demographic Trends

Average household income has stabilized despite the recession, with a slightly positive upward

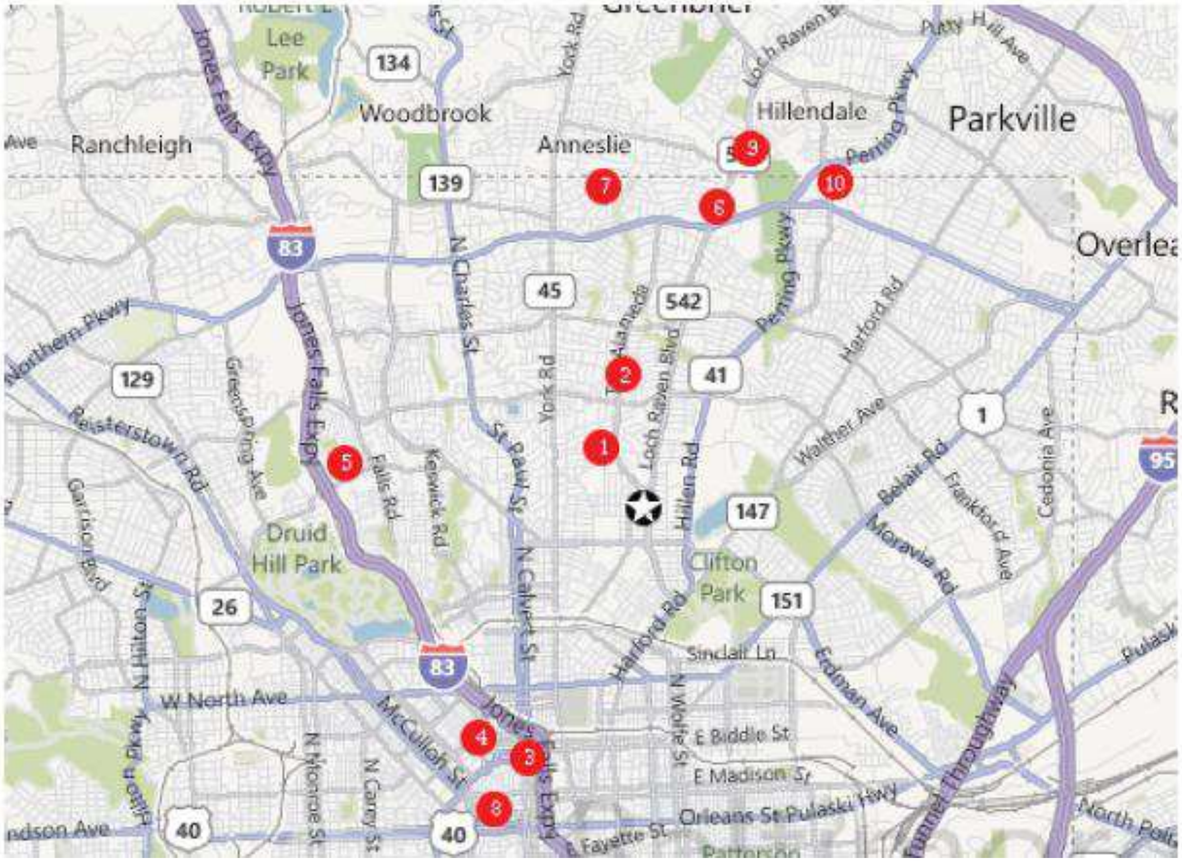


Provided by Moody's Economy.com, Period ending 12/31/10 slope. Rent growth and reduced vacancy will add tension to increasing rents beyond affordability. Conservative rent projections mitigate risk of overzealous income projections. As with income, the Baltimore population appears to have stabilized. This graphic suggests a slight increase, which may increase demand. Increased demand without increased supply further puts tension on rent growth.



Provided by Moody's Economy.com, Period ending 12/31/10

COMPARABLE GROUP LOCATION



COMPARABLE GROUP MARKET SUMMARY

Comparable Group Summary Statistics

	Low	Mean	Median	High
Current Asking Rent/Unit	$564.00	$866.68	$933.50	$1,151.00
Current Vacancy Rate	0.0%	4.9%	3.8%	11.4%
Property Size (units)	48	269	237	803
Year Built	1964	1966	1967	1968

As of 9/30/11

Comparable Group Summary Statistics

	Studio	1BR	2BR	3BR
Current Asking Rent/Unit	$949.07	$856.85	$869.76	$952.28
Unit Size (SF)	378	640	857	1,026
Current Asking Rent/SF	$2.51	$1.34	$1.01	$0.93

As of 9/30/11

RENT GROWTH COMPARISONS

Asking Rent Growth Rates

	Quarterly			Annualized		
	2011Q3	2011Q2	YTD	1 Year	3 Year	5 Year
Comparable Group	0.8%	1.3%	0.4%	-0.1%	2.4%	2.6%
Ctl Baltimore City	1.0%	1.2%	0.8%	0.6%	1.3%	2.4%
Baltimore	0.7%	0.5%	0.6%	2.2%	1.4%	2.6%

1. Quarter ending 9/30/11 2. Quarter ending 6/30/11 3. Avg over period ending 9/30/11 4. Avg over period ending 12/31/10

VACANCY RATE COMPARISONS

	Quarterly			Annualized		
	2011Q3	2011Q2	YTD	1 Year	3 Year	5 Year
Comparable Group	4.9%	5.3%	5.3%	6.8%	5.0%	4.5%
Ctl Baltimore City	4.6%	5.1%	4.9%	6.6%	7.1%	7.5%
Baltimore	4.5%	4.6%	4.6%	5.5%	5.4%	5.3%

1. Quarter ending 9/30/11 2. Quarter ending 6/30/11 3. Avg over period ending 9/30/11 4. Avg over period ending 12/31/10

COMPARABLE GROUP GROWTH TRENDS

Year	Qtr	Asking Rent (per unit)	Asking Rent Pct Change	Vacancy Rate	Vacancy Change (BPS)
2006	4	$789.52	4.7%	4.5%	210
2007	4	$798.53	1.1%	2.9%	-160
2008	4	$854.73	7.0%	3.6%	70
2009	4	$857.32	0.3%	7.0%	340
2010	4	$856.67	-0.1%	6.7%	-30
2010	3	$851.80	3.6%	6.2%	0
2010	4	$856.67	0.6%	6.7%	50
2011	1	$849.19	-0.9%	6.3%	-40
2011	2	$859.93	1.3%	5.3%	-100
2011	3	$866.68	0.8%	4.9%	-40

Most competitor properties were built roughly the same time, and have similar finishes. Tiffany is unique because it boasts larger than average floor plans. Rent growth and vacancy statistical averages support the market leasing assumptions in the *Investment – Financial Analysis* section.

COMPARABLE GROUP LISTING

1

Name	Maplewood Apts	Current Asking Rent/Unit	$564.00
Address	956 Argonne Dr Apt 2a	Current Vacancy Rate	3.2%
City	Baltimore	Distance from Subject (miles)	0.60
State	MD	Property Size (Units)	219
ZIP	21218	Floors	3
County	Baltimore	Year Built	1964
Submarket	Central Baltimore City	Class	BC
		Data As Of	9/30/11

	Studio	1BR	2BR	3BR
Current Asking Rent/Unit	$400.00	$520.00	$650.00	N/A
Unit Size (SF)	575	731	867	N/A
Current Asking Rent/SF	$0.70	$0.71	$0.75	N/A

2

Name	Winston Apartments	Current Asking Rent/Unit	$780.00
Address	1260 Rossiter Ave	Current Vacancy Rate	11.4%
City	Baltimore	Distance from Subject (miles)	1.10
State	MD	Property Size (Units)	255
ZIP	21239	Floors	3
County	Baltimore	Year Built	1966
Submarket	Parkville/Carney/White Marsh	Class	BC
		Data As Of	9/30/11

	Studio	1BR	2BR	3BR
Current Asking Rent/Unit	N/A	$707.00	$821.00	N/A
Unit Size (SF)	N/A	650	850	N/A
Current Asking Rent/SF	N/A	$1.09	$0.97	N/A

3

Name	Horizon House	Current Asking Rent/Unit	$1,147.00
Address	1101 N Calvert St	Current Vacancy Rate	0.0%
City	Baltimore	Distance from Subject (miles)	2.27
State	MD	Property Size (Units)	212
ZIP	21202	Floors	20
County	Baltimore City	Year Built	1968
Submarket	Central Baltimore City	Class	BC
		Data As Of	9/30/11

	Studio	1BR	2BR	3BR
Current Asking Rent/Unit	$992.00	$1,173.00	$1,552.00	N/A
Unit Size (SF)	400	600	900	N/A
Current Asking Rent/SF	$2.48	$1.96	$1.72	N/A

COMPARABLE GROUP LISTING

4

Name	Sutton Place	Current Asking Rent/Unit	$1,120.00
Address	1111 Park Ave	Current Vacancy Rate	2.4%
City	Baltimore	Distance from Subject (miles)	2.33
State	MD	Property Size (Units)	294
ZIP	21201	Floors	16
County	Baltimore	Year Built	1967
Submarket	Central Baltimore City	Class	BC
		Data As Of	9/30/11

	Studio	1BR	2BR	3BR
Current Asking Rent/Unit	$963.00	$1,078.00	$1,380.00	N/A
Unit Size (SF)	295	498	733	N/A
Current Asking Rent/SF	$3.26	$2.16	$1.88	N/A

