2008
Annual Report

DiVall Insured Income Properties 2

LIMITED PARTNERSHIP

The Provo Group

FORM 10-K
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to

Commission file number **0-17686**

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP
(Exact name of registrant as specified in its charter)

Wisconsin	**39-1606834**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

1100 Main Street, Suite 1830 Kansas City, Missouri 64105
(Address of principal executive offices, including zip code)

(816) 421-7444
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: Limited Partnership Interests

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes __ No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes __ No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ___ Accelerated filer ___ Non-accelerated filer ___ Smaller Reporting Company X

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes __ No X

The aggregate market value of the voting securities held by non-affiliates of the Registrant: The aggregate market value of limited partnership interests held by non-affiliates is not determinable since there is no public trading market for the limited partnership interests.

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PART I

Item 1. Business

Background

The Registrant, DiVall Insured Income Properties 2 Limited Partnership (the "Partnership"), is a limited partnership organized under the Wisconsin Uniform Limited Partnership Act pursuant to an Agreement of Limited Partnership dated as of November 18, 1987, and amended as of November 25, 1987, February 20, 1988, June 21, 1988, February 8, 1993, May 26, 1993 and June 30, 1994 (collectively, the "Partnership Agreement"). As of December 31, 2008, the Partnership consisted of one General Partner ("Management") and 1,922 Limited Partners owning an aggregate of 46,280.3 Limited Partnership Interests (the "Interests") acquired at a public offering price of $1,000 per Interest before volume discounts. The Interests were sold commencing February 23, 1988, pursuant to a Registration Statement on Form S-11 filed under the Securities Act of 1933 (Registration 33-18794) as amended. On June 30, 1989, the former general partners exercised their option to extend the offering period to a date no later than February 22, 1990. On February 22, 1990, the Partnership closed the offering at 46,280.3 Interests ($46,280,300), providing net proceeds to the Partnership of $39,358,468, after volume discounts and offering costs.

The Partnership is currently engaged in the business of owning and operating its investment portfolio of commercial real estate properties (the "Properties".) The Properties are leased on a triple net basis primarily to, and operated by, primarily franchisees of national, regional and local retail chains under long-term leases. The lessees are predominantly fast food, family style, and casual/theme restaurants.

The Partnership will be dissolved on November 30, 2010, or earlier upon the prior occurrence of any of the following events: (a) the disposition of all properties of the Partnership; (b) the written determination by the General Partner that the Partnership's assets may constitute "plan assets" for purposes of ERISA; (c) the agreement of Limited Partners owning a majority of the outstanding interests to dissolve the Partnership; or (d) the dissolution, bankruptcy, death, withdrawal, or incapacity of the last remaining General Partner, unless an additional General Partner is elected previously by a majority of the Limited Partners. During the Second Quarters of 2001, 2003, 2005 and 2007, consent solicitations were circulated (the "2001, 2003, 2005 and 2007 Consents, respectively"), which if approved would have authorized the sale of the Partnership's assets and dissolution of the Partnership. A majority of the Limited Partners did not vote in favor of either the 2001, 2003, 2005 or 2007 Consents. Therefore, the Partnership continues to operate as a going concern. The bi-annual consent solicitation is scheduled to be mailed in May of 2009 ("2009 Consent"), which if approved would authorize the sale of the Partnership's assets and dissolution of the Partnership. The 2009 Consent will also include a vote to extend the term of the Partnership for ten years to November 30, 2020.

A preliminary investigation during 1992 by the Office of the Commissioner of Securities for the State of Wisconsin and the Securities and Exchange Commission (the "Investigation"), revealed that during at least the four years ended December 31, 1992, two of the former general partners of the Partnership, Gary J. DiVall ("DiVall") and Paul E. Magnuson ("Magnuson") had transferred substantial cash assets of the Partnership and two affiliated publicly registered limited partnerships, DiVall Insured Income Fund Limited Partnership ("DiVall 1") and DiVall Income Properties 3 Limited Partnership ("DiVall 3") (collectively the "Partnerships") to various other entities previously sponsored by or otherwise affiliated with DiVall and Magnuson. The unauthorized transfers were in violation of the respective Partnership Agreements.

Subsequent to discovery, and in response to the regulatory inquiries, a third-party Permanent Manager, The Provo Group, Inc. ("TPG"), was appointed (effective February 8, 1993) to assume the responsibility for daily operations and assets of the Partnerships as well as to develop and execute a plan of restoration to the Partnerships. As reported in the Partnership's report on Form 8-K dated May 26, 1993, effective as of that date, the Limited Partners, by written consent of a majority of Interests, elected the Permanent Manager, TPG, as General Partner. Additional results of the solicitation included the approval of the Permanent Manager Agreement, the acceptance of the resignations of the former general partners, amendments to certain provisions of the Partnership Agreement pertaining to general partner interests and compensation, and an amendment of the Partnership Agreement providing for an Advisory Board (the "Board").

The Permanent Manager Agreement

The Permanent Management Agreement ("PMA") was entered into on February 8, 1993, between the Partnership, DiVall 1 (which was dissolved in December 1998), DiVall 3 (which was dissolved in December 2003), the now former general partners DiVall and Magnuson, their controlled affiliates, and TPG, naming TPG as the Permanent Manager. The PMA contains provisions allowing the Permanent Manager to submit the PMA, the issue of electing the Permanent Manager as General Partner, and the issue of acceptance of the resignations of the former general partners to a vote of the Limited Partners through a solicitation of written consents.

TPG, as the new General Partner, has been operating and managing the affairs of the Partnership in accordance with the provisions of the PMA and the Partnership Agreement.

The PMA had an original expiration date of December 31, 2002. At the end of the original term, it was extended three years by TPG to an expiration date of December 31, 2005 and then an additional three years to an expiration date of December 31, 2008. Effective January 1, 2009, the PMA was renewed by TPG for the two-year period ending December 31, 2010. The PMA can be terminated earlier (a) by a vote at any time by a majority in interest of the Limited Partners, (b) upon the dissolution and winding up of the Partnership, (c) upon the entry of an order of a court finding that the Permanent Manager has engaged in fraud or other like misconduct or has shown itself to be incompetent in carrying out its duties under the Partnership Agreement, or (d) upon sixty (60) days written notice from the Permanent Manager to the Limited Partners of the Partnership.

Advisory Board

The concept of the Advisory Board was first introduced by TPG during the solicitation of written consents seeking to elect TPG as the substitute general partner, and is the only type of oversight body known to exist for similar partnerships at this time. The first Advisory Board was appointed in October 1993, and held its first meeting in November 1993. Among other functions, the three person Advisory Board has the following rights: to review operational policies and practices; to review extraordinary transactions; to review internal financial controls and practices; and to review the performance of the independent auditors of the Partnership. The Advisory Board powers are advisory only and the Board does not have the authority to direct management decisions or policies of the Partnership or remove the General Partner. The Advisory Board has full and free access to the Partnership's books and records, and individual Advisory Board members have the right to communicate directly with the Limited Partners concerning Partnership business. Members of the Advisory Board are compensated $1,500 annually and $500 for each quarterly meeting attended.

The Advisory Board currently consists of a broker dealer representative, William Arnold; and Limited Partners from the Partnership: Jesse Small and Albert Kramer. For a brief description of each Advisory Board member, refer to Item 10, Directors and Executive Officers of the Registrant.

The Partnership has no employees.

All of the Partnership's business is conducted in the United States.

Item 1a. Risk Factors

General Risks Associated With Real Estate Ownership

The Partnership is subject to all of the general risks associated with the ownership of real estate. In particular, the Partnership faces the risk that rental revenue from its Properties may be insufficient to cover all operating expenses. Additional real estate ownership risks include:

- Adverse changes in general or local economic conditions;
- Changes in supply of, or demand for, similar or competing properties;
- Changes in interest rates and operating expenses;
- Competition for tenants;
- Changes in market rental rates;
- Inability to lease properties upon termination of existing leases;
- Renewal of leases at lower rental rates;
- Inability to collect rents from tenants due to financial hardship, including bankruptcy;
- Changes in tax, real estate, zoning and environmental laws that may have an adverse impact upon the value of real estate;
- Uninsured property liability;
- Property damage or casualty losses;
- Unexpected expenditures for capital improvements or to bring properties into compliance with applicable federal, state and local laws;
- Acts of terrorism and war; and
- Acts of God and other factors beyond the control of our management.

Risks Related to Tenants

The Partnership's return on its investment will be derived principally from rental payments received from its tenants. Therefore, the Partnership's return on its investment is largely dependent upon the business success of its tenants. The business success of the Partnership's individual tenants can be adversely affected on three general levels. First, the tenants rely heavily on the management contributions of a few key entrepreneurial owners. The business operations of such entrepreneurial tenants can be adversely affected by death, disability or divorce of a key owner, or by such owner's poor business decisions such as an undercapitalized business expansion. Second, changes in a local market area can adversely affect a tenant's business operation. A local economy can suffer a downturn with high unemployment. Socioeconomic neighborhood changes can affect retail demand at specific sites and traffic patterns may change, or stronger competitors may enter a market. These and other local market factors can potentially adversely affect the tenants of Partnership properties. Finally, despite an individual tenant's solid business plans in a strong local market, the chain concept itself can suffer reversals or changes in management policy, which in turn can affect the profitability of operations for Partnership properties. Therefore, there can be no assurance that any specific tenant will have the ability to pay its rent over the entire term of its lease with the Partnership.

Since over 90% of the Partnership's investment in properties involves restaurant tenants, the restaurant market is the major market segment with a material impact on Partnership operations. It would appear that the management skill and potential operating efficiencies realized by Partnership lessees will be a major ingredient for their future operating success in a very competitive restaurant and food service marketplace.

There is no way to determine, with any certainty, which, if any, tenants will succeed or fail in their business operations over the term of their respective leases with the Partnership. It can be reasonably anticipated that some lessees will default on future lease payments to the Partnership, which will result in the loss of expected lease income for the Partnership. Management will use its best efforts to vigorously pursue collection of any defaulted amounts and to protect the Partnership's assets and future rental income potential by trying to re-negotiate leases or re-lease any properties with rental defaults. External events, which could impact the Partnership's liquidity, are the entrance of other competitors into the market areas of our tenants; liquidity and working capital needs of the lessees; and failure or withdrawal of any of the national franchises held by the Partnership's tenants. Each of these events, alone or in combination, would affect the liquidity level of the lessees resulting in possible default by a tenant. Since the information regarding plans for future liquidity and expansion of closely held organizations, which are tenants of the Partnership, tend to be of a private and proprietary nature, anticipation of individual liquidity problems is difficult, and prediction of future events is nearly impossible.

Illiquidity of Real Estate Investments

Because real estate investments are relatively illiquid, the Partnership is limited in its ability to quickly sell one or more Properties in response to changing economic, financial and investment conditions. The real estate market is affected by many forces, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond the Partnership's control. There is no way to predict whether the Partnership will be able to sell any property for a price or on terms that would be acceptable to the Partnership. It is also impossible to predict the length of time needed to find a willing purchaser and to close the sale of a Property.

The Partnership May Be Subject to Unknown Environmental Liabilities

Investments in real property can create a potential for environmental liability. An owner of property can face liability for environmental contamination created by the presence or discharge of hazardous substances on the property. The Partnership can face such liability regardless of the knowledge of the contamination; the timing or cause of the contamination; or the party responsible for the contamination of the property.

The presence of hazardous substances on a property may adversely affect the Partnership's ability to sell that property and it may incur substantial remediation costs. Although the Partnership leases generally require tenants to operate in compliance with all applicable federal, state and local environmental laws, ordinances and regulations, and to indemnify the Partnership against any environmental liabilities arising from the tenants' activities on the property, the Partnership could nevertheless be subject to strict liability by virtue of its ownership interest. There also can be no assurance that tenants could or would satisfy their indemnification obligations under their leases. The discovery of environmental liabilities attached to the Partnership's Properties could have an adverse effect on the Partnership's results of operations, financial condition or ability to make distributions to limited partners.

Item 1b. Unresolved Staff Comments

None.

Item 2. Properties

Original lease terms for the majority of the investment properties were generally 5 - 20 years from their inception. All leases are triple-net which require the tenant to pay all property operating costs including maintenance, repairs, utilities, property taxes, and insurance. A majority of the leases contain percentage rent provisions, which require the tenant to pay a specified percentage (6% to 8%) of gross sales above a threshold amount.

