

BPSkolnick Consulting, LLC

Serving the Commercial Real Estate Industry

Barry Skolnick
Principal

October 29, 2007

<Contact Name Intentionally Deleted>
<Client Name Intentionally Deleted>
<Address Intentionally Deleted>
<City, State ZIP>

Re: Consulting Agreement # 07-0515
2006 Cash Flow Analysis
<Property Name Intentionally Deleted>
<City, State>

Dear <Contact Name Intentionally Deleted>:

In accordance with the terms of the referenced Consulting Agreement, attached hereto please find the Cash Flow Analysis Report (including the Cash Flow Reconciliation) for the referenced property. The results are summarized as follows:

	<i>Per</i>	<i>Per</i>	<i>Variance</i>
	<i>Borrower</i>	<i>Cash Flow Audit</i>	
Total Revenue	\$ 4,512,242	\$ 4,517,880	\$ 5,638
Total Operating Expenses	\$ 1,801,113	\$ 1,759,725	\$ (41,388)
Net Operating Income (Loss)	\$ 2,711,129	\$ 2,758,155	\$ 47,026
Total Debt Service	\$ 2,518,337	\$ 2,481,929	\$ (36,408)
Total Depreciation & Amort.	\$ 1,183,921	\$ 0	\$ (1,183,921)
Total Capital Expenses	\$ 0	\$ (52,199)	\$ (52,199)
Total Partnership Expenses	\$ 119,096	\$ 0	\$ (119,096)
Property Income (Loss)	\$ (1,110,224)	\$ 328,426	\$ 1,438,650
Other Adjustments	\$ 843,273	\$ 0	\$ (843,273)
Net Cash Flow	\$ (266,951)	\$ 328,426	\$ 595,377

Overall, the 2006 Net Cash Flow calculations reconcile with the Borrower's calculations except for a variance of **\$595,377.12**. This variance is attributable to the following:

- 1) An Other Adjustment in the amount of **(\$23,529.33)** has been made to eliminate the adjustment made by the Borrower for net security deposits received in 2006. **See the Cash Flow Reconciliation and the Balance Sheet Review.**
- 2) An Other Adjustment in the amount of **\$500,000.02** has been made eliminate the total 2006 owner draws deducted by the Borrower. These draws are not part of the Net Cash Flow calculation per the Loan Agreement. **See the Cash Flow Reconciliation and the Balance Sheet Review.**
- 3) An Other Adjustment in the amount of **\$119,095.99** has been made to eliminate the non-operating partnership expenses deducted by the Borrower. These expenses are not part of the Net Cash Flow calculation per the Loan Agreement. **See Schedule PTR and the Cash Flow Reconciliation.**
- 4) An Other Adjustment in the amount of **(\$189.56)** has been made to adjust the total management fees to be equal to **2.75%** of total revenue per the management agreement.

We would also like to bring the following issues to your attention:

- **The Borrower made five (5) quarterly asset management fee payments totaling \$73,700.00 to an affiliate of the Borrower during 2006.** These fees were removed from the calculation of Net Cash Flow as part of the total partnership expense deduction.
- As discussed above, the **Borrower distributed owner draws to an affiliate of the Borrower during 2006 totaling \$500,000.02.** These payments were removed from the calculation of Net Cash Flow.
- **Pursuant to the terms of the Loan Agreement, no Net Cash Flow was required to be deposited with the Lender during 2006.** However, if the Cash On Cash Return is less than 8.5% as of 1/31/07, Borrower is required to deposit 100% of monthly Net Cash Flow to the Lender. **As of 12/31/06, the Cash On Cash Return was equal to 7.9%.** Please refer to the Ratio Calculations and the Loan Agreement Summary included with the Cash Flow Audit for more details.
- Per Schedule 2.1 of the Loan Agreement "Conditions To Advances", the **Borrower's cash investment for the acquisition of the Project must be at least \$8,150,000 in order for Construction Loan Advances to be approved. As of 12/31/06, the Balance Sheet of the Borrower showed equity of \$8,800,000 less equity draws totaling \$800,000, for a net equity balance of \$8,000,000.** Please refer to the Loan Agreement Summary and Balance Sheet Review for more details.

Please contact me if I can answer any additional questions or provide any additional explanation of the work completed. We are in a position to finalize the Net Cash Flow Analysis upon receipt of your instructions.

Yours truly,

/attachments