5

Name	Weldon Townhomes	Current Asking Rent/Unit	$1,026.00
Address	1402 Weldon Pl N	Current Vacancy Rate	4.2%
City	Baltimore	Distance from Subject (miles)	2.48
State	MD	Property Size (Units)	48
ZIP	21211	Floors	2
County	Baltimore	Year Built	1965
Submarket	Central Baltimore City	Class	BC
		Data As Of	9/30/11

	Studio	1BR	2BR	3BR
Current Asking Rent/Unit	N/A	N/A	$995.00	$1,245.00
Unit Size (SF)	N/A	N/A	864	1160
Current Asking Rent/SF	N/A	N/A	$1.15	$1.07

6

Name	The Metropolitan of Baltimore	Current Asking Rent/Unit	$1,151.00
Address	6101 Loch Raven Blvd	Current Vacancy Rate	4.6%
City	Baltimore	Distance from Subject (miles)	2.54
State	MD	Property Size (Units)	262
ZIP	21239	Floors	6
County	Baltimore City	Year Built	1965
Submarket	Parkville/Carney/White Marsh	Class	BC
		Data As Of	9/30/11

	Studio	1BR	2BR	3BR
Current Asking Rent/Unit	$815.00	$1,046.00	$1,322.00	N/A
Unit Size (SF)	500	800	1000	N/A
Current Asking Rent/SF	$1.63	$1.31	$1.32	N/A

COMPARABLE GROUP LISTING

7

Name	Walker Manor Apts	Current Asking Rent/Unit	$1,006.00
Address	1034 Woodson Rd	Current Vacancy Rate	3.5%
City	Baltimore	Distance from Subject (miles)	2.66
State	MD	Property Size (Units)	201
ZIP	21212	Floors	3
County	Baltimore	Year Built	1968
Submarket	Towson/Timonium/Hunt Valley	Class	BC
		Data As Of	9/30/11

	Studio	1BR	2BR	3BR
Current Asking Rent/Unit	N/A	$897.00	$1,058.00	N/A
Unit Size (SF)	N/A	660	770	N/A
Current Asking Rent/SF	N/A	$1.36	$1.37	N/A

8

Name	611 Park Avenue	Current Asking Rent/Unit	$850.00
Address	611 Park Ave	Current Vacancy Rate	6.0%
City	Baltimore	Distance from Subject (miles)	2.76
State	MD	Property Size (Units)	100
ZIP	21202	Floors	12
County	Baltimore	Year Built	1967
Submarket	Central Baltimore City	Class	BC
		Data As Of	9/30/11

	Studio	1BR	2BR	3BR
Current Asking Rent/Unit	$725.00	$975.00	N/A	N/A
Unit Size (SF)	448	727	N/A	N/A
Current Asking Rent/SF	$1.62	$1.34	N/A	N/A

9

Name	Tall Oaks Apts	Current Asking Rent/Unit	$861.00
Address	1002 Pleasant Oaks Rd	Current Vacancy Rate	1.7%
City	Baltimore	Distance from Subject (miles)	3.08
State	MD	Property Size (Units)	296
ZIP	21234	Floors	2
County	Baltimore	Year Built	1967
Submarket	Parkville/Carney/White Marsh	Class	BC
		Data As Of	9/30/11

	Studio	1BR	2BR	3BR
Current Asking Rent/Unit	N/A	$810.00	$930.00	N/A
Unit Size (SF)	N/A	741	960	N/A
Current Asking Rent/SF	N/A	$1.09	$0.97	N/A

COMPARABLE GROUP LISTING

10			
Name	Dutch Village Apartments	Current Asking Rent/Unit	$677.00
Address	2349 Perring Manor Rd	Current Vacancy Rate	7.0%
City	Baltimore	Distance from Subject (miles)	3.10
State	MD	Property Size (Units)	803
ZIP	21234	Floors	4
County	Baltimore	Year Built	1965
Submarket	Parkville/Carney/White Marsh	Class	BC
		Data As Of	9/30/11

	Studio	1BR	2BR	3BR
Current Asking Rent/Unit	N/A	$638.00	$667.00	$922.00
Unit Size (SF)	N/A	606	837	1012
Current Asking Rent/SF	N/A	$1.05	$0.80	$0.91

Most of these competitors have more than 200 units. Larger units offer more amenities than a smaller apartment complex can provide. Therefore, projections slightly under average market rent at $783 per month, or $0.89 per sf is accurately supported by the data and is a conservative estimate.

RENOVATION OVERVIEW

A detailed timeline and draw schedule is not part of this investment analysis. Renovations will occur using the most qualified lowest bid contractor. The intent is to have contractors bid the total project scope so the investment will benefit from economy of scale, even if executed in phases. Qualified contractors, such as mold remediation and asbestos removal contractors will be hired on an as needed basis. The scope of renovations does not plan to disturb any known areas of asbestos, and therefore do not have this broken out as a major line item in the budget. The following provides an overview of the project plan. The detailed supporting budget is provided in the *Investment – Financial Analysis* section.

Project Timeline

Renovations begin January 2012 and are expected to span from 12 to a maximum of 24 months. Curb appeal improvements and at least one section (six units) and common area is scheduled to be completed in June to take advantage of the busy leasing season.

The renovation process will begin immediately on the four unfinished units, and the two termite damaged basement units. A detailed logistics plan to update aging units will be developed once work commences in January. Work on the oldest units will take priority, and common areas will be finished as we work through each section of six units. The newly finished units (which total six) will serve as temporary living quarters for the existing residents. This will provide the opportunity to update their baths and kitchens, replace hardware, install the breakfast bar, and paint the oldest units. Landscape and curb appeal improvement plans will be developed during February and March and are scheduled to begin in April finishing in May to take advantage of the beginning of the busy leasing time.

If new leases support rental projections, upgrades and renovations will proceed as quickly as time will allow, scheduled for an additional six months with the goal of having 100 percent physical occupancy in year two.

Value-Add Strategy

The property is performing as a class C property within a Class B neighborhood. Significant upside potential is provided below in an outline of how funds will be managed and used to realize projections.

The property offers opportunity to significantly increase NOI through:

1.) Decrease turnover time to 10 days,
2.) Cosmetic repairs to buildings /common area's including exterior curb appeal enhancements all which will allow for market rate rents,
3.) Capital investment, utility, and operational maintenance expense reduction,
4.) Rent growth fueled by interior renovation upgrades, and
5.) Complete the construction and rent the remaining four one bedroom units.

The renovation budget in the *Investment – Financial Analysis* section lists line item expenses for each of the categories below. They are categorized as cosmetic, capital expenditure, or rent growth.

Cosmetic Repairs and Curb Appeal Initiatives

These repairs will help the property achieve market rent, will improve the lead to lease ratio decreasing time to sign leases with new residents and therefore reduce turnover time.

- Landscape and curb appeal improvements
- Paint long term resident apartments
- Remove / Replace / Modify ground floor Security bars
- Laundry Room Rahab (Patch & paint, floor resurface/paint)
- Dryer Vent Duct Repair / Replace
- Sidewalk / Portico concrete patch & repair
- Portico Paint / Repair
- Common Area Repair, Paint, Re-floor

Rent Growth Initiatives

The following will be done to aid in achieving above market rent, help reduce utility costs, and will improve the lead to lease ratio decreasing time to sign leases with new residents and therefore reduce turnover time.

- Kitchen upgrades; Cabinet re-facing, floor replacement, countertop replacement, water saving kitchen faucet
- Bath upgrades; tub re-surfacing, install new vanity, sink, medicine cabinet, light, shower wall liners, water saving faucet, showerhead, and toilet
- Breakfast bar installation between dining and kitchen for a rent premium

Capital Improvement Expenditures

The following will be done to aid in achieving above market rent, help reduce utility costs and routine maintenance and operational expenses. Although the property has no lead paint, there is a risk reduction measure listed to limit liability exposure and reduce operational cost as a result of highly intensive paint reduction mandates required by the EPA (if the property is not certified lead free).

- Lead Free Certification
- Level and install pads on outdoor AC units
- Re-grade, add fill dirt to slope away from building
- Re-seal / caulk, re-mortar brick window sills
- Gutter Repairs / Replacement
- Roof vent pipe shingle / seal repair
- Kitchen and Bath window replacement
- Common area window replacement
- Apartment / dwelling window replacement
- 22 HVAC internal and external unit replacements
- Main power supply line to building have worn insulation, replace as needed
- Water saving Faucet and Toilet replacements
- Initiate project for Utility Water/Sewer Flat Surcharge or Ratio Utility Billing (RUB) System

Capital Project Improvement Strategy

Outlined below is the strategy to be deployed for capital intensive repairs and upgrades that may be cost prohibitive initially, but are scheduled for a one to two year replacement.

Window replacement program

Existing windows are single pane hung aluminum units with factory finish. They have created significant problems in both summer and winter months. In the winter, maintenance calls are received with complaints of drafty and cold windows. Many of the ballasts no longer function properly and turnovers costs increase $350 for each apartment for repairs necessary to make the windows operable. The windows also significantly sweat during the summer months, where condensate runs onto the sill and creates mold problems; results in timely and costly rent escrow court cases. As a temporary measure, for those who complain, we've capped the internal sills with a plastic laminate to prevent the condensation from absorbing into the wood. Lastly, the kitchen and bath windows open and close on a crank system – virtually none of the windows operate correctly and has also been the source of timely and costly rent escrow cases. Some have been replaced on an as needed basis. All remaining kitchen and bath windows require immediate replacement.