The Partnership owned the following Properties as of December 31, 2008:

Acquisition Date	Property Name & Address	Lessee	Purchase Price (1)	Rental Per Annum	Lease Expiration Date	Renewal Options
06/15/88	Chinese Super Buffet 8801 N 7th St Phoenix, AZ	Jun Cheng Pan & Yhen Yan Guo	$1,087,137	$72,000	1-20-2013	(2)
08/15/88	Denny's (9) 2360 W Northern Ave Phoenix, AZ	First Foods, Inc.	1,155,965	24,000	04-30-2009	None
10/10/88	Kentucky Fried Chicken (5) 1014 S St Francis Dr Santa Fe, NM	Palo Alto, Inc,	451,230	60,000	06-30-2018	None
12/22/88	Wendy's (7) 1721 Sam Rittenburg Blvd Charleston, SC	Wendcharles I, LLC	596,781	76,920	11-6-2021	(2)
12/22/88	Wendy's (6) 3013 Peach Orchard Rd Augusta, GA	Wendgusta, LLC	649,594	86,160	11-6-2021	(3)
12/29/88	Vacant (8) 2562 Western Ave Park Forest, IL	Not Applicable	580,938	0	Not Applicable	Not Applicable
02/21/89	Wendy's (6) 1901 Whiskey Rd Aiken, SC	Wendgusta, LLC	776,344	96,780	11-6-2021	(3)
02/21/89	Wendy's (6) 1730 Walton Way Augusta, GA	Wendgusta, LLC	728,813	96,780	11-6-2021	(3)
02/21/89	Wendy's (7) 343 Foley Rd Charleston, SC	Wendcharles I, LLC	528,125	70,200	11-6-2021	(2)
02/21/89	Wendy's (7) 361 Hwy 17 Bypass Mount Pleasant, SC	Wendcharles I, LLC	580,938	77,280	11-6-2021	(2)
03/14/89	Wendy's (6) 1004 Richland Ave Aiken, SC	Wendgusta, LLC	633,750	90,480	11-6-2021	(3)
04/20/89	Daytona's All Sports Café 4875 Merle Hay Des Moines, IA (10)	Karl Shaen Valderrama	897,813	12,000	02-28-09	None
12/28/89	Panda Buffet 2451 Columbia Rd Grand Forks, ND	Panda Buffet, Inc.	845,000	38,000	6-30-2013	(4)

12/29/89	Wendy's (6) 517 Martintown Rd N Augusta, SC	Wendgusta, LLC	660,156	87,780	11-6-2021	(3)
12/29/89	Wendy's (6) 3869 Washington Rd Martinez, GA	Wendgusta, LLC	633,750	84,120	11-6-2016	None
05/31/90	Applebee's (11) 2770 Brice Rd Columbus, OH	Thomas & King, Inc.	1,434,434	113,150	10-31-2009	None
			$12,240,768	$1,085,650		

Footnotes:

(1) Purchase price includes all costs incurred to acquire the property.
(2) The tenant has two five year lease renewal options available.
(3) The tenant has one five year lease renewal option available.
(4) The tenant has three five year lease renewal options available.
(5) Ownership of lessee's interest under a ground lease. The tenant is responsible for payment of all rent obligations under the ground lease.
(6) Six (6) of the sixteen (16) properties owned as of December 31, 2008 were leased to Wendgusta, LLC ("Wendgusta"). Since more than 20% of the Partnership's properties, both by asset value and number, are leased to a single tenant, the financial status of the tenant may be considered relevant to investors. Wendgusta was formed during 2007, and at the request of the Partnership, Wendgusta provided it with a copy of its reviewed financial statements for the fiscal years ended December 28, 2008 and December 30, 2007. Those reviewed financial statements are attached to this Annual Report 10-K as Exhibit 99.1.
(7) Three (3) of the sixteen (16) properties owned by the Partnership as of December 31, 2008 were leased to Wendcharles I, LLC ("Wendcharles"). Since nearly 20% of the Partnership's properties, both by asset value and number, are leased to a single tenant, the financial status of the tenant may be considered relevant to investors. Wendcharles was formed during 2008, and at the request of the Partnership, Wendcharles provided it with a copy of its reviewed financial statements for the initial period June 24 to December 28, 2008. Those reviewed financial statements are attached to this Annual Report 10-K as Exhibit 99.2.
(8) The property is currently vacant. The lease on the property was terminated with former tenant, Popeye's, during the Third Quarter of 2008.
(9) The lease on the property expires on April 30, 2009. Management plans to work with the tenant to possibly extend the lease.
(10) The lease on the property expired on February 28, 2009. Daytona's is currently paying rent of $6,000 on a month-to-month basis. Management is working with the tenant to possibly extend the lease.
(11) The lease on the property expires on October 31, 2009. Management plans to work with the tenant to possibly extend the lease.

The following summarizes significant developments, by property, for properties with such developments.

Wendy's- 1004 Richland Avenue, Aiken, SC Property

The Richland Avenue property lease with Wencoast Restaurants, Inc. ("Wencoast"), a franchisee of Wendy's restaurants, was set to expire on November 6, 2016. On July 2, 2007 the lease was assumed and assigned to Wendgusta, LLC ("Wendgusta"), a franchisee of Wendy's restaurants. Per the Assumption and, Assignment Agreement, the monetary lease obligations and original lease expiration date remained the same. However, per a Lease Amendment agreement ("Amendment") with Wendgusta, dated

December 23, 2008, the original lease was extended five (5) years to November 6, 2021. The Amendment also includes one five year lease option renewal and a $130,000 capital improvement investment in the property by Wendgusta by January 2, 2009. A leasing commission of approximately $14,000 was paid to a General Partner affiliate in the Fourth Quarter of 2008 in relation to the five year lease extension.

Blockbuster- Ogden, UT Property

A listing agreement for the sale of the property was executed in May of 2007, which was renewed in December of 2007, and again in May of 2008. A sales contract was executed on September 26, 2008 for the sale of the Blockbuster property to an unaffiliated party for $1,075,000. A letter of Tenant's Right of First Refusal was mailed to the tenant, Blockbuster, on September 29, 2008 in accordance with the lease. In their response letter dated October 9, 2008, Blockbuster elected not to purchase the property at that time. The closing date on the sale of the property was December 1, 2008 and the net sales proceeds totaled approximately $1.04 million. A net gain on the sale of approximately $601,000 was recognized in the Fourth Quarter of 2008. Closing and other sale related costs amounted to approximately $71,000 and included $64,500 in sales commissions, of which $21,500 was paid to a General Partner affiliate.

The Blockbuster lease previously expired on January 31, 2006. During lease renewal negotiations with Management, the tenant maintained possession of the property and paid the Partnership holdover rent for February and March of 2006. In April of 2006, Management executed a two-year renewal lease agreement with the tenant, retroactive to February 1, 2006, with an expiration date of January 31, 2008. The first base year rent totaled approximately $108,000. Commissions related to the lease renewal execution totaled approximately $13,000, ($6,500 paid to a non-affiliated broker and $6,500 paid to a General Partner affiliate) during the Quarter ended March 31, 2006.

In February of 2008, Management executed a one-year lease extension agreement with Blockbuster. The lease was set to expire on January 31, 2009 and included annual base rent of $108,000 and a rent abatement of $6,000 for the month of February 2008. Commissions of approximately $5,000 ($2,000 to a non-affiliated broker and $3,000 to a General Partner affiliate) were paid and or accrued in the First Quarter of 2008. In August of 2008, Management executed a one-year lease extension agreement with Blockbuster. The lease extension was to begin on February 1, 2009 and expire on January 31, 2010 and included an annual base rent of $108,000. Commissions of approximately $5,000 ($2,000 to a non-affiliated broker and $3,000 to a General Partner affiliate) were paid/and or accrued in the Third Quarter of 2008.

Wendy's- 343 Foley Road, Charleston, SC

The Foley Road property lease with tenant, Wencoast, was set to expire on November 6, 2016. On September 4, 2008 the lease was assumed and assigned to Wendcharles I, LLC ("Wendcharles"), a Wendy's franchisee. Per the Assumption and Assignment of Lease agreement, the monetary lease obligations and original lease expiration date remained the same. However, per a Lease Amendment agreement ("Amendment") with Wendcharles, dated September 4, 2008, the original lease was extended five (5) years to November 6, 2021. The Amendment also includes two five year lease option renewals, a $100,000 capital improvement investment in the property by Wendcharles within 24 months (September 2010), and an additional $50,000 capital improvement investment in the property by Wendcharles if the tenant exercises the second five (5) year lease extension option. A leasing commission of approximately $11,000 was paid to a General Partner affiliate in the Third Quarter of 2008 in relation to the five year lease extension.

Wendy's- 361 Hwy. 17 Bypass, Mt. Pleasant, SC

The Hwy. 17 Bypass property lease with tenant, Wencoast, was set to expire on November 6, 2016. On September 4, 2008 the lease was assumed and assigned to Wendcharles. Per the Assumption and Assignment of Lease agreement, the monetary lease obligations and original lease expiration date remained the same. However, per a Lease Amendment agreement ("Amendment") with Wendcharles, dated September 4, 2008, the original lease was extended five (5) years to November 6, 2021. The Amendment also includes two five year lease option renewals, a $120,000 capital improvement investment in the property by Wendcharles within 24 months (September 2010), and an additional $50,000 capital improvement investment in the property by Wendcharles if the tenant exercises the second five (5) year lease extension option. A leasing commission of approximately $12,000 was paid to a General Partner affiliate in the Third Quarter of 2008 in relation to the five year lease extension.

Wendy's- 1721 Sam Rittenberg, Charleston, SC

The Sam Rittenberg property lease with tenant, Wencoast, was set to expire on November 6, 2016. On September 4, 2008 the lease was assumed and assigned to Wendcharles. Per the Assumption and Assignment of Lease agreement, the monetary lease obligations and original lease expiration date remained the same. However, per a Lease Amendment agreement ("Amendment") with Wendcharles, dated September 4, 2008, the original lease was extended five (5) years to November 6, 2021. The Amendment also includes two five year lease option renewals, a $130,000 capital improvement investment in the property by Wendcharles within 24 months (September 2010), and an additional $50,000 capital improvement investment in the property by Wendcharles if the tenant exercises the second five (5) year lease extension option. A leasing commission of approximately $12,000 was paid to a General Partner affiliate in the Third Quarter of 2008 in relation to the five year lease extension.

Vacant Park Forest, IL Property

In the Second Quarter of 2006, Management defaulted former tenant, a Popeye's Famous Fried Chicken restaurant ("Popeye's"), for failure to meet its lease obligations, and filed suit for possession of the Park Forest property in the Cook County Judicial Court. The Partnership continued the pursuit of all legal remedies available to recover possession and terminate the Lease. However, a Settlement Agreement ("Settlement") was executed on May 1, 2007, and it was agreed to by all parties that Popeye's would pay its past due rent and property taxes escrow obligations. In accordance with the Settlement, the Partnership received a payment for the approximately $10,000 of past due property tax escrow on May 3, 2007 and the three equal installment payments of $4,233 related to the past due rent obligations on May 8, June 20, 2007, and July 17, 2007. The Settlement reaffirmed that Popeye's remained responsible for monthly rent obligations and property tax through the remainder of its Lease, which was set to expire on December 31, 2009.

Popeye's ceased its operations in June of 2008. The lease was terminated and the tenant vacated the property in July of 2008. As of June 30, 2008, the former defaulted tenant owed the Partnership approximately $19,000 and $14,000 in past due billings of monthly rent and property tax escrow, respectively. The Partnership received full payment of both of these items from Popeye's in August of 2008 in accordance with the terms of the lease termination and settlement agreement.

The Partnership has been unsuccessful in finding a new tenant for the vacant Park Forest, IL property. The Partnership agreed to sell the property for $50,000 to a prospective purchaser. Negotiations ended due to uncertainty over 2008 real estate tax obligations due in 2009. The Partnership had no other interested parties for this vacant property in a distressed location. Accordingly, the carrying value of the vacant Park Forest, IL property was reduced by $276,186 to its estimated fair market value of $50,000 at

September 30, 2008. The reduction included $129,450 related to land and $137,736 related to buildings and improvements.

