

## EXHIBIT B: OPERATING BUDGET

### Income:

| Rent:       | # Units |          |
|-------------|---------|----------|
| House 1     | 2       | \$ 1,400 |
| House 2     | 2       | \$ 1,400 |
| House 3     | 2       | \$ 1,400 |
| House 4     | 2       | \$ 1,400 |
| Total Units | 8       |          |

|                   |      |
|-------------------|------|
| <b>Gross Rent</b> |      |
| Less:             |      |
| Vacancy           | 5.0% |
| Bad Debt          | 5.0% |

### Gross Effective Income:

### Expenses:

#### Administrative

|                              |      |
|------------------------------|------|
| Mgmt Fee (% of collections)  | 8.0% |
| Accounting                   |      |
| Office Supplies              |      |
| Other                        |      |
| <b>Total Administrative:</b> |      |

#### Operating:

|                               |  |
|-------------------------------|--|
| Water/Sewer                   |  |
| Maintenance                   |  |
| Exterminating                 |  |
| Other                         |  |
| <b>Total Operating Costs:</b> |  |

#### Taxes & Insurance:

|   |  |
|---|--|
| Real Estate Taxes                       |  |
| Insurance                               |  |
| Other Taxes, Licenses, Fees             |  |
| <b>Total Taxes:</b>                     |  |
| <b>Total Annual Operating Expenses:</b> |  |

### Year 1

| Annual Rent       | Annual Rent       | Annual Rent       | Annual Rent       | Annual Rent       |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 33,600         | \$ 34,608         | \$ 35,646         | \$ 36,716         | \$ 37,817         |
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| \$ 33,600         | \$ 34,608         | \$ 35,646         | \$ 36,716         | \$ 37,817         |
| <b>\$ 134,400</b> | <b>\$ 138,432</b> | <b>\$ 142,585</b> | <b>\$ 146,863</b> | <b>\$ 151,268</b> |
| \$ (6,720)        | \$ (6,922)        | \$ (7,129)        | \$ (7,343)        | \$ (7,563)        |
| \$ (6,720)        | \$ (6,922)        | \$ (7,129)        | \$ (7,343)        | \$ (7,563)        |
| <b>\$ 120,960</b> | <b>\$ 124,589</b> | <b>\$ 128,326</b> | <b>\$ 132,176</b> | <b>\$ 136,142</b> |

| Annual           | Annual           | Annual           | Annual           | Annual           |
|------------------|------------------|------------------|------------------|------------------|
| \$ 10,752        | \$ 11,075        | \$ 11,407        | \$ 11,749        | \$ 12,101        |
| \$ 720           | \$ 741.60        | \$ 763.85        | \$ 786.76        | \$ 810.37        |
| \$ 400           | \$ 412.00        | \$ 424.36        | \$ 437.09        | \$ 450.20        |
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| <b>\$ 12,272</b> | <b>\$ 12,640</b> | <b>\$ 13,019</b> | <b>\$ 13,410</b> | <b>\$ 13,812</b> |
| \$ 5,600         | \$ 5,768.00      | \$ 5,941.04      | \$ 6,119.27      | \$ 6,302.85      |
| \$ 10,600        | \$ 10,918.00     | \$ 11,245.54     | \$ 11,582.91     | \$ 11,930.39     |
| \$ 800           | \$ 824.00        | \$ 848.72        | \$ 874.18        | \$ 900.41        |
| \$ 400           | \$ 412.00        | \$ 424.36        | \$ 437.09        | \$ 450.20        |
| <b>\$ 17,400</b> | <b>\$ 17,922</b> | <b>\$ 18,460</b> | <b>\$ 19,013</b> | <b>\$ 19,584</b> |
| \$ 11,200        | \$ 11,200        | \$ 11,200        | \$ 12,500        | \$ 12,500        |
| \$ 4,800         | \$ 4,944.00      | \$ 5,092.32      | \$ 5,245.09      | \$ 5,402.44      |
| \$ 400           | \$ 412.00        | \$ 424.36        | \$ 437.09        | \$ 450.20        |
| <b>\$ 16,400</b> | <b>\$ 16,556</b> | <b>\$ 16,717</b> | <b>\$ 18,182</b> | <b>\$ 18,353</b> |
| <b>\$ 46,072</b> | <b>\$ 47,118</b> | <b>\$ 48,196</b> | <b>\$ 50,606</b> | <b>\$ 51,749</b> |

### NOI Before Reserves & Debt Svc:

|                  |                  |                  |                  |                  |
|------------------|------------------|------------------|------------------|------------------|
| <b>\$ 74,888</b> | <b>\$ 77,471</b> | <b>\$ 80,131</b> | <b>\$ 81,571</b> | <b>\$ 84,393</b> |
|------------------|------------------|------------------|------------------|------------------|

### Reserves:

|                               | Per Unit |
|-------------------------------|----------|
| Replacement Reserve           | \$ 100   |
| Operating Reserve             | \$ 80    |
| Cashflow Before Debt Service: |          |
| Debt Service                  |          |
| Preferred Return to investors |          |
| <b>Cashflow Available</b>     |          |

| Annual             | Annual             | Annual             | Annual             | Annual             |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 3,200           | \$ 3,200           | \$ 3,200           | \$ 3,200           | \$ 3,200           |
| \$ 2,560           | \$ 2,560           | \$ 2,560           | \$ 2,560           | \$ 2,560           |
| \$ 69,128          | \$ 71,711          | \$ 74,371          | \$ 75,811          | \$ 78,633          |
| \$36,665.74        | \$36,665.74        | \$36,665.74        | \$36,665.74        | \$36,665.74        |
| \$ 8,000           | \$ 8,000           | \$ 8,000           |                    |                    |
| <b>\$24,462.26</b> | <b>\$27,044.90</b> | <b>\$29,705.01</b> | <b>\$39,144.94</b> | <b>\$41,967.06</b> |

### Year Three Refinancing:

|  |  |
|--|--|
| Value of 4 houses                      |  |
| New loan @ LTV                         |  |
| Less loan closing costs                |  |
| Return equity to investors             |  |
| Less balance of debt                   |  |
| <b>Cash Available for Distribution</b> |  |

|                  |           |                   |                   |
|------------------|-----------|-------------------|-------------------|
| <b>\$170,000</b> | Per house | <b>\$ 680,000</b> | <b>\$ 800,000</b> |
| 95%              |           | <b>\$ 646,000</b> | <b>\$ 760,000</b> |
| 3%               |           | \$ (16,150)       | \$ (19,000)       |
|                  |           | \$ (100,000)      | \$ (100,000)      |
|                  |           | \$ (461,072)      | \$ (461,072)      |
|                  |           | <b>\$ 68,778</b>  | <b>\$ 179,928</b> |

### Disbtribution to Investors

|                  |              |
|------------------|--------------|
| Equity           | \$ (100,000) |
| Preferred return | 8%           |
| Share of cash    | 45%          |

|          |          |              |
|----------|----------|--------------|
|          |          | \$ 100,000   |
| \$ 8,000 | \$ 8,000 | \$ 8,000     |
|          |          | \$ 30,950.25 |

### Total Return to Investors

|     |     |
|-----|-----|
| IRR | 17% |
|-----|-----|

|          |          |            |
|----------|----------|------------|
| \$ 8,000 | \$ 8,000 | \$ 138,950 |
|----------|----------|------------|