Replacements will be phased in as follows as capital and budget allow: 1.) All kitchen and bath windows, 2.) Common area windows (including laundry rooms), 3.) Rented Apartment Windows

NOTE: Apartment windows will be replaced last because the residents are responsible for heating and cooling their own space. A replacement schedule will be communicated to residents to prevent uncertainty and mitigate risk of rent escrow cases.

HVAC System replacement program

Ten complete HVAC systems have been replaced by necessity over the last two years; 22 aging systems remain. Among those remaining, the furnaces and air handling units are original. Most of the condensing and evaporator coils are also original. These systems are aging and have been nursed beyond usable life. They are significant contributors to costly maintenance expenses during summer and winter months and have been the source of timely and costly rent escrow cases. Replacement will be phased in over a two to three year period as capital and budget allows. Significant maintenance costs will be offset through this initiative.

INVESTMENT - FINANCIAL ANALYSIS

The investment has a five year horizon, with a reversion occurring on the last day of the fifth year. The analysis has a specific investment partner who seeks non-recourse debt financing. The equity requirement from the lender for non-recourse debt is a minimum 50 percent of stabilized value. The Equity investor is the Limited Partner, and the Managing Member is the General Partner.

Since non-recourse debt will be used, there will be no personal guarantees. Distribution details are stated in the following graphic.

Distribution Structure - Inputs	
Priority of Distributions from Operations:	
I. Cumulative Preferred Return (to LP):	8%
II. Promote:	
To LP	40%
To GP	60%
Priority of Distributions from Capital Event (Sale, Refinance):	
I. Until the LP received its Required IRR over holding period:	12%
II. Remainder:	
To LP	50%
To GP	50%

The equity investor has an eight percent preferred return, a 40 percent promote, and 50 percent distribution from a reversion, all with a minimum required return of 12 percent over the life of the investment[1]. In this analysis, the Equity investor is the Limited Partner, and the Managing Member is the General Partner.

The conversion of the permanent loan is projected to occur in the second year, using the third year projected net operating income. Detail between the construction and permanent loan are below:

Sources and Uses Construction Loan - Year 1				
Sources				
1st Position 3rd Party Debt			$	755,239
Investor Equity Investment	$	881,490		
Deferred Equity - Fees	$	31,483		
Sub Total Equity			$	912,973
Total			**$**	**1,668,212**
Uses				
Acquisition Costs				
Purchase Price			$	837,256
Closing costs of Initial Sale		4%	$	33,490
Construction Loan Points		2	$	15,105
Expense Reimbursement		2%	$	16,745
Other			$	-
Other			$	-
Other			$	-
Sub-Total			$	902,596
Construction			$	572,410
Contingency			$	57,241
Other / Miscellaneous			$	135,965
Adjustments				-
Total			**$**	**1,668,212**

Sources and Uses Refi Permanent Loan - Year 2			
Sources			
1st Position 3rd Party Debt	$ 876,295		
Total	**$ 876,295**		
Uses			
Refinance Costs			
Pay Existing Constuction Loan		$	755,239
Processing Fees			
Processing Fee (Mortgageable)		$	-
Third Party Reports (Mortgageable)		$	1,500
Legal		$	2,500
Title & Recording		$	1,250
Inspection Fee		$	1,250
Mortg. Ins. Premium	0.00%	$	-
Financing Fee	0.50%	$	4,381
Exam Fee	0.00%	$	-
Non-Critical Repair Escrow	$500 per unit	$	18,000
Other Non-Mortgageable Costs			
	Uses Sub-Total	$	28,881
(Cost of Reversion - See Below)	**Uses Sub-Total**	$	784,121
Borrower Distributable Cash Out		$	92,174
	Total	**$**	**876,295**
Borrower Equity Requirement / (Reimbursement)		$	(92,174)

[1] Note that this 12 percent stated in the graphic differs from the maximum purchase price threshold which shows 10 percent. The LP would accept a 10 percent return over the life of the investment if a purchase was at a higher price than projected. The analysis uses projections at 12 percent for the expected, best and worst case scenarios.

The following summarizes the expected case scenario. It assumes a purchase price of $837,256 with an additional $831 thousand for renovation and soft costs. The objective is to have debt equity below 50 percent of the "as-complete" improved value.

Joint Venture/Partnership			
Analysis of Equity Required			
Total Acquisition Price:	$1,668,212		
Debt Financing:	$755,239	LTV:	45%
Equity Needed:	$912,973		
Contribution of Additional Equity as Needed			
GP is responsible for additional equity as needed			
Partners	Equity	Percentage:	
Limited Partner (LP)	$881,490	97%	
General Partner (GP)	$31,483	3%	
Total Equity Contributed	$912,973	100%	

I. The cumulative preferred return (1) is paid to the Limited Partner. Then the subtotal balance promote (2) is split according to the agreed upon terms and paid accordingly. The conversion of the permanent loan is projected to occur in the second year, using the third year projected net operating income. The net proceeds of the permanent loan are captured in Section I during year two. NOI decreases in the third year as a result of increased taxes from a new tax assessment since the improvements; therefore we believe this is a conservative projection.

I. Distributions from Operations (see Supporting Calculations below)	Cash Flow Distributions from Operations				
	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Flow From Operations (CFO)	148,487	184,388	175,259	177,875	177,042
Plus: Net Proceeds from Refinance		92,174			
Less: Debt Service	37,762	67,752	67,752	67,752	67,752
Cash Flow After Financing (CFAF)	110,725	208,810	107,507	110,123	109,290
Priority payments (from available CF):					
(1) Cumulative Preferred Return to the LP (see below)	70,519	70,519	70,519	70,519	70,519
Subtotal	40,206	138,291	36,988	39,604	38,771
(2) Promote:					
To LP	16,082	55,316	14,795	15,842	15,508
To GP	24,123	82,975	22,193	23,762	23,263
Subtotal	0	0	0	0	0
Net Cash Flow from Operations	0	0	0	0	0

II. The Distributions from sale has a Limited Partner required IRR provision which pays a minimum of 12 percent. The required IRR (A) is paid first from the sale proceeds, which is adjusted to match the required IRR provision. The balance (B) is split pari passu and paid according to the agreement.

II. Distributions from Sale (Sale on Last Day of Year 5)					
	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Proceeds to Partnership (before tax)					1,967,133
Less: Repayment of Mortgage					788,070
Less: Cost of Reversion					118,028
Net Proceeds to Partnership (before tax)					1,061,035
Distributions of Net Sale Proceeds to Partnership:					
A. Until LP receives required IRR (see calculation below)					950,976
Subtotal					110,059
B. Remainder:					
To LP					55,030
To GP					55,030
Net Cash Flow From Sale					0

Additional detailed supporting calculations are provided below:

Supporting Calculations for Distributions from Operations and Sale:					
	Year 1	Year 2	Year 3	Year 4	Year 5
Additional Capital Contribution (from GP)					
Additional Equity Needed	0	0	0	0	0
Cumulative Return Calculation (from Operations)					
Cumulative Return (see Inputs above)	8%				
Equity Contributed by LP	$881,490	$881,490	$881,490	$881,490	$881,490
Cumulative Preferred Return Due - current year	$70,519	$70,519	$70,519	$70,519	$70,519
Cumulative Preferred Return Due - accrued from prior years	$0	$0	$0	$0	$0
Total Cumulative Preferred Return Balance Due	$70,519	$70,519	$70,519	$70,519	$70,519
Cash Flow available to Pay Cumulative Preferred Return	$110,725	$208,810	$107,507	$110,123	$109,290
Amount Paid towards Current and Accrued Pref. Return	$70,519	$70,519	$70,519	$70,519	$70,519
Unpaid Balance of Cumulative Preferred Return	$0	$0	$0	$0	$0
Required IRR Calculation (from Sale or Refinance)					
Required investment Lifetime IRR	**12%**				
	Distributions to LP (from Operations)				
	$86,602	$125,836	$85,314	$86,361	$86,028
	Required First Distribution from Sale to meet Required IRR				
Additional contribution required to achieve LP Required IRR					$950,976
-$881,490 (Equity Contributed by LP)	$86,602	$125,836	$85,314	$86,361	$1,037,003

Below is a summary of distributions first showing first the total benefits to the Partnership, then detailed by partner.

Summary of Distributions:					
III. Summary of Distributions from Operations and from Sale - Partnership					
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Summary of Cash Flow Distributions to the Partnership:					
Cash Flow After Financing (CFAF)	110,725	208,810	107,507	110,123	109,290
Cash Flow from Net Proceeds to Partnership (Sale)					1,061,035
Total Benefits to the Partnership	**$110,725**	**$208,810**	**$107,507**	**$110,123**	**$1,170,325**

III. Summary of Distributions from Operations and from Sale - Limited Partner					
Summary of Cash Flow Distributions to the Limited Partner:					
Distributions from Operations:					
Distribution #1	70,519	70,519	70,519	70,519	70,519
Distribution #3a	16,082	55,316	14,795	15,842	15,508
Distribution from Sale:					
I. Until LP Received Required IRR					950,976
II. Distribution of Remainder					55,030
Total Benefits to Limited Partner	**$86,602**	**$125,836**	**$85,314**	**$86,361**	**$1,092,033**
Percent of IRR from Cash Flow	**32%**				
Perrcent of IRR from Reversion	**68%**				
Equity Multiplier	**1.67 x**				

The detail above summarizes all payments to the Limited Partner. The Limited Partner gains a value of 1.67 times the original equity investment over five years, of which 32 percent is from cash flow and the balance is from the reversion.