As of December 31, 2008, the Partnership has accrued twelve months of estimated 2008 property tax related to the Park Forest, IL property, which the Partnership will be obligated to pay to the Cook County taxing authority in 2009. Due to the lease termination and settlement, such property taxes will not be collectible from the former tenant. The former tenant's property tax escrow balance held with the Partnership as of September 30, 2008 met all but $1,300 of the Park Forest property's second 2007 property tax installment paid in November of 2008. The minimal shortage was accrued and expensed by the Partnership as of September 30, 2008.

A small strip of the Park Forest, IL land was sold to the Illinois Department of Transportation to be used as street right of way in December of 2007. Net sale proceeds amounted to approximately $34,000. A net gain on the sale of $25,000 was recognized in the Fourth Quarter of 2007.

<u>Wendy's- 1515 Savannah Hwy., Charleston, SC Property</u>

On August 21, 2007, the Partnership executed a contract to sell the property to unaffiliated party. On February 29, 2008, the Partnership received a Notice of Termination of Contract in relation to the sale of the property. The buyer was unable to procure the necessary city building permits in the manner desired. On March 3, 2008, in accordance with the terms of the sales contract, the Partnership received the $25,000 in earnest money held with the title company.

A new sales contract was executed on April 10, 2008 for the sale of the property to a different unaffiliated party for $1.17 million. A letter of Tenant's Right of First Refusal was mailed to the tenant, Wencoast Restaurants, Inc., on April 10, 2008 in accordance with the lease. Wencoast, who had 30 days from its receipt of the letter, did not exercise its right of first refusal.

The closing date on the sale of the property was May 28, 2008 and the net sales proceeds totaled approximately $1.09 million. A net gain on the sale of approximately $659,000 was recognized in the Second Quarter of 2008. Closing and other sale related costs amounted to approximately $80,000 and included $70,200 in sales commission, of which $35,100 was paid to a General Partner affiliate.

<u>Wendy's- 3869 Washington Road, Martinez, GA Property</u>

The Washington Road property lease with tenant, Wencoast, was set to expire on November 6, 2016. On July 2, 2007, the lease was assumed and assigned to Wendgusta. Per the Assumption and Assignment of Lease agreement, the monetary lease obligations and original lease expiration date remained the same.

<u>Wendy's- 517 (also referred to in the lease as 1717) Martintown Road, N Augusta, SC Property</u>

The Martintown Road property lease with tenant, Wencoast, was set to expire on November 6, 2016. On July 2, 2007 the lease was assumed and assigned to Wendgusta. Per the Assumption, Assignment and Amendment of Lease Agreement ("Agreement"), the monetary lease obligations remained the same, however, the original lease was extended five (5) years to November 6, 2021. The Agreement also includes one five year lease option renewal, and a $180,000 capital improvement investment in the property by Wendgusta by January 2, 2009. A leasing commission of approximately $13,000 was paid to a General Partner affiliate in the Third Quarter of 2007 in relation to the five year lease extension.

Wendy's- 1730 Walton Way, Augusta, GA Property

The Walton Way property lease with tenant, Wencoast, was set to expire on November 6, 2016. On July 2, 2007 the lease was assumed and assigned to Wendgusta. Per the Assumption, Assignment and Amendment of Lease Agreement ("Agreement"), the monetary lease obligations remained the same, however, the original lease was extended five (5) years to November 6, 2021. The Agreement also includes one five year lease option renewal, and a $180,000 capital improvement investment in the property by Wendgusta by January 2, 2009. A leasing commission of approximately $15,000 was paid to a General Partner affiliate in the Third Quarter of 2007 in relation to the five year lease extension. The capital improvement expenditure was then lowered to $50,000 per a Lease Amendment with Wendgusta dated December 23, 2008.

Wendy's- 3013 Peach Orchard, Augusta, GA Property

The Peach Orchard property lease with tenant, Wencoast, was set to expire on November 6, 2016. On July 2, 2007 the lease was assumed and assigned to Wendgusta. Per the Assumption, Assignment and Amendment of Lease Agreement ("Agreement"), the monetary lease obligations remained the same, however, the original lease was extended five (5) years to November 6, 2021. The Agreement also includes one five year lease option renewal, and a $180,000 capital improvement investment in the property by Wendgusta by January 2, 2009. A leasing commission of approximately $13,000 was paid to a General Partner affiliate in the Third Quarter of 2007 in relation to the five year lease extension. In late December of 2008, Management verbally agreed to extend the capital improvements requirement deadline date to February 15, 2009.

Wendy's- 1901 Whiskey Road, Aiken, SC Property

The Whiskey Road property lease with tenant, Wencoast, was set to expire on November 6, 2016. On July 2, 2007 the lease was assumed and assigned to Wendgusta. Per the Assumption, Assignment and Amendment of Lease Agreement ("Agreement"), the monetary lease obligations remained the same, however, the original lease was extended five (5) years to November 6, 2021. The Agreement also includes one five year lease option renewal, and a $180,000 capital improvement investment in the property by Wendgusta by January 2, 2009. A leasing commission of approximately $15,000 was paid to a General Partner affiliate in the Third Quarter of 2007 in relation to the five year lease extension.

Daytona's All Sports Café- Des Moines, IA Property

In May of 2008, Management executed a one-year lease extension agreement with Daytona's All Sports Café ("Daytona's"). The lease extension began, and was effective, as of March 1, 2008. The lease, with an annual base rent of $72,000, expired on February 28, 2009. A commission of approximately $2,000 was paid to a General Partner affiliate in the Second Quarter of 2008 in relation to the lease extension. Daytona's is currently paying rent of $6,000 on a month-to-month basis. Management plans to work with the tenant to possibly extend the lease.

Beginning in December of 2005, Management requested that Daytona's escrow its future property tax liabilities with the Partnership on a monthly basis. Daytona's is delinquent on one month of its property tax escrow obligations and as of December 31, 2008, escrow payments held by the Partnership totaled approximately $19,000.

Denny's- Phoenix, Arizona Property

The lease, with an annual base rent of $72,000, is set to expire on April 30, 2009. Management plans to work with the tenant to possibly extend the lease.

The Denny's- Northern, Phoenix, AZ property was reclassified to a property held for sale in January of 2008, due to the execution of a listing agreement with an unaffiliated broker. A sales contract with an unaffiliated party was then executed in March of 2008. The potential buyer terminated the contract in early May of 2008 due to financing difficulties. Although the listing agreement had expired, Management continued to hold the property for sale at June 30, 2008, as other options for the sale of the property were being pursued. However, the property was reclassified to an investment property in September of 2008, as Management does not plan to actively pursue options for its sale.

Sunrise Preschool- Phoenix, AZ Property

A listing agreement for the sale of the property was executed in June of 2006. In early January of 2007, a sales contract was executed for the sale of the property for $1.6 million. Per notice from the Partnership, tenant, Borg Holdings, Inc. ("Borg"), had 30 days from January 16, 2007, to act upon their right of first refusal to purchase the Phoenix property, since a separate buyer entered into a real estate contract for the purchase of the property. On January 29, 2007, Borg informed the Partnership that they would be exercising their right to accept the terms of the contract for the sale of the Phoenix, AZ property. The closing date on the sale of the property was April 23, 2007 and the net sales proceeds totaled approximately $1.49 million. A net gain on the sale of approximately $862,000 was recognized in the Second Quarter of 2007. Closing and other sale related costs amounted to approximately $111,000 and included a $48,000 sales commission paid to a General Partner affiliate.

Former Miami Subs- Palm Beach, FL Property

The Palm Beach, FL property was sold in June of 2004. At the time of closing the former tenant, DiFede Finance Group ("DiFede"), was delinquent $17,000 in past rent (after the application of a $15,000 security deposit). The former tenant also owed the Partnership approximately $13,360 in property tax as the Partnership paid the property's delinquent 2003 property tax in June of 2004. Management continued to pursue legal remedies to collect the former tenant's total past due balances. Due to the uncertainty of collection, fifty percent (50 %) of the total outstanding receivable balance was reserved in June of 2004.

In November of 2004, a Settlement Agreement ("DiFede Agreement") was executed with DiFede. Per the DiFede Agreement the former tenant agreed to pay the Partnership by December 31, 2004 approximately $36,000 in past due rent, late charges, related attorney and court fees and other miscellaneous items. However, the settlement payment per the DiFede Agreement was not received by the Partnership. Further legal action was taken by the Partnership and the Circuit Court in Broward County, Florida entered a final judgment (the "Judgment") against DiFede in early January of 2005, awarding approximately $42,000 in damages to the Partnership. Due to the uncertainty of collection, the remaining fifty percent (50 %) of the total outstanding receivable balance was written-off. The receivable balance and applicable allowance were removed from the balance sheet at December 31, 2004. Throughout 2005 Management continued their pursuit of legal action to collect the Judgment. In satisfaction of the Judgment (which was recorded in the Circuit Court in March of 2006), the Partnership received $25,000 from Difede in the First Quarter of 2006.

Item 3. Legal Proceedings

Former South Milwaukee, WI property

The Partnership sold real property and improvements located at 106 N. Chicago Avenue, South Milwaukee, Wisconsin to F2BL, LLC (the "Buyer") on April 17, 2003 pursuant to a Real Estate Purchase Agreement dated October 10, 2002 (the "Contract"). In October of 2003, the Buyer notified the Partnership that an underground storage tank ("UST") and petroleum release had been discovered on this

Property. Since that time, the Buyer removed the UST and remediated the petroleum release. A substantial amount of the costs incurred in such efforts were paid by the Wisconsin Petroleum Environmental Clean Up Fund (the "PECUF"). In sporadic correspondence beginning in the Fourth Quarter of 2003, the Buyer claimed, and the Partnership denied, that the Partnership was responsible for payment of those costs not reimbursed by the PECUF.

On January 23, 2006, the Buyer initiated a lawsuit against the Partnership by filing a Complaint with the Milwaukee County Circuit Court. The Complaint alleged, among other things that (i) the Partnership breached its representation in the Contract that, to the best of the Partnership's knowledge, the Partnership was in compliance with all environmental laws, and (ii) the Partnership failed to deliver to Buyer a Phase I Environmental Assessment of the Property which had been performed in 1998. The Buyer sought a judgment awarding it damages to be proven at trial, plus its attorneys' fees. Prior to filing suit, the Buyer alleged approximately $100,000 of actual unreimbursed damages incurred in the removal of the UST and remediation of the petroleum release and alleged consequential damages of $190,000. The Court set certain deadlines which included the completion of discovery and the filing of dispositive motions by February 20, 2007.

In September of 2006, Management and the Buyer entered into a Mutual Release of All Claims Agreement (“F2BL Agreement”). It is understood and agreed that the F2BL Agreement is a compromise of a doubtful and disputed claim, and that liability is expressly denied by the parties released. Pursuant to this F2BL Agreement the Partnership paid the Buyer $25,000 in settlement costs. Management believes that it had meritorious defenses to all of the Buyer's claims and did not believe that a material recovery by the Buyer was probable. However, the Partnership determined that the time and cost to vigorously defend such litigation would exceed the cost of the settlement achieved.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market Price and Dividends on the Registrant's Common Equity and Related Stockholder Matters

(a) Although some Interests have been traded, there is no active public market for the Interests, and it is not anticipated that an active public market for the Interests will develop.

(b) As of December 31, 2008, there were 1,922 record holders of Interests in the Partnership.

(c) The Partnership does not pay dividends. However, the Partnership Agreement provides for distributable net cash receipts of the Partnership to be distributed on a quarterly basis, 99% to the Limited Partners and 1% to the General Partner, subject to the limitations on distributions to the General Partner described in the Partnership Agreement. During 2008 and 2007, $2,390,000 and $2,875,000, respectively, were distributed in the aggregate to the Limited Partners. The General Partner received aggregate distributions of $9,245 and $8,444 in 2008 and 2007, respectively.

