

3046 Ridgeway Road Memphis, TN 38115



20% Down FINANCED PROFORMA

| Property Info            |               |
|--------------------------|---------------|
| Purchase Price           | \$ 155,000.00 |
| Down Payment             | \$ 31,000.00  |
| Estimated Closing Costs  | \$ 7,750.00   |
| Estimated Rehab Expenses | \$ -          |
| T.E.A.M.S. Fee           | \$ 4,995.00   |

|                                |              |
|--------------------------------|--------------|
| Total Out of Pocket            | \$ 43,745.00 |
| Prop Mgmt Setup & Acct Reserve | \$ 2,500.00  |

|             |      |
|-------------|------|
| Year Built  | 1979 |
| Square Feet | 2006 |
| Bedrooms    | 4    |
| Bathrooms   | 2    |

| Assumptions                  |        |
|------------------------------|--------|
| Down Payment                 | 20%    |
| Closing Costs                | 5%     |
| Interest Rate                | 5.125% |
| Property Management Fee      | 8%     |
| Vacancy/Repairs              | 10%    |
| Annual Appreciation (YR 1-3) | 5%     |
| Annual Appreciation (YR 4-5) | 5%     |
| Annual Rent Increase         | 3%     |
| Closing Costs on Future Sale | 7.50%  |

| Financed Income Breakdown    |             |
|------------------------------|-------------|
| Monthly Rent                 | \$ 1,300.00 |
| Monthly Principal & Interest | \$ 675.16   |
| Monthly Taxes                | \$ 141.08   |
| Monthly Insurance            | \$ 75.00    |
| PITI Monthly                 | \$ 891.25   |

|        |                                               |
|--------|-----------------------------------------------|
| 15.08% | <b>AVERAGE ANNUAL RETURN*</b>                 |
| 15.29% | <b>AVERAGE ANNUAL COMBINED CASH ON CASH**</b> |

| Income/Expenses              |              |              |              |              |              |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
|                              | YEAR 1       | YEAR 2       | YEAR 3       | YEAR 4       | YEAR 5       |
| Gross Rent                   | \$ 15,600.00 | \$ 16,068.00 | \$ 16,550.04 | \$ 17,046.54 | \$ 17,557.94 |
| Taxes                        | \$ 1,693.00  | \$ 1,777.65  | \$ 1,866.53  | \$ 1,959.86  | \$ 2,057.85  |
| Insurance                    | \$ 900.00    | \$ 900.00    | \$ 900.00    | \$ 900.00    | \$ 900.00    |
| HOA                          | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| Property Management          | \$ 1,248.00  | \$ 1,285.44  | \$ 1,324.00  | \$ 1,363.72  | \$ 1,404.63  |
| Vacancy/Repairs              | \$ -         | \$ 1,606.80  | \$ 1,655.00  | \$ 1,704.65  | \$ 1,755.79  |
| Net Operating Income         | \$ 11,759.00 | \$ 10,498.11 | \$ 10,804.50 | \$ 11,118.30 | \$ 11,439.66 |
| Debt Service                 | \$ 8,101.97  | \$ 8,101.97  | \$ 8,101.97  | \$ 8,101.97  | \$ 8,101.97  |
| Financials                   |              |              |              |              |              |
| Net Monthly Cash Flow        | \$ 304.75    | \$ 199.68    | \$ 225.21    | \$ 251.36    | \$ 278.14    |
| Cap Rate                     | 7.59%        |              |              |              |              |
| Cash on Cash Return          | 8.36%        | 5.48%        | 6.18%        | 6.90%        | 7.63%        |
| Principal Reduction          | 1.48%        | 3.03%        | 4.66%        | 6.37%        | 8.17%        |
| Depreciation                 | 3.64%        | 3.64%        | 3.64%        | 3.64%        | 3.64%        |
| Combined Cash on Cash Return | 13.48%       | 12.14%       | 14.47%       | 16.90%       | 19.44%       |
| Appreciation                 | \$ 7,750.00  | \$ 15,887.50 | \$ 24,431.88 | \$ 33,403.47 | \$ 42,823.64 |
| Profit on Sale               |              | \$ 136.32    | \$ 12,763.60 | \$ 26,199.06 | \$ 32,982.41 |
| ROI                          |              |              | 29.18%       | 59.89%       | 75.40%       |
| Total Capital to Re-Invest   |              |              | \$ 43,763.60 | \$ 57,199.06 | \$ 63,982.41 |

| Glossary of Terms              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Taxes                          | Taxes increase by 3% annually.                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Prop Mgmt Setup & Acct Reserve | The Property Management Setup & Acct Reserve is not calculated into the total out of pocket. This amount should be set aside for the account setup, and any expenses that may, or may not occur associated with a new investment.                                                                                                                                                                                                                                             |
| Vacancies/Repairs              | Vacancy/Repair expenses start in month 18 since the homes are typically rehabbed at the start of year 1. There is \$2500 budgeted in the first year for the initial Property Management setup/misc expenses that may or may not occur.                                                                                                                                                                                                                                        |
| Debt Service                   | Debt service is the annual principal and interest mortgage payment.                                                                                                                                                                                                                                                                                                                                                                                                           |
| Cap Rate                       | Cap Rate is calculated by dividing the Net Operating Income by the Purchase Price.                                                                                                                                                                                                                                                                                                                                                                                            |
| Cash on Cash Return            | The Cash on Cash Return is calculated by dividing the Annual Net Cash Flow by the Total Out of Pocket (TOP).                                                                                                                                                                                                                                                                                                                                                                  |
| Principal Reduction            | The Principal Reduction is calculated cumulatively based off a 30 year ammortization, fixed rate mortgage.                                                                                                                                                                                                                                                                                                                                                                    |
| Depreciation                   | Deprecation is calculated by taking the Purchase Price minus the land valuation and dividing it by 27.5 years                                                                                                                                                                                                                                                                                                                                                                 |
| Combined Cash on Cash Return   | The Combined Cash on Cash Return is calculated by adding the Cash on Cash Return, Principal Reduction and Depreciation values.                                                                                                                                                                                                                                                                                                                                                |
| Appreciation                   | The Appreciation value is calculated cumulatively.                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Profit on Sale                 | The Profit on the Sale is calculated by taking the market value (Purchase Price and cumulative Appreciation), and subtracting the initial Purchase Price, Closing Costs, Rehab Expenses and Closing Costs on the Future Sale, plus accumulated cash flow plus principal paydown. It is assumed year 5 is the end of the useful life of rehab done in year 1, and a \$7500 rehab expense has been added for year 5 for a more detailed rehab associated with selling the home. |
| Return on Investment (ROI)     | The Return on Investment is calculated by taking the Profit on the Sale, divided by the initial Total Out of Pocket                                                                                                                                                                                                                                                                                                                                                           |
| Total Capital to Re-Invest     | Total Capital to Re-Invest is calculated by adding the Profit on Sale to the initial down payment. (Financed options only)                                                                                                                                                                                                                                                                                                                                                    |
| Total Out of Pocket (TOP)      | The Total Out of Pocket value is calculated by adding the Down Payment, Closing Costs, Rehab Expenses and the T.E.A.M.S. Fee.                                                                                                                                                                                                                                                                                                                                                 |

\*The Average Annual Return is calculated by dividing the ROI in year 5 by 5.

\*\*The Average Annual Combined Cash on Cash Return is the average of the Combined Cash on Cash Return over all 5 years the investment is held.

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