III. Summary of Distributions from Operations and from Sale - General Partner					
Summary of Cash Flow Distributions to General Partner:					
Distributions from Operations:					
Distribution #2	24,123	82,975	22,193	23,762	23,263
Less: Additional Equity Needed	0	0	0	0	0
Distribution from Sale - II. Distribution of Remainder					55,030
Total Benefits to General Partner	**$24,123**	**$82,975**	**$22,193**	**$23,762**	**$78,292**
Percent of IRR from Cash Flow	**76%**				
Perrcent of IRR from Reversion	**24%**				
Equity Multiplier	**7.35 x**				

The detail above summarizes all payments to the General Partner. The Limited Partner gains a value of 7.35 times the original equity investment over five years, of which 76 percent is from cash flow and the balance is from the reversion.

General Assumptions and Inputs

INVESTMENT ANALYSIS

General Market Assumptions	
General Inflation	2.00%
Expense Inflation	3.00%
Comparable/Stabilized Cap Rates	8.50%
Discount Rate	10.00%
Terminal Cap Rate	9.00%
Cost of Reversion	6.00%

Rent Roll (See Unit Mix in Narrative for Detail)	As Complete
Rentable Units	36
Average Rent	$783.00
GRI (Monthly)	$28,188.00
GRI (Annually) @ 100% Occupancy	$338,256.00

Capital Stack for New Financing		Funding
Equity	30%	Equity
Minimum LTV	70%	Debt Service
Bank risk adjusted Cap Rate (+150 BP)	10.0%	
Minimum DSCR	1.4	
Loan Term	25 Years	
Interest Rate	6.00%	

Global Economic Assumptions

All assumptions based on current local and global economic equilibriums. This analysis does not forecast changes in government legislation, subsidies, or incentives not specifically stated. Further, it excludes natural disasters, terrorist attacks, or additional acts of war throughout the world that may affect currency and energy resources.

Maintenance Cost Assumptions

The “**As Completed”** analysis assumes the high cost maintenance issues will be resolved from the capital improvement projects, and therefore reduces maintenance costs to $50 per door per month annually in year one.

The investment financial analysis assumes all budgeted improvements are completed. The projections are conservative and a realistic target. The following are not considered:

- Collection and vacancy loss will improve as property condition improves
- Utility costs will migrate to the resident at Ratio Utility Billing is implemented
- Maintenance expenses are expected to further decrease as a result of the ongoing capital improvement projects
- Laundry Revenue
- Potential rent for storage
- Potential rent for parking
- Late fee revenue
- Internet and phone package revenue
- Reduced pest control costs

Projected Rent: These are conservative estimates, still about $0.05 per sf below average competitive market rent as shown in the market study. The belief is the units are functionally better than competitors, and may be able to drive $1.00-$1.05 per sf, or $0.05 - $0.10 above competition – best case scenario is not used in projections.

As Complete at 100% Occupancy

Unit Type		# of Units	Unit SF	As Complete Monthly Rent			Monthly Rent Per SF	
				Low	High	Average	Low	High
1 BR / 1BA	Renovated	4	750	$725	$725	$725	$0.97	$0.97
1 BR / 1BA	Ground Floor	2	750	$635	$685	$660	$0.85	$0.91
2 BR / 1 BA	Ground Floor	6	900	$745	$785	$765	$0.83	$0.85
2 BR / 1 BA	Center Level	12	900	$775	$815	$795	$0.86	$0.88
2 BR / 1 BA	Top Floor	12	900	$795	$845	$820	$0.88	$0.91
Total and weighted averages		**36**	**31,500**	**$28,190**		**$783**	**$0.89**	

Renewal Probability: 81% (Retention rate since Sept. 2009)

Renewal Rent: Current Rent + $50

Lease Terms: 1 Year

New Lease Rent: Rent as per schedule above

****Market Rent Inflation:*** 3.00% (5 Year average = 6.43% Rent Increase annually)

General Vacancy Rate: 5.00% (5 Year average = 5% [Excluding '08 & '09])

Credit & Collection Loss: 3.50% (12 Month Trailing Average = 96.5%)

Turnover Time / Cost: .3 months (10 Days) / $750

Leasing Commission New: 1 Month Rent

Investment - Sources & Uses, Loan Analysis

Sources & Uses

Sources			Uses		
1st Position Debt	$	755,239	Acquisition Costs	$	902,596
Equity Investment		881,490	Construction Costs	$	572,410
Deferred Equity - Fees		31,483	Contingency	$	57,241
			Other / Miscellaneous	$	135,965
Sub-Total	$	1,668,212	Adjustments		-
			Sub-Total	$	1,668,212
Balance	$	-			

Renoavtion Loan

Stabilized Net Operating Income (Year 3)	$175,259				
Stabilized Cap Rate	**10.00%**				
Concluded Value "At Stabilization"	$ 1,752,590				
Proposed Acquisiton/Construction Loan Amount	**$ 755,239**				
Proposed Acquisition/Renovation Loan Term	12 Months	**1.00 Years**			
Construction Loan Points	$ 15,105	**2.00 Points**			
Financial Institution Maximum Loan to Value	**80.0%**	Actual Loan to Value	43.09%	36.91% variance	
Financial Institution Maximum Loan to Cost	**80.0%**	Actual Loan to Cost	45.27%	34.73% variance	
Contributed Equity to Cost			52.84%		
Construction Loan Costs		**Prime + 1, 5% Floor Rate**			
Underwritten Construction Rate - Interest Only Rate (locked)	**5.00%**	5%			
Percentage of Loan Outstanding During Construction/Leaseup	**100.00%**			**Loan Payment**	
Months Outstanding	12.00 months			Year 1	Year 2
Avg. Outstanding Balance During Construction/Leasing	$ 755,239		Interest Only	$37,761.97	
Interest Annually	$ 37,761.97		Principle + Interest (25 Yr. Amortization)		$83,410.65
Interest Monthly	$ 3,147				
Interest Carry - Calculated from % O/S	$ 37,762	***0.63% variance***			
Budgeted Interest Carry During Construction/Leaseup - from below	$ 38,000				
Calculated Interest	$ 37,762	***0.63% variance***			

Permanent Loan

		Valuation Analysis		
Stabilized Net Operating Income (Year 3)	$ 175,259	Stabilized NOI		$ 175,259
		Stabilized Value		$ 1,752,590
Direct CAP Value	$ 1,752,590	Stabilized Cap Rate		**10.00%**
Max. Loan per LTV	$ 876,295	Maximum Loan to Value		**50.00%**
Max Loan Cash Out Limit	$ 876,295	Maximum Cash Out Limit		**50.00%**
Loan Value	**$ 876,295**	Interest Rate for Takeout Loan		**6.00%**
Actual Loan to Value	50.00%			
Debt Service	$67,752	Perm. Loan Amort.	300 Months	**25 Years**
Actual DSC	2.59 x	Minimum DSCR		**1.20**

Loan Gap Analysis for Takeout by Pernmanet Lender

Loan Constant	7.73%	
Equity Payback at Refinance	$ 121,056	(Excludes fees, see Sources & Uses in Cash Flow & Equity Splits, Year 2)
Balance of Equity in Deal after Perm Takeout	$ -	
GAP	**None**	