Item 6. Selected Financial Data

The Partnership's selected financial data included below has been derived from the Partnership's financial statements. The financial data selected below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and with the financial statements and the related notes appearing elsewhere in this annual report.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP
(A Wisconsin limited partnership)

As of and for the years ended

December 31, 2008, 2007, 2006, 2005, and 2004

	2008	2007	2006	2005	2004
Total Operating Revenue	$1,665,251	$1,704,486	$1,681,706	$1,718,858	$1,855,487
Income from Continuing Operations	$628,150	$1,028,114	$959,772	$1,016,400	$1,109,572
Income from Discontinued Operations	1,415,804	1,082,888	283,461	1,104,791	683,101
Net Income	$2,043,954	$2,111,002	$1,243,233	$2,121,191	$1,792,673
Net Income per Limited Partner Interest	$43.72	$45.16	$26.59	$45.38	$38.35
Total Assets	$9,167,459	$9,585,612	$10,325,153	$12,149,329	$11,804,154
Total Partners' Capital	$8,930,802	$9,286,093	$10,058,535	$11,920,275	$11,537,568
Cash Distributions per Limited Partnership Interest	$51.64	$62.12	$66.98	$37.38	$49.81

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources:

Investment Properties and Net Investment in Direct Financing Leases

The Properties held by the Partnership at December 31, 2008 were originally purchased at a price, including acquisition costs, of approximately $12,240,768.

The total cost of the investment properties includes the original purchase price plus acquisition fees and other capitalized costs paid to an affiliate of the former general partners.

As of December 31, 2008, the Partnership owned fifteen (15) fully constructed fast-food restaurants and one vacant property located in Park Forest, IL which was formerly operated as a Popeye's Famous Fried Chicken restaurant (tenant ceased operations in June of 2008, and the lease was terminated and the property vacated in July of 2008). The 15 properties with operating tenants are composed of the following: nine (9) Wendy's restaurants, one (1) Denny's restaurant (reclassified to a property held for sale in January of 2008 and then reclassified to an investment property at September 30, 2008), one (1) Applebee's restaurant, one (1) Kentucky Fried Chicken restaurant, one (1) Chinese Super Buffet restaurant (reclassified to a property held for sale in March of 2008 and then reclassified to an investment property in June of 2008), one (1) Panda Buffet restaurant, and one (1) Daytona's All Sports Café. The sixteen (16) properties are located in a total of eight (8) states.

Six (6) of the sixteen (16) properties owned as of December 31, 2008 were leased to Wendgusta, LLC ("Wendgusta"), a Wendy's franchisee. Since more than 20% of the Partnership's properties, both by asset value and number, are leased to a single tenant, the financial status of the tenant may be considered relevant to investors. At the request of the Partnership, Wendgusta provided it with a copy of its reviewed financial statements for the fiscal years ended December 28, 2008 and December 31, 2007. Those reviewed financial statements are attached to this Annual Report 10-K as Exhibit 99.1. These financial statements were prepared by Wendgusta's accountants. The Partnership has no rights to audit or review Wendgusta and the Partnership's auditors have not audited or reviewed the financial statements received from Wendgusta. The Partnership has no reason to believe the Wendgusta financial statements do not accurately reflect the financial position of Wendgusta.

Three (3) of the sixteen (16) properties owned as of December 31, 2008 were leased to Wendcharles I, LLC ("Wendcharles"). Since nearly 20% of the Partnership's properties, both by asset value and number, are leased to a single tenant, the financial status of the tenant may be considered relevant to investors. Wendcharles was formed during 2008, and at the request of the Partnership, Wendcharles provided it with a copy of its reviewed financial statements for the initial period June 24 to December 28, 2008. Those reviewed financial statements are attached to this Annual Report 10-K as Exhibit 99.2. These financial statements were prepared by Wendcharles' accountants. The Partnership has no rights to audit or review Wendcharles and the Partnership's auditors have not audited or reviewed the financial statements received from Wendcharles. The Partnership has no reason to believe the Wendcharles financial statements do not accurately reflect the financial position of Wendcharles.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," current and historical results from operations for disposed properties and assets classified as held for sale that occur subsequent to January 1, 2002 are reclassified separately as discontinued operations. This statement also requires the adjustment to carrying value of properties due to impairment in an attempt to reflect appropriate market values.

The Partnership has been unsuccessful in finding a new tenant for the vacant Park Forest, IL property. The Partnership agreed to sell the property for $50,000 to a prospective purchaser. Negotiations ended due to uncertainty over 2008 real estate tax obligations due in 2009. The Partnership has no other interested parties for this vacant property in a distressed location. Accordingly, the carrying value of the vacant Park Forest, IL property was reduced by $276,186 to its fair market value of $50,000 during the Third Quarter of 2008. The reduction included $129,450 related to land and $137,736 related to buildings and improvements.

During 2008, 2007 and 2006, the Partnership recognized income from discontinued operations of approximately $1,416,000, $1,083,000 and $283,000, respectively. The 2008, 2007 and 2006 income from discontinued operations is attributable to the reclassification of the Wendy's- 1515 Savannah Hwy., Charleston, SC property and the Blockbuster, Ogden, UT property to properties held for sale in the First Quarter and Second Quarters of 2007, respectively. The 2008 income from discontinued operations includes the Second Quarter net gain of approximately $659,000 on the sale of the Wendy's- 1515 Savannah Hwy., Charleston, SC property (the Wendy's property was sold in May of 2008 under the terms of the Sales Contract dated April 10, 2008) and the Fourth Quarter net gain of approximately $601,000 on the sale of the Blockbuster property (sold in December of 2008). The 2008 income from discontinued operations also includes the First Quarter of 2008 collection of $25,000 in earnest money in relation to the termination of the Wendy's- Savannah Hwy., Charleston, SC property sales contract dated August 21, 2007. Discontinued operations for 2007 and 2006 included income related to the Sunrise Preschool, Phoenix, AZ property which was reclassified to properties held for sale in the Second Quarter of 2006 and sold in April of 2007. The 2007 income from discontinued operations included a Second Quarter net gain on the sale of the Sunrise Preschool property of approximately $862,000 and a Fourth Quarter net gain of approximately $25,000 on the sale of a small strip of the Popeye's- Park Forest, IL land to the Illinois Department of Transportation to be used as street right of way.

The Denny's- Northern, Phoenix, AZ property was reclassified to a property held for sale in January of 2008, due to the execution of a listing agreement with an unaffiliated broker. A sales contract with an unaffiliated party was then executed in March of 2008. The potential buyer terminated the contract in early May of 2008 due to financing difficulties. Although the listing agreement had expired, Management continued to hold the property for sale at June 30, 2008, as other options for the sale of the property were being pursued. However, the property was reclassified to an investment property in September of 2008, as Management did not currently plan to actively pursue options for its sale. The net book value of the property at March 31, 2008, classified as property held for sale in the condensed financial statements of the Quarterly 10-Q report, was approximately $593,000, which included $453,000 related to land, $140,000 related to buildings and improvements, $2,000 related to deferred rent, $4,000 related to rent and other receivables, and $6,000 related to unearned rental income. The net book value of the property at June 30, 2008, classified as property held for sale in the condensed balance sheets of the Quarterly 10-Q report, was approximately $600,000, which included $453,000 related to land, $140,000 related to buildings and improvements, $2,000 related to deferred rent and $5,000 related to rent and other receivables. The net book value of the buildings as shown in the condensed balance sheets of the Quarterly 10-Q report at September 30, 2008, was adjusted in the Third Quarter of 2008 by $8,664 for the depreciation during the months the property was held for sale. The Denny's- Northern property's income from discontinued operations included in the condensed statements of income in the Quarterly 10-Q report for the three month periods ending March 31, 2008 and 2007 were $16,000 and $12,000, respectively. The Denny's- Northern property's income from discontinued operations included in the condensed statements of income in the Quarterly 10-Q report for the three month periods ending June 30, 2008 and 2007 were $15,000 and $12,000, respectively. The Denny's- Northern property's income from discontinued operations included in the condensed statements of income in the Quarterly 10-Q report for the six month periods ending June 30, 2008 and 2007 were $31,000 and $24,000, respectively. These amounts were included in income from continuing operations in the condensed statements of income in the Quarterly 10-Q report for the three and nine month periods ended September 30, 2008 and 2007 and also were included in income from continuing operations in the statements of income for the years ended December 31, 2008 and 2007.

The Chinese Super Buffet, Phoenix, AZ property was reclassified to a property held for sale in March of 2008 due to the execution of a sales contract with an unaffiliated party. The potential buyer terminated the contract in early June of 2008 due to difficulties in obtaining a tenant lease termination. The property was therefore reclassified to an investment property in June of 2008, as the Partnership is not currently pursuing other options for its sale. The net book value of the property at March 31, 2008, classified as property held for sale in the condensed balance sheets of the Quarterly 10-Q report, was approximately $628,000, which included $444,000 related to land, $133,000 related to buildings and improvements, $28,000 related to deferred rent and $23,000 related to deferred charges. The net book value of the buildings as shown in the condensed balance sheets of the Quarterly 10-Q report at June 30, 2008, was adjusted in the Second Quarter of 2008 by $2,848 for the depreciation during the months the property was held for sale. The Chinese Super Buffet property's income from discontinued operations included in the condensed statements of income in the Quarterly 10-Q report for the three month periods ending March 31, 2008 and 2007 were $11,000 and $13,000, respectively. These amounts were included in income from continuing operations in the condensed statements of income in the Quarterly 10-Q reports for the three and six month periods ended June 30, 2008 and 2007 and the three and nine month periods ended September 30, 2008 and 2007, and also were included in income from continuing operations in the statements of income for the years ended December 31, 2008 and 2007.

The following summarizes significant developments, by property, for properties with such developments.

Wendy's- 1004 Richland Avenue, Aiken, SC Property

The Richland Avenue property lease with Wencoast Restaurants, Inc. ("Wencoast"), a franchisee of Wendy's restaurants, was set to expire on November 6, 2016. On July 2, 2007 the lease was assumed and assigned to Wendgusta, LLC ("Wendgusta"), a franchisee of Wendy's restaurants. Per the Assumption and, Assignment Agreement, the monetary lease obligations and original lease expiration date remained the same. However, per a Lease Amendment agreement ("Amendment") with Wendgusta, dated December 23, 2008, the original lease was extended five (5) years to November 6, 2021. The Amendment also includes one five year lease option renewal and a $130,000 capital improvement investment in the property by Wendgusta by January 2, 2009. A leasing commission of approximately $14,000 was paid to a General Partner affiliate in the Fourth Quarter of 2008 in relation to the five year lease extension.

Blockbuster- Ogden, UT Property

A listing agreement for the sale of the property was executed in May of 2007, which was renewed in December of 2007, and again in May of 2008. A sales contract was executed on September 26, 2008 for the sale of the Blockbuster property to an unaffiliated party for $1,075,000. A letter of Tenant's Right of First Refusal was mailed to the tenant, Blockbuster, on September 29, 2008 in accordance with the lease. In their response letter dated October 9, 2008, Blockbuster elected not to purchase the property at that time. The closing date on the sale of the property was December 1, 2008 and the net sales proceeds totaled approximately $1.04 million. A net gain on the sale of approximately $601,000 was recognized in the Fourth Quarter of 2008. Closing and other sale related costs amounted to approximately $71,000 and included $64,500 in sales commissions, of which $21,500 was paid to a General Partner affiliate.

The Blockbuster lease previously expired on January 31, 2006. During lease renewal negotiations with Management, the tenant maintained possession of the property and paid the Partnership holdover rent for

February and March of 2006. In April of 2006, Management executed a two-year renewal lease agreement with the tenant, retroactive to February 1, 2006, with an expiration date of January 31, 2008. The first base year rent totaled approximately $108,000. Commissions related to the lease renewal execution totaled approximately $13,000, ($6,500 paid to a non-affiliated broker and $6,500 paid to a General Partner affiliate) during the Quarter ended March 31, 2006.

In February of 2008, Management executed a one-year lease extension agreement with Blockbuster. The lease was set to expire on January 31, 2009 and included annual base rent of $108,000 and a rent abatement of $6,000 for the month of February 2008. Commissions of approximately $5,000 ($2,000 to a non-affiliated broker and $3,000 to a General Partner affiliate) were paid and or accrued in the First Quarter of 2008. In August of 2008, Management executed a one-year lease extension agreement with Blockbuster. The lease extension was to begin on February 1, 2009 and expire on January 31, 2010 and included an annual base rent of $108,000. Commissions of approximately $5,000 ($2,000 to a non-affiliated broker and $3,000 to a General Partner affiliate) were paid/and or accrued in the Third Quarter of 2008.