Capital Budget			Uses	Sources		
			Project Costs	Loan Funding	Equity Funding	Deferred Fees
Acquisition Costs / Fees	Qty	Price				
Purchase Price / Rewrite Existing Note	1	837,256	$ 837,256	$ 125,588	$ 711,668	
Closing costs of Initial Sale	4%		$ 33,490		$ 33,490	
Construction Loan Points	2		$ 15,105		$ 15,105	
Expense Reimbursement	2%		$ 16,745		$ 16,745	
Other						
Other						
		SubTotal	$ 902,596	$ 125,588	$ 777,008	$ -
Cosmetic Repairs and Curb Appeal Initiatives	Qty	Price				
Landscape and curb appeal improvements	1	$ 10,000	$ 10,000	$ 10,000		
Paint long term resident apartments	12	$ 1,250	$ 15,000	$ 15,000		
Remove / Replace / Modify ground floor Security bars	60	$ 275	$ 16,500	$ 16,500		
Laundry Room Rahab (Patch & paint, floor resurface/paint)	12	$ 1,275	$ 15,300	$ 15,300		
Dryer Vent Duct Repair / Replace	6	$ 500	$ 3,000	$ 3,000		
Sidewalk / Portico concrete patch & repair	12	$ 975	$ 11,700	$ 11,700		
Portico Paint / Repair	6	$ 1,250	$ 7,500	$ 7,500		
Common Area Repair, Paint, Re-floor	6	$ 3,750	$ 22,500	$ 22,500		
			$ -	$ -		
		SubTotal	$ 101,500	$ 101,500	$ -	$ -
Rent Growth Initiatives						
Kitchen upgrades; Cabinet re-facing, floor replacement, countertop replacement, water saving kitchen faucet	32	$ 1,250	$ 40,000	$ 40,000		
Bath upgrades; tub re-surfacing, install new vanity, sink, medicine cabinet, light, shower wall liners, water saving faucet, showerhead, and toilet	32	$ 650	$ 20,800	$ 20,800		
Breakfast bar installation between dining and kitchen for a rent premium	28	$ 1,750	$ 49,000	$ 49,000		
			$ -	$ -		
			$ -	$ -		
		SubTotal	$ 109,800	$ 109,800	$ -	$ -
Apartment Repairs & Remodeling						
General repair & replacement budget (non itemized)	32	$2,000.00 per unit	$ 64,000	$ 64,000		
		SubTotal	$ 64,000	$ 64,000	$ -	$ -
Capital Improvement Expenditures						
Lead Free Certification	3	$ 3,250	$ 9,750	$ 9,750		
Level and install pads on outdoor AC units	32	$ 100	$ 3,200	$ 3,200		
Re-grade, add fill dirt to slope away from building	3	$ 3,250	$ 9,750	$ 9,750		
Re-seal / caulk, re-mortar brick window sills	3	$ 350	$ 1,050	$ 1,050		
Gutter Repairs / Replacement	3	$ 2,850	$ 8,550	$ 8,550		
Kitchen and Bath window replacement	28	$ 600	$ 16,800	$ 16,800		
Common area window replacement	6	$ 3,000	$ 18,000	$ 18,000		
Apartment / dwelling window replacement	32	$ 2,180	$ 69,760	$ 69,760		
22 HVAC internal and external unit replacements	22	$ 2,000	$ 44,000	$ 44,000		
Main power supply lines to building have worn insulation, replace as needed	6	$ 1,975	$ 11,850	$ 11,850		
Water saving Faucet and Toilet replacements	24	$ 400	$ 9,600	$ 9,600		
Initiate project for Utility Water/Sewer Flat Surcharge or Ratio Utility Billing (RUB) System	32	$ 150	$ 4,800	$ 4,800		
Complete framing, drywall, and finishes of unnoccupied space	4	$30.00 @ 750 sq. ft. ea.	$ 90,000	$ 90,000		
			$ -	$ -		
			$ -	$ -		
				$ -		
		SubTotal	$ 297,110	$ 297,110	$ -	$ -
		SubTotal Capital Repairs	$ 572,410	$ 572,410		
Contingency	10.0%	SubTotal Contingency	$ 57,241	$ 57,241		
		SubTotal w/Contingency	**$ 629,651**	**$ 629,651**	$ -	$ -
Other / Miscellaneous						
Construction Management Fee	10%	$ 629,651	$ 62,965.10		$ 31,483	$ 31,483
Operating Deficit - Negative Carry						
Design & Construction Administration			$ 15,000		$ 15,000	
Permits			$ 10,000		$ 10,000	
Interest Carry			$ 38,000		$ 38,000	
Miscellaneous			$ 10,000		$ 10,000	
Other						
		SubTotal	**$ 135,965**	**$ -**	**$ 104,483**	**$ 31,483**
Adjustments to test Best & Worst case Scenario's	**Adjustments**			**$ -**	**$ -**	**$ -**
GRAND TOTALS			**$ 1,668,212**	**$ 755,239**	**$ 881,490**	**$ 31,483**

The efficacy of this investment supports itself without any special government programs or grants. Several were investigated, and there are a couple of viable options that may help improve the financial performance of the investment. First, the Baltimore City Department of Housing and Community Development has a Community Development Block Grant Program requiring an application process (Baltimore Housing) that may be viable. Also, the Federal Low Income Housing Tax Credit Program may provide some expense relief. The concern with such programs is rent control, however it doesn't appear this program controls rent. The owner of a qualified low-income building must rent either 20 percent of the units to households with incomes of 50 percent or less of the area median income or 40 percent of the units to households with incomes of 60 percent or less of the area median income (MD Housing). An initial search of demographics suggests it may qualify because the median income of the area is $51,816 (Baltimore Cityview). That would require that we rent 7 units to persons with an income of less than $25,908, or $2,159 monthly. This currently is within our income requirement threshold of three times monthly rent (average rent is $683).

Any benefit without rent controls that will improve the financial performance will be pursued in order to enhance the return to investors.

Business, Property and Asset Management Plan

Wojo Realty Group serves as the Managing Member (General Partner) of an investment partnership with an equity investor (Limited Partner) using a preferred equitable split of cash flow and reversion based on a negotiated operating agreement. Unique to this investment is the Limited Partner requires non-recourse financing. Therefore maximum leverage cannot be used and consequently returns are less than typical alternative leveraged real estate. Therefore equity splits are negotiated to serve each Partners interest and investment objectives and are not based on the amount of respective capital investments into the project by each of the two partners. The MM receives a nominal seven percent management fee of Gross Rental Income and is incentivized to improve financial performance and value of the property for the reversionary splits. No fees will be earned for acquisition or by obtaining financing. Disposition fees are earned in the event a sale was to take place.

Wojo Realty Group assigns a project manager to oversee and manage renovations, and property manager to lease and manage maintenance, and an asset manager to ensure the property achieves investment objectives and to provide necessary reporting statements. All staffing fees are either carried by the company or reimbursed in the renovation budget.

Wojo Realty Group will continue to manage and lease this property after renovations are complete. It has a 2.5 year history of management with this property and the investment benefits from its working knowledge and relationship with the existing residents. As renovations improve the property, the leasing objective is to attract a higher income and potentially higher quality resident. The objective is to be fully occupied by the end of the second year. Wojo Realty Group has been successful with quickly leasing without on-site staff. Advertising through its property management software system and leasing signs have provided an adequate number of leads. Leads are prequalified on the phone and then complete an application online or in person at the appointment. Minimum income is three times rent, and they cannot have a criminal background nor have been evicted.

Wojo Realty Group has been successful with resident placement averaging a 7:1 lead to lease close ratio. It has had to evict less than 5% of its placed residents and collections are at 97%.

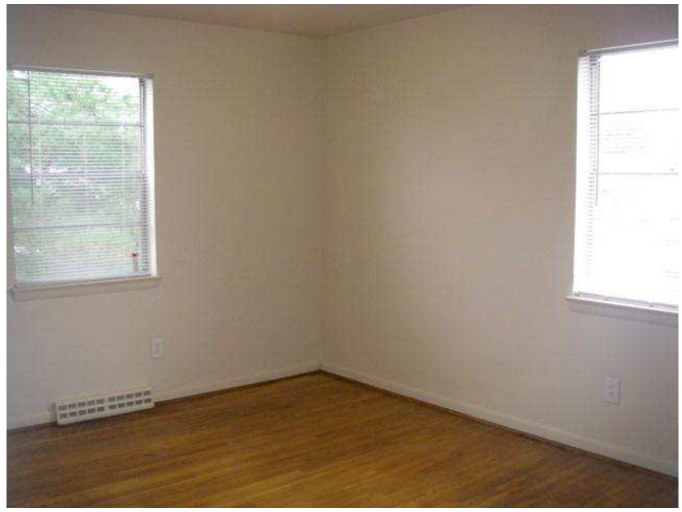
Conclusion

The ownership has two viable exit strategies: reposition the property (which is possible only if the Columbia Bank loan application is approved), or to sell the property As-Is. Repositioning and selling will benefit the ownership equity through increased property value after improvements. If the ownership refinance application is not approved, then selling is the alternative. An appropriate listing price is $1,175,588 to provide adequate negotiation margin. If the ownership provides seller financing, they have potential to achieve a slightly higher closing price than would otherwise likely be offered.

A buyer will derive a value of $837,256 using a direct capitalization method at a 10 percent cap rate after adjustments in order to provide an acceptable return to investors. The expected, best and worst case scenarios are based on that purchase price. The maximum acceptable offering price is $1 million that will provide a reduced, but acceptable return of 10 percent to the Limited Partner.

Unit with breakfast bar added

A wall was removed between the kitchen and dining area, a breakfast bar added, which creates the essence of a large great room between the kitchen, dining, and living areas.



** Rent Roll, Active

A list of all active leases and account balances, and Rent Averages.

Avg. Monthly Rent
$683.93

Max. Monthly Rent
$750.00

Min. Monthly Rent
$575.00

Building	Unit Abbr. Name	First Name	Last Name	Yrs. of Stay	Current Rent
3602 Monterey	C	Joann	Deleted	10	$650.00
3602 Monterey	D	Frances	Deleted		$725.00
3602 Monterey	E	Tacandra	Deleted		$750.00
3602 Monterey	F	Anthony	Deleted	7	$695.00
3603 Monterey	A	Gail	Deleted	9	$575.00
3603 Monterey	B	Ricky	Deleted		$650.00
3603 Monterey	C	Elsie	Deleted		$650.00
3603 Monterey	D	Angela	Deleted		$700.00
3603 Monterey	E	Barbara	Deleted	3	$675.00
3603 Monterey	F	Octavia	Deleted		$740.00
3604 Monterey	B	Sharice	Deleted		$735.00
3604 Monterey	C	Nicole	Deleted		$710.00
3604 Monterey	D	Tanya	Deleted		$735.00
3604 Monterey	F	Sadie	Deleted	19	$675.00
3605 Monterey	A	Darrillyn	Deleted		$635.00
3605 Monterey	B	Mildred	Deleted	18	$625.00
3605 Monterey	C	April	Deleted		$750.00
3605 Monterey	D	Shawnna	Deleted		$650.00
3605 Monterey	F	Mary	Deleted		$675.00
3606 Monterey	B	Angela	Deleted	3	$625.00
3606 Monterey	C	Sheron	Deleted		$740.00
3606 Monterey	D	David	Deleted	22	$650.00
3606 Monterey	E	Charlene	Deleted	15	$675.00
3606 Monterey	F	Quintilla	Deleted	24	$675.00
3608 Monterey	C	Leonard	Deleted		$685.00
3608 Monterey	D	Adonis	Deleted	3	$685.00
3608 Monterey	E	Lavinia	Deleted	21	$675.00
3608 Monterey	F	Adrian	Deleted		$740.00