Wendy's- 343 Foley Road, Charleston, SC

The Foley Road property lease with tenant, Wencoast, was set to expire on November 6, 2016. On September 4, 2008 the lease was assumed and assigned to Wendcharles I, LLC ("Wendcharles"), a Wendy's franchisee. Per the Assumption and Assignment of Lease agreement, the monetary lease obligations and original lease expiration date remained the same. However, per a Lease Amendment agreement ("Amendment") with Wendcharles, dated September 4, 2008, the original lease was extended five (5) years to November 6, 2021. The Amendment also includes two five year lease option renewals, a $100,000 capital improvement investment in the property by Wendcharles within 24 months (September 2010), and an additional $50,000 capital improvement investment in the property by Wendcharles if the tenant exercises the second five (5) year lease extension option. A leasing commission of approximately $11,000 was paid to a General Partner affiliate in the Third Quarter of 2008 in relation to the five year lease extension.

Wendy's- 361 Hwy. 17 Bypass, Mt. Pleasant, SC

The Hwy. 17 Bypass property lease with tenant, Wencoast, was set to expire on November 6, 2016. On September 4, 2008 the lease was assumed and assigned to Wendcharles. Per the Assumption and Assignment of Lease agreement, the monetary lease obligations and original lease expiration date remained the same. However, per a Lease Amendment agreement ("Amendment") with Wendcharles, dated September 4, 2008, the original lease was extended five (5) years to November 6, 2021. The Amendment also includes two five year lease option renewals, a $120,000 capital improvement investment in the property by Wendcharles within 24 months (September 2010), and an additional $50,000 capital improvement investment in the property by Wendcharles if the tenant exercises the second five (5) year lease extension option. A leasing commission of approximately $12,000 was paid to a General Partner affiliate in the Third Quarter of 2008 in relation to the five year lease extension.

Wendy's- 1721 Sam Rittenberg, Charleston, SC

The Sam Rittenberg property lease with tenant, Wencoast, was set to expire on November 6, 2016. On September 4, 2008 the lease was assumed and assigned to Wendcharles. Per the Assumption and Assignment of Lease agreement, the monetary lease obligations and original lease expiration date remained the same. However, per a Lease Amendment agreement ("Amendment") with Wendcharles, dated September 4, 2008, the original lease was extended five (5) years to November 6, 2021. The Amendment also includes two five year lease option renewals, a $130,000 capital improvement investment in the property by Wendcharles within 24 months (September 2010), and an additional

$50,000 capital improvement investment in the property by Wendcharles if the tenant exercises the second five (5) year lease extension option. A leasing commission of approximately $12,000 was paid to a General Partner affiliate in the Third Quarter in 2008 in relation to the five year lease extension.

Vacant Park Forest, IL Property

In the Second Quarter of 2006, Management defaulted former tenant, a Popeye's Famous Fried Chicken restaurant ("Popeye's"), for failure to meet its lease obligations, and filed suit for possession of the Park Forest property in the Cook County Judicial Court. The Partnership continued the pursuit of all legal remedies available to recover possession and terminate the Lease. However, a Settlement Agreement ("Settlement") was executed on May 1, 2007, and it was agreed to by all parties that Popeye's would pay its past due rent and property taxes escrow obligations. In accordance with the Settlement, the Partnership received a payment for the approximately $10,000 of past due property tax escrow on May 3, 2007 and the three equal installment payments of $4,233 related to the past due rent obligations on May 8, June 20, 2007, and July 17, 2007. The Settlement reaffirmed that Popeye's remained responsible for monthly rent obligations and property tax through the remainder of its Lease, which was set to expire on December 31, 2009.

Popeye's ceased its operations in June of 2008. The lease was terminated and the tenant vacated the property in July of 2008. As of June 30, 2008, the former defaulted tenant owed the Partnership approximately $19,000 and $14,000 in past due billings of monthly rent and property tax escrow, respectively. The Partnership received full payment of both of these items from Popeye's in August of 2008 in accordance with the terms of the lease termination and settlement agreement.

The Partnership has been unsuccessful in finding a new tenant for the vacant Park Forest, IL property. The Partnership agreed to sell the property for $50,000 to a prospective purchaser. Negotiations ended due to uncertainty over 2008 real estate tax obligations due in 2009. The Partnership has no other interested parties for this vacant property in a distressed location. Accordingly, the carrying value of the vacant Park Forest, IL property was reduced by $276,186 to its estimated fair market value of $50,000 at September 30, 2008. The reduction included $129,450 related to land and $137,736 related to buildings and improvements.

As of December 31, 2008, the Partnership has accrued twelve months of estimated 2008 property tax related to the Park Forest, IL property, which the Partnership will be obligated to pay to the Cook County taxing authority in 2009. Due to the lease termination and settlement, such property taxes will not be collectible from the former tenant. The former tenant's property tax escrow balance held with the Partnership as of September 30, of 2008 met all but $1,300 of the Park Forest property's second 2007 property tax installment paid in November of 2008. The minimal shortage was accrued and expensed by the Partnership as of September 30, 2008.

A small strip of the Park Forest, IL land was sold to the Illinois Department of Transportation to be used as street right of way in December of 2007. Net sale proceeds amounted to approximately $34,000. A net gain on the sale of $25,000 was recognized in the Fourth Quarter of 2007.

Wendy's- 1515 Savannah Hwy., Charleston, SC Property

On August 21, 2007, the Partnership executed a contract to sell the property to unaffiliated party. On February 29, 2008, the Partnership received a Notice of Termination of Contract in relation to the sale of the property. The buyer was unable to procure the necessary city building permits in the manner desired. On March 3, 2008, in accordance with the terms of the sales contract, the Partnership received the $25,000 in earnest money held with the title company.

A new sales contract was executed on April 10, 2008 for the sale of the property to a different unaffiliated party for $1.17 million. A letter of Tenant's Right of First Refusal was mailed to the tenant, Wencoast Restaurants, Inc., on April 10, 2008 in accordance with the lease. Wencoast, who had 30 days from its receipt of the letter, did not exercise its right of first refusal.

The closing date on the sale of the property was May 28, 2008 and the net sales proceeds totaled approximately $1.09 million. A net gain on the sale of approximately $659,000 was recognized in the Second Quarter of 2008. Closing and other sale related costs amounted to approximately $80,000 and included $70,200 in sales commission, of which $35,100 was paid to a General Partner affiliate.

Wendy's- 3869 Washington Road, Martinez, GA Property

The Washington Road property lease with tenant, Wencoast, was set to expire on November 6, 2016. On July 2, 2007, the lease was assumed and assigned to Wendgusta. Per the Assumption and Assignment of Lease agreement, the monetary lease obligations and original lease expiration date remained the same.

Wendy's- 517 (also referred to as 1717 in the lease) Martintown Road, N Augusta, SC Property

The Martintown Road property lease with tenant, Wencoast, was set to expire on November 6, 2016. On July 2, 2007 the lease was assumed and assigned to Wendgusta. Per the Assumption, Assignment and Amendment of Lease Agreement ("Agreement"), the monetary lease obligations remained the same, however, the original lease was extended five (5) years to November 6, 2021. The Agreement also includes one five year lease option renewal, and a $180,000 capital improvement investment in the property by Wendgusta by January 2, 2009. A leasing commission of approximately $13,000 was paid to a General Partner affiliate in the Third Quarter of 2007 in relation to the five year lease extension.

Wendy's- 1730 Walton Way, Augusta, GA Property

The Walton Way property lease with tenant, Wencoast, was set to expire on November 6, 2016. On July 2, 2007 the lease was assumed and assigned to Wendgusta. Per the Assumption, Assignment and Amendment of Lease Agreement ("Agreement"), the monetary lease obligations remained the same, however, the original lease was extended five (5) years to November 6, 2021. The Agreement also includes one five year lease option renewal, and a $180,000 capital improvement investment in the property by Wendgusta by January 2, 2009. A leasing commission of approximately $15,000 was paid to a General Partner affiliate in the Third Quarter of 2007 in relation to the five year lease extension. The capital improvement expenditure was then lowered to $50,000 per a Lease Amendment with Wendgusta dated December 23, 2008.

Wendy's- 3013 Peach Orchard, Augusta, GA Property

The Peach Orchard property lease with tenant, Wencoast, was set to expire on November 6, 2016. On July 2, 2007 the lease was assumed and assigned to Wendgusta. Per the Assumption, Assignment and Amendment of Lease Agreement ("Agreement"), the monetary lease obligations remained the same, however, the original lease was extended five (5) years to November 6, 2021. The Agreement also includes one five year lease option renewal, and a $180,000 capital improvement investment in the property by Wendgusta by January 2, 2009. A leasing commission of approximately $13,000 was paid to a General Partner affiliate in the Third Quarter of 2007 in relation to the five year lease extension. In late December of 2008, Management verbally agreed to extend the capital improvements requirement deadline date to February 15, 2009.

Wendy's- 1901 Whiskey Road, Aiken, SC Property

The Whiskey Road property lease with tenant, Wencoast, was set to expire on November 6, 2016. On July 2, 2007 the lease was assumed and assigned to Wendgusta. Per the Assumption, Assignment and Amendment of Lease Agreement ("Agreement"), the monetary lease obligations remained the same, however, the original lease was extended five (5) years to November 6, 2021. The Agreement also includes one five year lease option renewal, and a $180,000 capital improvement investment in the property by Wendgusta by January 2, 2009. A leasing commission of approximately $15,000 was paid to a General Partner affiliate in the Third Quarter of 2007 in relation to the five year lease extension.

Daytona's All Sports Café- Des Moines, IA Property

In May of 2008, Management executed a one-year lease extension agreement with Daytona's All Sports Café ("Daytona's"). The lease extension began, and was effective, as of March 1, 2008. The lease, with an annual base rent of $72,000, expired on February 28, 2009. A commission of approximately $2,000 was paid to a General Partner affiliate in the Second Quarter of 2008 in relation to the lease extension. Daytona's is currently paying rent of $6,000 on a month-to-month basis. Management plans to work with the tenant to possibly extend the lease.

Beginning in December of 2005, Management requested that Daytona's escrow its future property tax liabilities with the Partnership on a monthly basis. Daytona's is delinquent on one month of its property tax escrow obligations and as of December 31, 2008, escrow payments held by the Partnership totaled approximately $19,000.

Denny's- Phoenix, Arizona Property

The lease, with an annual base rent of $72,000, is set to expire on April 30, 2009. Management plans to work with the tenant to possibly extend the lease.

The Denny's- Northern, Phoenix, AZ property was reclassified to a property held for sale in January of 2008, due to the execution of a listing agreement with an unaffiliated broker. A sales contract with an unaffiliated party was then executed in March of 2008. The potential buyer terminated the contract in early May of 2008 due to financing difficulties. Although the listing agreement had expired, Management continued to hold the property for sale at June 30, 2008, as other options for the sale of the property were being pursued. However, the property was reclassified to an investment property in September of 2008, as Management does not plan to actively pursue options for its sale.

Sunrise Preschool- Phoenix, AZ Property

A listing agreement for the sale of the property was executed in June of 2006. In early January of 2007, a sales contract was executed for the sale of the property for $1.6 million. Per notice from the Partnership, tenant, Borg Holdings, Inc. ("Borg"), had 30 days from January 16, 2007, to act upon their right of first refusal to purchase the Phoenix property, since a separate buyer entered into a real estate contract for the purchase of the property. On January 29, 2007, Borg informed the Partnership that they would be exercising their right to accept the terms of the contract for the sale of the Phoenix, AZ property. The closing date on the sale of the property was April 23, 2007 and the net sales proceeds totaled approximately $1.49 million. A net gain on the sale of approximately $862,000 was recognized in the Second Quarter of 2007. Closing and other sale related costs amounted to approximately $111,000 and included a $48,000 sales commission paid to a General Partner affiliate.

Former Miami Subs- Palm Beach, FL Property

The Palm Beach, FL property was sold in June of 2004. At the time of closing the former tenant, DiFede Finance Group ("DiFede"), was delinquent $17,000 in past rent (after the application of a $15,000 security deposit). The former tenant also owed the Partnership approximately $13,360 in property tax as the Partnership paid the property's delinquent 2003 property tax in June of 2004. Management continued to pursue legal remedies to collect the former tenant's total past due balances. Due to the uncertainty of collection, fifty percent (50 %) of the total outstanding receivable balance was reserved in June of 2004.