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For the Years Ending	Year 1 Dec-2012	Year 2 Dec-2013	Year 3 Dec-2014	Year 4 Dec-2015	Year 5 Dec-2016
Operating Ratios					
Total Number of Units	29	29	29	30	32
Average Occupancy	81.02%	81.48%	81.48%	81.94%	88.89%
Avg Monthly Rent per Occ Area	0.8	0.83	0.84	0.86	0.88
Avg Monthly Rent per Occ Unit	712.91	738.99	752.42	766.6	781.87
Expense Ratio to Operating Inc	60.94%	54.74%	51.33%	51.23%	49.92%
Expenses per Unit Area	5.15	4.82	4.6	4.71	4.81
Expenses per Unit	4,585.59	4,294.00	4,100.00	4,192.81	4,285.78
Potential Gross Revenue					
Potential Market Rent	$280,680	$286,294	$292,019	$297,860	$303,817
Loss to Lease	-6,200	-2,310	-2,831	-3,050	-3,579
Potential Rental Revenue	274,480	283,984	289,188	294,810	300,238
Absorption & Turnover Vacancy	-24,961	-23,859	-24,336	-23,432	
Scheduled Base Rental Revenue	249,519	260,125	264,852	271,378	300,238
Total Potential Gross Revenue	249,519	260,125	264,852	271,378	300,238
General Vacancy					-15,012
Collection Loss	-8,733	-9,104	-9,270	-9,498	-10,508
Effective Gross Revenue	240,786	251,021	255,582	261,880	274,718
Operating Expenses					
Real Estate Taxes	22,770	22,770	22,770	23,453	23,453
Office, Telephone, & Cable Exp	2,957	3,016	3,076	3,138	3,201
Dwelling License	2,000	2,040	2,081	2,122	2,165
Property Insurance	7,349	7,496	7,646	7,799	7,955
Repairs & Maintenance	41,886	30,372	22,525	22,975	23,435
Appliances	1,650	1,683	1,717	1,751	1,786
Snow Removal	6,500	6,630	6,763	6,898	7,036
Pest Control	3,348	3,415	3,483	3,553	3,624
Advertising & Promotional	350	357	364	371	379
Legal & Accounting Fees	6,035	6,156	6,279	6,404	6,532
Management Fee	24,079	25,102	25,558	26,188	27,472
Waste Removal	3,840	3,917	3,995	4,075	4,157
BGE Common Area Gas & Electric	10,305	10,511	10,721	10,936	11,154
Water & Sewage	11,470	11,699	11,933	12,172	12,415
Miscellaneous Expenses	2,200	2,244	2,289	2,335	2,381
Total Operating Expenses	146,739	137,408	131,200	134,170	137,145
Net Operating Income	94,047	113,613	124,382	127,710	137,573
Leasing & Capital Costs					
Preparation Costs	33,085	41,534	39,718	43,211	27,621
Leasing Costs	3,615	4,533	4,365	4,717	4,810
Total Leasing & Capital Costs	36,700	46,067	44,083	47,928	32,431
Cash Flow Before Debt Service	$57,347	$67,546	$80,299	$79,782	$105,142

Yellow Highlights: Current vacancy + absorption rate of 150 days (due to cash-

Yellow Highlights: Income not realized from vacancy resulting from 5 months turnover time

	Year 1	Year 2	Year 3	Year 4	Year 5
For the Years Ending	Dec-2012	Dec-2013	Dec-2014	Dec-2015	Dec-2016
Operating Ratios					
Total Number of Units	31	36	36	36	36
Average Occupancy	86.57%	99.07%	99.07%	99.07%	99.07%
Avg Monthly Rent per Occ Area	0.87	0.92	0.94	0.96	0.98
Avg Monthly Rent per Occ Unit	758.32	799.5	815.36	831.52	848.01
Expense Ratio to Operating Inc	44.55%	40.15%	44.09%	44.35%	44.29%
Expenses per Unit Area	3.94	4.1	4.59	4.71	4.8
Expenses per Unit	3,404.33	3,543.94	3,969.31	4,071.81	4,146.97
Potential Gross Revenue					
Potential Market Rent	$341,160	$347,983	$354,943	$362,042	$369,283
Loss to Lease	-13,402	-2,835	-2,955	-3,077	-3,196
Potential Rental Revenue	327,758	345,148	351,988	358,965	366,087
Absorption & Turnover Vacancy	-44,145	-2,960	-3,016	-3,076	-3,140
Scheduled Base Rental Revenue	283,613	342,188	348,972	355,889	362,947
Total Potential Gross Revenue	283,613	342,188	348,972	355,889	362,947
General Vacancy		-14,149	-14,433	-14,718	-15,007
Collection Loss	-8,508	-10,266	-10,469	-10,677	-10,888
Effective Gross Revenue	275,105	317,773	324,070	330,494	337,052
Operating Expenses					
Real Estate Taxes	22,770	22,770	35,537	36,603	36,603
Office, Telephone, & Cable Exp	2,957	3,016	3,076	3,138	3,201
Dwelling License	2,000	2,040	2,081	2,122	2,165
Property Insurance	7,349	7,496	7,646	7,799	7,955
Repairs & Maintenance	22,525	22,975	23,435	23,904	24,382
Appliances	1,650	1,700	1,750	1,803	1,857
Snow Removal	6,500	6,630	6,763	6,898	7,036
Pest Control	3,348	3,415	3,483	3,553	3,624
Advertising & Promotional	350	357	364	371	379
Legal & Accounting Fees	6,035	6,156	6,279	6,404	6,532
Management Fee	19,257	22,244	22,685	23,135	23,594
Waste Removal	3,840	3,917	3,995	4,075	4,157
BGE Common Area Gas & Electric	10,305	10,923	11,579	12,273	13,010
Water & Sewage	11,470	11,699	11,933	12,172	12,415
Miscellaneous Expenses	2,200	2,244	2,289	2,335	2,381
Total Operating Expenses	122,556	127,582	142,895	146,585	149,291
Net Operating Income	152,549	190,191	181,175	183,909	187,761
Leasing & Capital Costs					
Preparation Costs	820	1,022	1,039	1,061	5,845
Leasing Costs	3,242	4,781	4,877	4,973	4,874
Reserve Replacement					12,989
Total Leasing & Capital Costs	$4,062	$5,803	$5,916	$6,034	$23,708
Cash Flow Before Debt Service	$148,487	$184,388	$175,259	$177,875	$164,053

Refinance - Financial Analysis

Refinance Financial Analysis – Summary

The section is an appendix as the supporting detail for the analysis completed if a refinance were to occur for the ownership. The renovation budget is reduced to fit within the criteria allowed by the current lender. Below is a comparison that shows capital improvements yield a substantial NOI Increase. This summary uses the sizing Cap rate provided by the bank:

Valuation Analysis through Stabilization (Year 3)			
As Is (Without Financing, no improvements)	**Year 1**	**Year 2**	**Year 3**
Net Operating Income **(Stabilization at Year 3)**	$57,347	$67,546	$80,299
Bank Sizing Cap Rate	8.00%	8.00%	8.00%
Concluded Value	**$ 716,838**	**$ 844,325**	**$ 1,003,738**
As Complete (With Financing and Improvements)			
Net Operating Income **(Stabilization at Year 3)**	$148,487	$184,388	$175,259
Bank Sizing Cap Rate	8.00%	8.00%	8.00%
Concluded Value	**$ 1,856,088**	**$ 2,304,850**	**$ 2,190,738**
Comparative NOI Percent Increase	**159%**	**173%**	**118%**

Refinance General Assumptions and Inputs

REFINANCE ANALYSIS

General Market Assumptions	
General Inflation	2.00%
Expense Inflation	3.00%
Comparable/Stabilized Cap Rates	8.00%
Discount Rate	10.00%
Terminal Cap Rate	9.00%
Cost of Reversion	6.00%

Rent Roll (See Unit Mix in Narrative for Detail)	As Is	As Complete
Rentable Units	32	36
Average Rent	$683.00	$783.00
GRI (Monthly)	$21,856.00	$28,188.00
GRI (Annually) @ 100% Occupancy	$262,272.00	$338,256.00

Terms of Existing Debt Service		Note
Current Interest Rate	8.84%	Rate Currently
Balance	$610,000	reduced to 6%
Annual Debt Service	$78,479	through March 2013
Loan Term	20 Years	

Bank Sizing Criteria		Funding
Equity	30%	Owner Equity
Minimum LTV	70%	Debt Service
Bank sizing Cap Rate	8.0%	
Minimum DSCR	1.3	
Loan Term	25 Years	
Interest Rate	5.00%	

Analysis

The Analysis below contains two data sets:

1. **As-Is**: Projections without making necessary improvements and no financing; 32 units
2. **As-Complete**: Projections based on obtaining cash to make improvements; 36 units

Maintenance Cost Assumptions

Maintenance costs for the "**As-Is"** financial analysis in Appendix 1 applies 2010 costs as incurred, which are higher than 2011 projections. It assumes high costs initially at $41,886 in year 1, then $29,776 in year to, then $50 per door per month annually.

The "**As Completed"** analysis assumes the high cost maintenance issues will be resolved from the capital improvement project, and therefore reduces maintenance costs to $50 per door per month annually beginning in year 1.

Refinance Market Leasing Assumptions – As Is

Current Rent: Approximately $0.20/SF below competitor market rent (See Appendix 3). See Appendix 6 for a detailed unit rent roll.

****Note:*** Market Rent Inflation is projected only at 3%; the five year average is a 6.43% year over year increase.

As Is at 100% Occupancy

Unit Type		# of Units	Unit SF	As Is Current Monthly Rent Low	High	Average	Monthly Rent Per SF Low	High
1 BR / 1BA	***Not Finished	4		N/A	N/A	N/A	N/A	
1 BR / 1BA	Ground Floor	2	750	$575	$635	$605	$0.77	$0.85
2 BR / 1 BA	Ground Floor	6	900	$550	$735	$638	$0.61	$0.71
2 BR / 1 BA	Center Level	12	900	$650	$775	$683	$0.72	$0.76
2 BR / 1 BA	Top Floor	12	900	$675	$795	$713	$0.75	$0.79
Total and weighted averages		**32**	**28,500**	**$21,785**		**$683**	**$0.74**	

Renewal Probability:	81% (Retention rate since Sept. 2009)
Renewal Rent:	Current Rent + $50
New Lease Terms:	1 Year
New Lease Rent:	Rent as per schedule above
****Market Rent Inflation:***	3.00% (5 Year average = 6.43% Rent Increase annually)

General Vacancy Rate: 5.00% (5 Year average = 5% [Excluding '08 & '09])

Credit & Collection Loss: 3.50% (12 Month Trailing Average = 96.5%)

Turnover Time / Cost: 5 months / $3,500 (Current Average Time & Cost)

Leasing Commission New: 1 Month Rent

Debt Service

Existing Monthly Payment: $7,343 (currently reduced to $6,539.89 through March 2013 for an interest rate reduction due to result of owner military service deployment overseas)

Interest Rate: 8.84% (Currently reduce to 6% as indicated above)

Amortization: 20

Existing 1st Balance: $610,000

Refinance Market Leasing and Financial Assumptions – As Complete

The only variables changed are average rents, the reduction in time and cost for a turnover, and the projection of maintenance expenses as stated in the Maintenance Cost Assumptions. All other market leasing assumptions remain the same. Therefore, the "As-Complete" projections are conservative and a realistic target. The following are not considered:

- Collection and vacancy loss will improve as property condition improves
- Utility costs will migrate to the resident at Ratio Utility Billing is implemented
- Maintenance expenses are expected to further decrease as a result of the ongoing capital improvement projects
- Laundry Revenue
- Potential rent for storage
- Potential rent for parking
- Late fee revenue
- Internet and phone package revenue
- Reduced pest control costs

Projected Rent: These are conservative estimates, still about $0.10 per sf below average competitive market rent as shown in Appendix 3. The belief is the units are functionally better than competitors, and may be able to drive $1.05 - $1.10 / SF, or $0.05 - $0.10 above competition – best case scenario is not used in projections.

As Complete at 100% Occupancy

Unit Type		# of Units	Unit SF	As Complete Monthly Rent Low	High	Average	Monthly Rent Per SF Low	High
1 BR / 1BA	Renovated	4	750	$725	$725	$725	$0.97	$0.97
1 BR / 1BA	Ground Floor	2	750	$635	$685	$660	$0.85	$0.91
2 BR / 1 BA	Ground Floor	6	900	$745	$785	$765	$0.83	$0.85
2 BR / 1 BA	Center Level	12	900	$775	$815	$795	$0.86	$0.88
2 BR / 1 BA	Top Floor	12	900	$795	$845	$820	$0.88	$0.91
Total and weighted averages		**36**	**31,500**	**$28,190**		**$783**	**$0.89**	

Renewal Probability:	81% (Retention rate since Sept. 2009)
Renewal Rent:	Current Rent + $50
Lease Terms:	1 Year
New Lease Rent:	Rent as per schedule above
****Market Rent Inflation:***	3.00% (5 Year average = 6.43% Rent Increase annually)
General Vacancy Rate:	5.00% (5 Year average = 5% [Excluding '08 & '09])
Credit & Collection Loss:	3.50% (12 Month Trailing Average = 96.5%)
Turnover Time / Cost:	.3 months (10 Days) / $750
Leasing Commission New:	1 Month Rent

Refinance - Sources & Uses, Loan Analysis

Sources & Uses

Sources			Uses		
1st Position Debt	$	1,153,510	Acquisition Costs	$	600,000
Equity Investment		61,080	Construction Costs	$	439,330
Deferred Equity - Fees		-	Contingency	$	43,933
			Other / Miscellaneous	$	131,326
Sub-Total	$	1,214,589	Adjustments		-
			Sub-Total	$	1,214,589
Balance	$	-			

Current and Proposed Permament Loan Comparision

		Year 1		Stress Test where DSCR < 1.2	
As Is (Existing Financing, no improvements)					
Current Net Operating Income before Financing	$	57,347		$ 93,390	
Existing Debt Service (Through March 2013)		$78,479		$ 78,479	
Cash Flow after Financing		($21,131.68)			
DSC		0.73 x DEFICIT		1.19 x	
As Complete (With Financing and Improvements)					
Net Operating Income (Stabilization at Year 3)	$	148,487			
Proposed Refinance & Renovation Loan Amount	$	1,299,261		$ 108,462	= 4 vacant units
Proposed Debt Service	$	91,144			
Projected DSC		1.63 x		$ 91,144	
Required Minimum DSC for Loan		1.30 x			
Amortization for Loan		300 Months	25 Years	1.19 x	

Refinance & Renovation Loan

Stabilized Net Operating Income (Year 1)		$148,487				
Stabilized Cap Rate		**8.00%**				
Concluded Value "At Stabilization"	$	1,856,088				
Proposed Refianance/Renovation Loan Amount	**$**	**1,153,510**				
Proposed Acquisition/Construction Loan Term		12 Months	1.00 Years			
Construction Loan Points	$	-	0.00 Points			
Financial Institution Maximum Loan to Value		70.0%	Actual Loan to Value	62.15%	7.85% variance	
Contributed Equity to Cost				5.03%		
Construction Loan Costs			**Prime + 1, 5% Floor Rate**			
Underwritten Construction Rate - Interest Only Rate (locked)		**5.00%**	5%			
Percentage of Loan Outstanding During Construction/Leaseup		100.00%			**Loan Payment**	
Months Outstanding		12.00 months			Year 1	Year 2
Avg. Outstanding Balance During Construction/Leasing	$	1,153,510		Interest Only	$57,675.49	
Interest Annually	$	57,675.49	Principle + Interest (25 Yr. Amortization)			$60,729.49
Interest Monthly	$	4,806				
Interest Carry - Calculated from % O/S	$	57,675	*0.56% variance*			
Budgeted Interest Carry During Construction/Leaseup - from below	$	58,000				
Calculated Interest	$	57,675	*0.56% variance*			

Permanent Loan

			Valuation Analysis		
Stabilized Net Operating Income (Year 1)	$	148,487	Stabilized NOI	$	148,487
			Stabilized Value	$	1,856,088
Direct CAP Value	$	1,856,088	Stabilized Bank Sizing Cap Rate		8.00%
Max. Loan per LTV	$	1,299,261	Maximum Loan to Value		70.00%
Max Loan Cash Out Limit	$	1,299,261	Maximum Cash Out Limit		70.00%
Loan Value	**$**	**1,299,261**	Interest Rate for Takeout Loan		**5.00%**
Actual Loan to Value		70.00%			
Debt Service		$91,144	Perm. Loan Amort.	300 Months	**25 Years**
Actual DSC		1.63 x	Minimum DSCR		1.20

Loan Gap Analysis for Takeout by Pernmanet Lender

Loan Constant		7.02%	
Equity Payback at Refinance	$	145,752	(Excludes fees, see Sources & Uses in Cash Flow & Equity Splits, Year 2)
Balance of Equity in Deal after Perm Takeout	$	84,672	
GAP		**None**	