In November of 2004, a Settlement Agreement ("DiFede Agreement") was executed with DiFede. Per the DiFede Agreement the former tenant agreed to pay the Partnership by December 31, 2004 approximately $36,000 in past due rent, late charges, related attorney and court fees and other miscellaneous items. However, the settlement payment per the DiFede Agreement was not received by the Partnership. Further legal action was taken by the Partnership and the Circuit Court in Broward County, Florida entered a final judgment (the "Judgment") against DiFede in early January of 2005, awarding approximately $42,000 in damages to the Partnership. Due to the uncertainty of collection, the remaining fifty percent (50 %) of the total outstanding receivable balance was written-off. The receivable balance and applicable allowance were removed from the balance sheet at December 31, 2004. Throughout 2005 Management continued their pursuit of legal action to collect the Judgment. In satisfaction of the Judgment (which was recorded in the Circuit Court in March of 2006), the Partnership received $25,000 from Difede in the First Quarter of 2006.

Other Investment in Properties Information

According to the Partnership Agreement, the former general partners were to commit 80% of the original offering proceeds to investment in properties. Upon the close of the offering, approximately 75% of the original proceeds were invested in the Partnership's properties.

Certain leases provide the tenant with the option to acquire the property occupied by the tenant. The General Partner is not aware of any unfavorable purchase options in relation to the original cost or fair market value of the property at the time the option was granted, contained in any of the Partnership's existing leases.

Other Assets

Cash and cash equivalents held by the Partnership totaled approximately $1,529,000 at December 31, 2008, compared to $677,000 at December 31, 2007. Cash of $1,300,000 is anticipated to be used to fund the Fourth Quarter of 2008 distributions to Limited Partners in February of 2009, and cash of $143,000 is anticipated to be used for the payment of year-end accounts payable and accrued expenses, and the remainder represents amounts deemed necessary to allow the Partnership to operate normally.

Cash generated through the operations of the Partnership's Properties and sales of Properties will provide the sources for future fund liquidity and Limited Partner distributions.

The net book value of properties held for sale at December 31, 2007 amounted to approximately $816,000 and included the Wendy's- 1515 Savannah Hwy., Charleston, SC property ("the Wendy's Property") and the Blockbuster, Ogden, UT property ("the Blockbuster Property"). A letter of intent to enter into a purchase agreement for the sale of the Wendy's Property was executed in late March of 2007 and a sales contract was executed on August 21, 2007 for the sale of the Wendy's Property to an unaffiliated party for $1.17 million. The book value of the Wendy's Property held for sale at December 31, 2007 amounted to approximately $420,000, and included $286,000 related to land, $128,000 related to buildings and improvements, $1000 related to deferred rent, $16,000 related to deferred charges, and $11,000 related to security deposits and unearned rental income. The Wendy's Property was sold on May 28, 2008. A new listing contract for the sale of the Blockbuster Property (asking price of $1.25 million) was executed in December of 2007 (original listing in May of 2007). The book value of the Blockbuster Property held for sale at December 31, 2007 amounted to approximately $396,000, and included $194,000 related to land, $201,000 related to buildings and improvements (included approximately $21,000 in roofing capital improvements incurred in the Second Quarter of 2007), and $1,000 related to deferred charges. The Blockbuster Property was sold on December 1, 2008. (For further disclosure see Investment Properties in Part I- Item 2, and Part II- Item 7.)

Property tax cash escrow amounted to approximately $19,000 and $41,000 at December 31, 2008 and December 31, 2007, respectively. Daytona's property tax cash escrow balance held with the Partnership as of December 31, 2007 was approximately $16,000 and payments of approximately $25,000 were received by the Partnership from Daytona's during 2008. Daytona's 2006-2007 second property tax installment of approximately $11,000 was paid in the First Quarter of 2008 and its 2007-2008 first property tax installment estimate of $11,000 was paid in the Third Quarter of 2008. Daytona's property tax cash escrow balance as of December 31, 2008 was approximately $19,000. Daytona's 2007-2008 second property tax installment of approximately $11,000 is scheduled to be due in the First Quarter of 2009. (For further disclosure see Investment Properties in Part I- Item 2, and Part II- Item 7.) Former tenant, Popeye's property tax escrow cash balance held with the Partnership as of December 31, 2007 was $25,000 and payments of approximately $29,000 were received by the Partnership from Popeye's during 2008. The Partnership paid the tenant's first 2007 property tax installment of approximately $27,000 in the First Quarter of 2008 and the second 2007 property tax installment of approximately $28,000 in the Fourth Quarter of 2008. The Partnership accrued and expensed the minimal shortage in the former tenant's escrow balance as of September 30, 2008. (For further disclosure see Investment Properties in Part I- Item 2, and Part II- Item 7.)

The Partnership established an Indemnification Trust (the "Trust") during the Fourth Quarter of 1993, deposited $100,000 in the Trust during 1993 and completed funding of the Trust with $150,000 during 1994. The provision to establish the Trust was included in the Permanent Manager Agreement for the indemnification of TPG, in the absence of fraud or gross negligence, from any claims or liabilities that may arise from TPG acting as Permanent Manager. The Trust is owned by the Partnership. (For additional information regarding the Trust refer to Note 8 to Financial Statements- PMA Indemnification Trust.)

Rents and other receivables amounted to approximately $424,000 at December 31, 2008, compared to $425,000 as of December 31, 2007. At December 31, 2008, rents and other receivables primarily included approximately $419,000 in 2008 percentage rental income accrued in the Second, Third and Fourth Quarters of 2008 for tenants who had reached their sales breakpoint. These percentage rents included $2,000 which was billed to a tenant in the Fourth Quarter of 2008 and $417,000 which were not billed to or owed by the tenant's until the First Quarter of 2009. At December 31, 2007 rents and other receivables included $425,000 in rental income accrued during 2007 for tenants who had reached their individual sales breakpoints. These percentage rents included $9,000 which was billed to a tenant in the Fourth Quarter of 2007 and $416,000 which were not billed to or owed by the tenant's until the First Quarter of 2008. As of December 31, 2008, only approximately $3,000 of these 2007 percentage rents had not been collected (the amount was related to the Denny's- Northern, Phoenix, AZ property and was written-off as uncollectible in the Third Quarter of 2008).

Property tax receivable at December 31, 2008 and December 31, 2007 totaled approximately $2,000 and $1,000, respectively. The December 31, 2008 balance primarily represented one month's of property tax escrow charges due from Daytona's- Sports Café.

Prepaid Insurance amounted to approximately $29,000 at December 31, 2008 and 2007. The balances represented approximately ten months of prepaid insurance paid by the Partnership.

Deferred charges totaled approximately $306,000 and $268,000, net of accumulated amortization, at December 31, 2008 and December 31, 2007, respectively. Deferred charges represent leasing commissions paid when properties are leased or upon the negotiated extension of a lease. Leasing commissions of approximately $10,000 and $2,000 were paid in 2008 in relation to the lease term extensions of the Blockbuster, Ogden, UT and Daytona's- All Sports, Des Moines, IA properties, respectively. Leasing commissions of approximately $34,000 were paid in September of 2008 in relation to the lease extensions of three (3) of the Wendy's Properties that were assigned from Wencoast to Wendcharles. A leasing commission of approximately $14,000 was paid in December of 2008 in relation to the lease extension of one (1) of the Wendgusta Properties. Leasing commissions totaling approximately $58,000 were paid in 2007 and included a $55,125 leasing commission paid in July of 2007 in relation to the lease term extensions of four (4) of the Wendy's properties that were assigned from Wencoast to Wendgusta and a $3,240 leasing commission paid in December of 2007 in relation to the lease extension of the Denny's- Northern, Phoenix, AZ property (for further discussion see Investment Properties in Part I- Item 2, and Part II- Item 7). Leasing commissions of approximately $16,000 related to the Wendy's- 1515 Savannah Hwy., Charleston, SC property and approximately $500 related to the Blockbuster, Ogden, UT property were included in properties held for sale at December 31, 2007. For further disclosure see Investment Properties in Part I- Item 2, and Part II- Item 7**.)** Leasing commissions are capitalized and amortized over the life of the lease.

Liabilities

Accounts payable and accrued expenses at December 31, 2008, and December 31, 2007 amounted to approximately $62,000 and $99,000, respectively, and primarily represented the accrual of professional and data processing fees, and income taxes payable.

Property tax payable at December 31, 2008 and December 31, 2007, totaled approximately $77,000 and $42,000, respectively. The December 31, 2008 balance primarily represented the vacant Park Forest, IL property's 2008 accrued property taxes and Daytona's property tax escrow charges related to the tenant's property tax which are scheduled to be due in 2009. The December 31, 2007 balance primarily represented the former tenant, Popeye's, and Daytona's property tax escrow charges related to property tax, which were scheduled to be due in 2008. (For further disclosure see Investment in Properties in Part I- Item 2, and Part II- Item 7.)

The amounts "Due to" the General Partner were $4,465 at December 31, 2008, and primarily represented the General Partner's portion of the Fourth Quarter 2008 distribution.

Partners' Capital

Net income for the year was allocated between the General Partner and the Limited Partners, 1% and 99%, respectively, as provided in the Partnership Agreement as discussed more fully in Note 4 of the Financial Statements included in Item 8 of this report. The former general partners' deficit capital account balance was reallocated to the Limited Partners at December 31, 1993. Refer to Note 9 to Financial Statements included in Item 8 of this report for additional information regarding the reallocation.

Cash distributions paid to the Limited Partners and to the General Partner during 2008 of $2,390,000 and $9,245, respectively, have also been made in accordance with the Partnership Agreement. The Fourth Quarter of 2008 Limited Partner distributions totaling $1,300,000 were paid February 13, 2009.

Results of Operations

The Partnership reported income from continuing operations for the year ended December 31, 2008, in the amount of $628,000 compared to income from continuing operations for the years ended December 31, 2007 and 2006 of $1,028,000 and $960,000, respectively. The variance in income from continuing operations in 2008 compared to 2007 and 2006 is due primarily to: (i) increase in monthly Partnership management fees as of March 1 each year based on allowable consumer price index adjustment; (ii) higher percentage rental income accruals for 2007; (iii) higher interest earnings during the Second and Third Quarter of 2007 due to higher interest yields and increased average cash balances; (iv) the $267,000 carrying value write-down of the vacant Park Forest, IL property in the Third Quarter of 2008; (v) higher 2008 estimated income tax expenditures and accruals in 2008; (vi) the accrual of twelve months of estimated 2008 property tax related to the vacant Park Forest, IL property which will be due in 2009; (vii) the vacancy of the Park Forest, IL property due to the lease termination agreement (rent ceased beginning July of 2008); (viii) higher professional fees incurred during 2008 due to tenant defaults, Popeye's lease termination and settlement, Wendy's lease assignments, and general attorney fees for topic research; (ix) the reversal of the $12,000 2005/2006 insurance premium adjustment accrual in the First Quarter of 2008 and the reversal of the $12,000 2006/2007 insurance premium adjustment accrual in the Second Quarter of 2008; (x) lower investor communication expenditures, such as printing during 2007; (xi) an unexpected insurance premium adjustment payment in the Second Quarter of 2006 of approximately $12,000 related to the 04/05 policy year, and Second through Fourth Quarter of 2006 accruals and First through Fourth Quarter of 2007 accruals totaling $14,000, and $10,000, respectively for estimated insurance premium adjustments related to the 05/06 and 06/07 policy years; (xii) the March of 2006 receipt of $25,000 from DiFede in satisfaction of the Judgment recorded in the Broward County, Florida Circuit Court in January of 2005; (vii) higher income tax expenditures in the First through Third Quarters of 2006 related to the 2005 South Carolina tax return and the 2006 South Carolina estimated tax payments ; (xiii) a settlement payment of $25,000 paid in the Third Quarter of 2006 to the Buyer of the former South Milwaukee property (For further discussion see Legal Proceedings Part I- Item 3.