Refinance – Renovation Budget

Capital Budget			Uses	Sources		
			Project Costs	Loan Funding	Equity Funding	Deferred Fees
Acquisition Costs / Fees	**Qty**	**Price**				
Purchase Price / Rewrite Existing Note	1	600,000	$ 600,000	$ 600,000		
Closing costs of Initial Sale	0%		$ -		$ -	
Construction Loan Points	0		$ -	$ -		
Expense Reimbursement	0%		$ -		$ -	
Other						
Other						
		SubTotal	$ 600,000	$ 600,000	$ -	$ -
Cosmetic Repairs and Curb Appeal Initiatives	**Qty**	**Price**				
Landscape and curb appeal improvements	1	$ 10,000	$ 10,000	$ 10,000		
Paint long term resident apartments	12	$ 1,250	$ 15,000	$ 15,000		
Remove / Replace / Modify ground floor Security bars	60	$ 275	$ 16,500	$ 16,500		
Laundry Room Rahab (Patch & paint, floor resurface/paint)	12	$ 1,275	$ 15,300	$ 15,300		
Dryer Vent Duct Repair / Replace	6	$ 500	$ 3,000	$ 3,000		
Sidewalk / Portico concrete patch & repair	12	$ 975	$ 11,700	$ 11,700		
Portico Paint / Repair	6	$ 1,250	$ 7,500	$ 7,500		
Common Area Repair, Paint, Re-floor	6	$ 3,750	$ 22,500	$ 22,500		
			$ -	$ -		
		SubTotal	$ 101,500	$ 101,500	$ -	$ -
Rent Growth Initiatives						
Kitchen upgrades; Cabinet re-facing, floor replacement, countertop replacement, water saving kitchen faucet	24	$ 1,250	$ 30,000	$ 30,000		
Bath upgrades; tub re-surfacing, install new vanity, sink, medicine cabinet, light, shower wall liners, water saving faucet, showerhead, and toilet	24	$ 650	$ 15,600	$ 15,600		
Breakfast bar installation between dining and kitchen for a rent premium	12	$ 1,750	$ 21,000	$ 21,000		
			$ -	$ -		
			$ -	$ -		
		SubTotal	$ 66,600	$ 66,600	$ -	$ -
Apartment Remodeling						
General repair & replacement budget (non itemized)	32	$2,000.00 per unit	$ 64,000	$ 64,000		
		SubTotal	$ 64,000	$ 64,000	$ -	$ -
Capital Improvement Expenditures						
Lead Free Certification	3	$ 3,250	$ 9,750	$ 9,750		
Level and install pads on outdoor AC units	32	$ 100	$ 3,200	$ 3,200		
Re-grade, add fill dirt to slope away from building	3	$ 3,250	$ 9,750	$ 9,750		
Re-seal / caulk, re-mortar brick window sills	3	$ 350	$ 1,050	$ 1,050		
Gutter Repairs / Replacement	3	$ 2,850	$ 8,550	$ 8,550		
Kitchen and Bath window replacement	28	$ 600	$ 16,800	$ 16,800		
Common area window replacement	6	$ 3,000	$ 18,000	$ 18,000		
Apartment / dwelling window replacement	32	$ 2,180	$ 69,760	$ 69,760		
22 HVAC internal and external unit replacements	22	$ 2,000	$ 44,000	$ 44,000		
Main power supply lines to building have worn insulation, replace as needed	6	$ 1,975	$ 11,850	$ 11,850		
Water saving Faucet and Toilet replacements	24	$ 400	$ 9,600	$ 9,600		
Initiate project for Utility Water/Sewer Flat Surcharge or Ratio Utility Billing (RUB) System	32	$ 150	$ 4,800	$ 4,800		
Complete framing, drywall, and finishes of unoccupied space	4	$30.00 @ 750 sq. ft. ea.	$ 120	$ 120		
			$ -	$ -		
			$ -	$ -		
				$ -		
		SubTotal	$ 207,230	$ 207,230	$ -	$ -
		SubTotal Capital Repairs	$ 439,330	$ 439,330		
Contingency	10.0%	SubTotal Contingency	$ 43,933	$ 43,933		
		SubTotal w/Contingency	**$ 483,263**	**$ 483,263**	$ -	$ -
Other / Miscellaneous						
Construction Management Fee	10%	$ 483,263	$ 48,326	$ 48,326		
Operating Deficit - Negative Carry						
Design & Construction Administration			$ 10,000	$ 10,000		
Permits			$ 15,000	$ 15,000		
Interest Carry			$ 58,000	$ 58,000		
Miscellaneous			$ -	$ -		
Other						
		SubTotal	**$ 131,326**	**$ 131,326**	**$ -**	**$ -**
Bank Allowed owner Equity for improvements since 2005	**Adjustments**			**$ (61,080)**	**$ 61,080**	**$ -**
GRAND TOTALS			**$ 1,214,589**	**$ 1,153,510**	**$ 61,080**	**$ -**

INCOME STATEMENT	2012 As Complete
BLENDED AVERAGE RENT	#DIV/0!
OCCUPANCY RATE	95.00%
TOTAL NUMBER SQUARE FEET	0

SQUARE FEET	TENANT NAME	RENT PSF	BLENDED COMPONENT	ANNUAL RENT	LEASE MATURITY
		$0.00	#DIV/0!	$341,160	
		$0.00	#DIV/0!		
		$0.00	#DIV/0!		
		$0.00	#DIV/0!		
		$0.00	#DIV/0!		
		$0.00	#DIV/0!		
		$0.00	#DIV/0!		
		$0.00	#DIV/0!		
		$0.00	#DIV/0!		
		$0.00	#DIV/0!		
		$0.00	#DIV/0!		
0 TOTAL SQUARE FOOTAGE					
GROSS POTENTIAL REVENUE			#DIV/0!	$341,160	
LESS VACANCY @		5.00%		$17,058	
PLUS OTHER INCOME (2) @				$0	
EFFECTIVE GROSS REVENUE				$324,102	

ACTUAL OPERATING EXPENSES	EXPENSES PER S.F.	ANNUAL EXPENSES	PERCENT
Management and/or Leasing Fee	#DIV/0!	$16,205	5.00%
General and Administrative	#DIV/0!	$0	0.00%
Real Estate Taxes	#DIV/0!	$0	0.00%
Insurance	#DIV/0!	$0	0.00%
Repairs and Maintance	#DIV/0!	$0	0.00%
Contract Services	#DIV/0!	$0	0.00%
Utilities	#DIV/0!	$0	0.00%
Total Expenses	#DIV/0!	$133,563	41.21%
	#DIV/0!	$0	0.00%
Leasing/T.I. Expenses	#DIV/0!	$0	0.00%
Reserves	#DIV/0!	$0	0.00%
TOTAL DIRECT EXPENSES	#DIV/0!	$149,768	46.21%
NET OPERATING INCOME	#DIV/0!	$174,334	53.79%

EST. ANNUAL CAPITAL EXPENDITURES	PER S.F.	ANNUAL EXP.	PERCENT
Tenant Improvements	#DIV/0!	$0	0.00%
Capital Improvements	#DIV/0!	$0	0.00%
Capital Reserves	#DIV/0!	$35,000	10.80%
Commissions	#DIV/0!	$0	0.00%
Other Capital Expenses	#DIV/0!	$0	0.00%
STABILIZED NOI AFTER RESERVES	#DIV/0!	$139,334	42.99%

REQUESTED LOAN PARAMETERS	
LOAN AMOUNT	$1,200,000
AMORTIZATION PERIOD (MONTHS)	300
INTEREST RATE	5.00%
LOAN PER SQUARE FOOT	#DIV/0!
CONSTANT	0.0702
ANNUAL DEBT SERVICE	$84,181
DEBT SERVICE COVERAGE RATIO	1.66

SUPPORTABLE LOAN PARAMETERS	
LOAN AMOUNT	$1,527,850
AMORTIZATION PERIOD (MONTHS)	300
INTEREST RATE	5.00%
LOAN PER SQUARE FOOT	#DIV/0!
CONSTANT	0.0702
ANNUAL DEBT SERVICE ALLOWED	$107,180
DEBT SERVICE COVERAGE RATIO REQUIRED	1.30
SUPPORTABLE DEBT W/ 1% RATE INCREASE W/ ABOVE DSC	$1,386,255

BREAK-EVEN ANALYSIS	
(BASED ON REQUESTED LOAN AND NOI)	
1) ASSUMING EXISTING BLENDED RENT OF	#DIV/0!
OCCUPANCY REQUIRED	#DIV/0!
2) ASSUMING EXISTING OCCUPANCY OF	95.00%
RATE REQUIRED:	#DIV/0!

OCCUPANCY SENSITIVITY
(BASED ON REQUESTED LOAN AND STABILIZED NOI AFTER RES.)

OCCUPANCY	D/S/C	CASH FLOW	B - E RENTAL RATE REQUIRED
50.00%	-0.08	($90,693)	#DIV/0!
55.00%	0.12	($74,488)	#DIV/0!
60.00%	0.31	($58,283)	#DIV/0!
65.00%	0.50	($42,078)	#DIV/0!
70.00%	0.69	($25,873)	#DIV/0!
75.00%	0.89	($9,667)	#DIV/0!
80.00%	1.08	$6,538	#DIV/0!
85.00%	1.27	$22,743	#DIV/0!
90.00%	1.46	$38,948	#DIV/0!
95.00%	1.66	$55,153	#DIV/0!
100.00%	1.85	$71,358	#DIV/0!

LEASE TURNOVER:	% SF	% GROSS REV
WITHIN 1 YEAR	#DIV/0!	100.0%
WITHIN 2 YEARS	#DIV/0!	100.0%
WITHIN 3 YEARS	#DIV/0!	100.0%
WITHIN 5 YEARS	#DIV/0!	100.0%

VALUATION ANALYSIS:
(LTV BASED UPON REQUESTED LOAN AMOUNT AND STABILIZED NOI)

CAP RATE	VALUE	VALUE PER SF	LTV
8.00%	$1,741,674	#DIV/0!	69%
8.50%	$1,639,222	#DIV/0!	73%
9.00%	$1,548,154	#DIV/0!	78%
9.50%	$1,466,673	#DIV/0!	82%
10.00%	$1,393,339	#DIV/0!	86%
10.50%	$1,326,990	#DIV/0!	90%
11.00%	$1,266,672	#DIV/0!	95%
11.50%	$1,211,599	#DIV/0!	99%
12.00%	$1,161,116	#DIV/0!	103%
12.50%	$1,114,671	#DIV/0!	108%

ASSUMPTIONS AND COMMENTS:

DEBT RATIOS/DEBT SERVICE FACTORS:	
STABILIZED NOI/ REQUESTED LOAN AMOUNT	0.1161
STABILIZED NOI/ LOAN AMOUNT	0.0912
STABILIZED NOI/SUPPORTABLE DEBT AMOUNT	0.1005

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