Discontinued Operations

Income from discontinued operations was approximately $1,416,000, $1,083,000 and $283,000 for the years ended December 31, 2008, 2007, and 2006, respectively. In accordance with SFAS 144, discontinued operations represent the operations of properties disposed of or classified as held for sale subsequent to January 1, 2002 as well as any gain or loss recognized in their disposition. The 2008, 2007 and 2006 income from discontinued operations is attributable to the reclassification of the Wendy's- 1515 Savannah Hwy., Charleston, SC property and the Blockbuster, Ogden, UT property to properties held for sale in the First Quarter and Second Quarters of 2007, respectively. The 2008 income from discontinued operations includes the Second Quarter net gain of approximately $659,000 on the sale of the Wendy's- 1515 Savannah Hwy., Charleston, SC property (the Wendy's property was sold in May of 2008 under the terms of the Sales Contract dated April 10, 2008) and the Fourth Quarter net gain of approximately $601,000 on the sale of the Blockbuster property (sold in December of 2008). The 2008 income from discontinued operations also includes the First Quarter of 2008 collection of $25,000 in earnest money in relation to the termination of the Wendy's- Savannah Hwy., Charleston, SC property sales contract dated August 21, 2007. Discontinued operations for 2007 and 2006 included income related to the Sunrise Preschool, Phoenix, AZ property which was reclassified to properties held for sale in the Second Quarter of 2006 and sold in April of 2007. The 2007 income from discontinued operations included a Second Quarter net gain on the sale of the Sunrise Preschool property of approximately $862,000 and a Fourth Quarter net gain of approximately $25,000 on the sale of a small strip of the Popeye's- Park Forest, IL land to the Illinois Department of Transportation to be used as street right of way.

The Denny's- Northern, Phoenix, AZ property was reclassified to a property held for sale in January of 2008, due to the execution of a listing agreement with an unaffiliated broker. A sales contract with an unaffiliated party was then executed in March of 2008. The potential buyer terminated the contract in early May of 2008 due to financing difficulties. Although the listing agreement had expired, Management continued to hold the property for sale at June 30, 2008, as other options for the sale of the property were being pursued. However, the property was reclassified to an investment property in September of 2008, as Management did not currently plan to actively pursue options for its sale. The net book value of the property at March 31, 2008, classified as property held for sale in the condensed financial statements of the Quarterly 10-Q report, was approximately $593,000, which included $453,000 related to land, $140,000 related to buildings and improvements, $2,000 related to deferred rent, $4,000 related to rent and other receivables, and $6,000 related to unearned rental income. The net book value of the property at June 30, 2008, classified as property held for sale in the condensed balance sheets of the Quarterly 10-Q report, was approximately $600,000, which included $453,000 related to land, $140,000 related to buildings and improvements, $2,000 related to deferred rent and $5,000 related to rent and other receivables. The net book value of the buildings as shown in the condensed balance sheets of the Quarterly 10-Q report at September 30, 2008, was adjusted in the Third Quarter of 2008 by $8,664 for the depreciation during the months the property was held for sale. The Denny's- Northern property's income from discontinued operations included in the condensed statements of income in the Quarterly 10-Q report for the three month periods ending March 31, 2008 and 2007 were $16,000 and $12,000, respectively. The Denny's- Northern property's income from discontinued operations included in the condensed statements of income in the Quarterly 10-Q report for the three month periods ending June 30, 2008 and 2007 were $15,000 and $12,000, respectively. The Denny's- Northern property's income from discontinued operations included in the condensed statements of income in the Quarterly 10-Q report for the six month periods ending June 30, 2008 and 2007 were $3,000 and $24,000, respectively. These amounts were included in income from continuing operations in the condensed statements of income in the Quarterly 10-Q report for the three and nine month periods ended September 30, 2008 and 2007 and also were included in income from continuing operations in the statements of income for the years ended December 31, 2008 and 2007.

The Chinese Super Buffet, Phoenix, AZ property was reclassified to a property held for sale in March of 2008 due to the execution of a sales contract with an unaffiliated party. The potential buyer terminated the contract in early June of 2008 due to difficulties in obtaining a tenant lease termination. The property was therefore reclassified to an investment property in June of 2008, as the Partnership is not currently pursuing other options for its sale. The net book value of the property at March 31, 2008, classified as property held for sale in the condensed balance sheets of the Quarterly 10-Q report, was approximately $628,000, which included $444,000 related to land, $133,000 related to buildings and improvements, $28,000 related to deferred rent and $23,000 related to deferred charges. The net book value of the buildings as shown in the condensed balance sheets of the Quarterly 10-Q report at June 30, 2008, was adjusted in the Second Quarter of 2008 by $2,848 for the depreciation during the months the property was held for sale. The Chinese Super Buffet property's income from discontinued operations included in the condensed statements of income of the Quarterly 10-Q report for the three month periods ending March 31, 2008 and 2007 were $11,000 and $13,000, respectively. These amounts were included in income from continuing operations in the condensed statements of income in the Quarterly 10-Q reports for the three and six month periods ended June 30, 2008 and 2007 and the three and nine month periods ended September 30, 2008 and 2007, and also were included in income from continuing operations in the statements of income for the years ended December 31, 2008 and 2007.

In accordance with Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144), discontinued operations represent the operations of properties disposed of or classified as held for sale subsequent to January 1, 2002 as well as any gain or loss recognized in their disposition.

Revenues

Total operating revenues were $1,665,000, $1,704,000, and $1,682,000, for the years ended December 31, 2008, 2007, and 2006, respectively. (For further disclosure see Investment Properties in Part I- Item 2, and Part II- Item 7.) The variance in operating revenues in 2008 compared to 2007 and 2006 is due primarily to: (i) the vacancy of the Park Forest, IL property due to the lease termination agreement (rent ceased beginning July of 2008); and (ii) higher percentage rental income accruals for 2007.

As of December 31, 2008, total base operating rent revenues should approximate $1,086,000 for the year 2009 based on leases currently in place. Future operating rent revenues may decrease with tenant defaults and/or the reclassification of Properties as held for sale. They may also increase with additional rents due from tenants, if those tenants experience sales levels, which require the payment of additional rent to the Partnership.

Expenses

For the years ended December 31, 2008, 2007, and 2006 total operating expenses amounted to approximately 66%, 45% and 47%, of total operating revenues, respectively.

The variance in total operating expenses in 2008 compared to 2007 and 2006 is due primarily to: (i) the $267,000 carrying value write-down of the vacant Park Forest, IL property in the Third Quarter of 2008; (ii) higher 2008 estimated income tax expenditures in 2008; (iii) the accrual of six months of estimated 2008 property tax related to the vacant Park Forest, IL property in the Second Quarter of 2008; and (iv) the reversal of the $12,000 2005/2006 insurance premium adjustment accrual in the First Quarter of 2008 and the reversal of the $12,000 2006/2007 insurance premium adjustment accrual in the Second Quarter of 2008; (v) increase in monthly Partnership management fees as of March 1 each year based on allowable consumer price index adjustment; (vi) lower investor communication expenditures, such as printing during 2007; (vii) an unexpected insurance premium adjustment payment in the Second Quarter of 2006 of approximately $12,000 related to the 04/05 policy year, and Second through Fourth Quarter of 2006 accruals and First through Fourth Quarter of 2007 accruals totaling $14,000, and $10,000, respectively for estimated insurance premium adjustments related to the 05/06 and 06/07 policy years; and (viii) a settlement payment of $25,000 paid in the Third Quarter of 2006 to the Buyer of the former South Milwaukee property (For further discussion see Legal Proceedings in Part I- Item 3).

Depreciation and amortization are non-cash items and do not affect current operating cash flow of the Partnership or distributions to the Limited Partners.

Operating write-offs for non-collectible rents and receivables totaling approximately $5,000 were incurred in the Third Quarter of 2008. Such write-off was the result of defaults by the former tenant of the Denny's- Northern, Phoenix, AZ property. There were no operating write-offs for non-collectible rents and receivables for the years ended December 31, 2007 and 2006.

Other Income

For the years ended December 31, 2008, 2007 and 2006 the Partnership did generate other income of approximately $69,000, $90,000 and $73,000, respectively. During 2008 and 2007, the Partnership received approximately $3,000 and $13,000, respectively, in investor service fees related to the voiding and reissuance of old outstanding limited partner distribution checks. During March of 2006, the Partnership received $25,000 from DiFede in satisfaction of the Judgment recorded in the Broward County, Florida Circuit Court in January of 2005. (See Investment Properties- Former Miami Subs- Palm Beach, FL Property in Part I- Item 2, and Part II- Item 7.)

During 2008, 2007 and 2006 revenues were generated from interest earnings and small recoveries from former General Partners. Higher interest yields were recognized in 2007 due to higher interest rates and higher average cash balances (Sunrise Preschool Property sold in April of 2007 and net sale proceeds distributed in August of 2007). Management anticipates that such revenue types may continue to be generated until Partnership dissolution.

Inflation

Inflation has a minimal effect on operating earnings and related cash flows from a portfolio of triple net leases. By their nature, such leases actually fix revenues and are not impacted by rising costs of maintenance, insurance, or real estate taxes. Although the majority of the Partnership's leases have percentage rent clauses, revenues from operating percentage rents represented only 26% of operating rental income for 2008 (does not include rental income from properties sold during 2008). If inflation causes operating margins to deteriorate for lessees, or if expenses grow faster than revenues, then, inflation may well negatively impact the portfolio through tenant defaults.

It would be misleading to associate inflation with asset appreciation for real estate, in general, and the Partnership's portfolio, specifically. Due to the "triple-net" nature of the property leases, asset values generally move inversely with interest rates.

Critical Accounting Policies

The Partnership believes that its most significant accounting policies deal with:

Depreciation methods and lives- Depreciation of the properties is provided on a straight-line basis over 31.5 years, which is the current estimated useful life of the buildings and improvements. While the Partnership believes these are the appropriate lives and methods, use of different lives and methods could result in different impacts on net income. Additionally, the value of real estate is typically based on market conditions and property performance, so depreciated book value of real estate may not reflect the market value of real estate assets.

Revenue recognition- Rental revenue from investment properties is recognized on the straight-line basis over the life of the respective lease. Percentage rents are accrued only when the tenant has reached the sales breakpoint stipulated in the lease.

Impairment- The Partnership periodically reviews its long-lived assets, primarily real estate, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Partnership’s review involves comparing current and future operating performance of the assets, the most significant of which is undiscounted operating cash flows, to the carrying value of the assets. Based on this analysis, a provision for possible loss is recognized, if any.

Item 8. Financial Statements and Supplementary Data

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

(A Wisconsin limited partnership)

INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

McGladrey & Pullen

Certified Public Accountants

Report of Independent Registered Public Accounting Firm

To the Partners
DiVall Insured Income Properties 2 Limited Partnership

We have audited the accompanying balance sheets of DiVall Insured Income Properties 2 Limited Partnership (a Wisconsin limited partnership) as of December 31, 2008 and 2007 and the related statements of income, partners' capital, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the 2008 financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and financial statement schedules are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DiVall Insured Income Properties 2 Limited Partnership as of December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We were not engaged to examine management's assessment of the effectiveness of DiVall Insured Income Properties 2 Limited Partnership's internal control over financial reporting as of December 31, 2008 included in the accompanying Management's Report on Internal Control Over Financial Reporting and, accordingly, we do not express as opinion thereon.

McGladrey & Pullen, LLP

Chicago, Illinois
March 27, 2009

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2008 and 2007

ASSETS

	December 31, 2008	December 31, 2007
INVESTMENT PROPERTIES: **(Note 3)**		
Land	$4,110,467	$4,239,917
Buildings	6,692,027	6,829,763
Accumulated depreciation	(4,438,474)	(4,239,573)
Net investment properties	$6,364,020	$6,830,107
OTHER ASSETS:		
Cash and cash equivalents	$1,528,935	$677,411
Cash held in Indemnification Trust **(Note 8)**	449,624	438,055
Property held for sale **(Note 3)**	0	816,402
Property tax cash escrow	19,020	40,693
Rents and other receivables	424,022	425,282
Property tax receivable	2,422	1,203
Deferred rent receivable	44,015	59,621
Prepaid insurance	28,939	28,614
Deferred charges, net	306,462	268,224
Total other assets	$2,803,439	$2,755,505
Total assets	$9,167,459	$9,585,612

The accompanying notes are an integral part of these financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2008 and 2007

LIABILITIES AND PARTNERS' CAPITAL

	December 31, 2008	December 31, 2007
LIABILITIES:		
Accounts payable and accrued expenses	$61,561	$98,603
Property tax payable	77,191	41,897
Due to General Partner	4,465	2,339
Security deposits	93,440	99,040
Unearned rental income	0	57,640
Total liabilities	$236,657	$299,519
CONTINGENCIES AND COMMITMENTS **(Notes 7 and 8)**		
PARTNERS' CAPITAL: **(Notes 1, 4 and 9)**		
General Partner -		
Cumulative net income	$296,493	$276,053
Cumulative cash distributions	(122,321)	(113,076)
	$174,172	$162,977
Limited Partners (46,280.3 interests outstanding)		
Capital contributions, net of offering costs	$39,358,468	$39,358,468
Cumulative net income	35,718,659	33,695,145
Cumulative cash distributions	(65,480,268)	(63,090,268)
Reallocation of former general partners' deficit capital	(840,229)	(840,229)
	$8,756,630	$9,123,116
Total partners' capital	$8,930,802	$9,286,093
Total liabilities and partners' capital	$9,167,459	$9,585,612

The accompanying notes are an integral part of these financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

STATEMENTS OF INCOME

For the Years Ended December 31, 2008, 2007, and 2006

	2008	2007	2006
OPERATING REVENUES:			
Rental income **(Note 5)**	$1,665,251	$1,704,486	$1,681,706
TOTAL OPERATING REVENUES	$1,665,251	$1,704,486	$1,681,706
EXPENSES:			
Partnership management fees **(Note 6)**	$232,205	$225,657	$218,523
Restoration fees **(Note 6)**	535	497	497
Insurance	9,249	46,522	61,564
General and administrative	155,513	92,973	91,308
Advisory Board fees and expenses	9,500	9,500	11,375
Professional services	156,115	174,778	170,261
Property tax expense	57,085	0	0
Personal property taxes	820	820	820
Write-off of uncollectible receivables	5,445	0	0
Settlement expense **(Note 10)**	0	0	25,000
Property impairment write-downs	267,186	0	0
Depreciation	187,389	201,832	201,831
Amortization	11,334	10,780	10,705
Other expenses	2,380	3,031	2,704
Adjustment to carrying value of property no longer held for sale (Note 3)	11,512	0	0
TOTAL OPERATING EXPENSES	$1,106,268	$766,390	$794,588
OTHER INCOME			
Interest income	$34,067	$64,213	$32,347
Judgment claim **(Note 3)**	0	0	25,000
Other income	21,719	13,377	2,878
Recovery of amounts previously written off **(Note 2)**	13,381	12,428	12,429
TOTAL OTHER INCOME	$69,167	$90,018	$72,654
INCOME FROM CONTINUING OPERATIONS	$628,150	$1,028,114	$959,772
INCOME FROM DISCONTINUED OPERATIONS **(Note 3)**	1,415,804	1,082,888	283,461
NET INCOME	$2,043,954	$2,111,002	$1,243,233
NET INCOME- GENERAL PARTNER	$20,440	$21,110	$12,432
NET INCOME- LIMITED PARTNERS	2,023,514	2,089,892	1,230,801
	$2,043,954	$2,111,002	$1,243,233
PER LIMITED PARTNERSHIP INTEREST, Based on 46,280.3 interests outstanding:			
INCOME FROM CONTINUING OPERATIONS	$13.44	$21.99	$20.53
INCOME FROM DISCONTINUED OPERATIONS	30.28	23.17	6.06
NET INCOME PER LIMITED PARTNERSHIP INTEREST	$43.72	$45.16	$26.59

The accompanying notes are an integral part of these financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP
STATEMENTS OF PARTNERS' CAPITAL
For the years ended December 31, 2008, 2007 and 2006

	General Partner			Limited Partners				
	Cumulative Net Income	Cumulative Cash Distributions	Total	Capital Contributions, Net of Offering Costs	Cumulative Net Income	Cumulative Cash Distribution	Reallocation	Total
BALANCE AT DECEMBER 31, 2005	$242,511	$(99,659)	$142,852	$39,358,468	$30,374,452	$(57,115,268)	$(840,229)	$11,777,423
Cash Distributions ($66.98 per limited partnership interest)		(4,973)	(4,973)			(3,100,000)		(3,100,000)
Net Income	12,432		12,432		1,230,801			1,230,801
BALANCE AT DECEMBER 31, 2006	254,943	(104,632)	150,311	39,358,468	31,605,253	(60,215,268)	(840,229)	9,908,224
Cash Distributions ($62.12 per limited partnership interest)		(8,444)	(8,444)			(2,875,000)		(2,875,000)
Net Income	21,110		21,110		2,089,892			2,089,892
BALANCE AT DECEMBER 31, 2007	276,053	(113,076)	162,917	39,358,468	33,695,145	(63,090,268)	(840,229)	9,123,116
Cash Distributions ($51.64. per limited partnership interest)		(9,245)	(9,245)			(2,390,000)		(2,390,000)
Net Income	20,440		20,440		2,023,514			2,023,514
BALANCE AT DECEMBER 31, 2008	$296,493	$(122,321)	$174,172	$39,358,468	$35,718,659	$(65,480,268)	$(840,229)	$8,756,630

The accompanying notes are an integral part of these financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2008, 2007, and 2006

	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$2,043,954	$2,111,002	$1,243,233
Adjustments to reconcile net income to net cash from operating activities -			
Depreciation and amortization	215,025	225,547	253,126
Recovery of amounts previously written off	(13,381)	(12,429)	(12,429)
Provision for non-collectible rents and other receivables	5,445	0	0
Property impairment write-downs	267,186	0	0
Net gain on disposal of assets	(1,260,262)	(886,859)	0
Interest applied to Indemnification Trust account	(11,569)	(20,195)	(19,161)
(Increase) Decrease in rents and other receivables	(4,185)	7,158	(1,322)
Decrease (Increase) in property tax cash escrow	21,673	(10,496)	(12,930)
(Increase) Decrease in prepaid insurance	(325)	3,012	937
Decrease in deferred rent receivable	14,912	19,573	17,349
(Increase) Decrease in property tax receivable	(1,219)	9,500	(4,023)
(Decrease) Increase in accounts payable and accrued expenses	(37,042)	9,284	30,610
Increase in property tax payable	35,294	997	16,953
Increase (Decrease) in due to General Partner	2,126	(41)	(2,869)
Decrease in security deposits	(11,200)	(9,945)	0
(Decrease) Increase in unearned rental income	(63,240)	33,860	2,815
Net cash from operating activities	$1,203,192	$1,479,968	$1,512,289
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:			
Proceeds from sale of investment properties	$2,094,268	$1,522,521	$0
Investment in Building Improvements	0	(21,290)	0
Payment of leasing commissions	(60,072)	(58,365)	(12,960)
Recoveries from former General Partner affiliates	13,381	12,429	12,429
Net cash from (used in) investing activities	$2,047,577	$1,455,295	$(531)
CASH FLOWS USED IN FINANCING ACTIVITIES:			
Cash distributions to Limited Partners	$(2,390,000)	$(2,875,000)	$(3,100,000)
Cash distributions to General Partner	(9,245)	(8,444)	(4,973)
Net cash used in financing activities	$(2,399,245)	$(2,883,444)	$(3,104,973)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$851,524	$51,819	$(1,593,215)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	677,411	625,592	2,218,807
CASH AND CASH EQUIVALENTS AT END OF YEAR	$1,528,935	$677,411	$625,592

The accompanying notes are an integral part of these financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008, 2007 AND 2006

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

DiVall Insured Income Properties 2 Limited Partnership was formed on November 18, 1987, pursuant to the Uniform Limited Partnership Act of the State of Wisconsin. The initial capital, contributed during 1987, consisted of $300, representing aggregate capital contributions of $200 by the former general partners and $100 by the Initial Limited Partner. The minimum offering requirements were met and escrowed subscription funds were released to the Partnership as of April 7, 1988. On January 23, 1989, the former general partners exercised their option to increase the offering from 25,000 interests to 50,000 interests and to extend the offering period to a date no later than August 22, 1989. On June 30, 1989, the general partners exercised their option to extend the offering period to a date no later than February 22, 1990. The offering closed on February 22, 1990, at which point 46,280.3 interests had been sold, resulting in total offering proceeds, net of underwriting compensation and other offering costs, of $39,358,468.

The Partnership is currently engaged in the business of owning and operating its investment portfolio of commercial real estate properties (the "Properties".) The Properties are leased on a triple net basis primarily to, and operated by, franchisors or franchisees of national, regional, and local retail chains under long-term leases. The lessees are primarily fast food, family style, and casual/theme restaurants. As of December 31, 2008, the Partnership owned sixteen (16) properties.

The Partnership will be dissolved on November 30, 2010, or earlier upon the prior occurrence of any of the following events: (a) the disposition of all properties of the Partnership; (b) the written determination by the General Partner that the Partnership's assets may constitute "plan assets" for purposes of ERISA; (c) the agreement of Limited Partners owning a majority of the outstanding interests to dissolve the Partnership; or (d) the dissolution, bankruptcy, death, withdrawal, or incapacity of the last remaining General Partner, unless an additional General Partner is elected previously by a majority of the Limited Partners. During the Second Quarters of 2001, 2003, 2005 and 2007, consent solicitations were circulated (the "2001, 2003, 2005 and 2007 Consents, respectively"), which if approved would have authorized the sale of the Partnership's assets and dissolution of the Partnership. A majority of the Limited Partners did not vote in favor of either the 2001, 2003, 2005 or 2007 Consents. Therefore, the Partnership continues to operate as a going concern. The bi-annual consent solicitation is scheduled to be mailed in May of 2009 ("2009 Consent"), which if approved would authorize the sale of the Partnership's assets and dissolution of the Partnership. The 2009 Consent will also include a vote to extend the term of the Partnership for ten years to November 30, 2020.

Significant Accounting Policies

Rental revenue from investment properties is recognized on the straight-line basis over the term of the respective lease. Percentage rents are only accrued when the tenant has reached the sales breakpoint stipulated in the lease.

Rents and other receivables are comprised of billed but uncollected amounts due for monthly rents and other charges, and amounts due for scheduled rent increases for which rentals have been earned and will be collected in the future under the terms of the leases. Receivables are recorded at management's estimate of the amounts that will be collected.

As of December 31, 2008 and 2007 there were no recorded values for allowance for doubtful accounts based on an analysis of specific accounts and historical experience.

The Partnership considers its operations to be in only one segment, the operation of a portfolio of commercial real estate leased on a triple net basis, and therefore no segment disclosure is made.

Depreciation of the properties and improvements are provided on a straight-line basis over the estimated useful lives of the buildings and improvements.

Deferred charges represent leasing commissions paid when properties are leased and upon the negotiated extension of a lease. Leasing commissions are capitalized and amortized over the term of the lease. As of December 31, 2008 and December 31, 2007, accumulated amortization amounted to $46,250 and $57,056, respectively (includes amounts included in properties held for sale at December 31, 2007).

Property taxes, insurance and ground rent on the Partnership's investment properties are the responsibility of the tenant. However, when a tenant fails to make the required tax payments or when a property becomes vacant (such as the Park Forest, IL property formerly operated as a Popeye's Famous Fried Chicken restaurant), the Partnership makes the appropriate payments to avoid possible foreclosure of the property. Such taxes, insurance and ground rent are accrued in the period in which the liability is incurred. The Partnership owns one (1) restaurant, which is located on a parcel of land where it has entered into a long-term ground lease. The tenant, Kentucky Fried Chicken, is responsible for the $3,400 per month ground lease payment.

The Partnership generally maintains cash and cash equivalents in federally insured accounts in a bank that is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all non-interest bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Financial instruments that potentially subject the Partnership to significant concentrations of credit risk consist primarily of cash investments and leases. The Partnership generally maintains cash and cash equivalents in federally insured accounts, which, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk. Additionally, as of December 31, 2008, eight (8) of the Partnership's sixteen (16) properties are leased to two (2) significant tenants who comprised 43% and 18%, respectively, of the total 2008 operating base rents. The percentage calculation does not include income from properties sold during 2008.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets disposed of or deemed to be classified as held for sale require the reclassification of current and previous years' operations to discontinued operations in accordance with Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). As such, prior year operating results for those properties considered as held for sale or properties no longer considered for sale have been reclassified to conform to the current year presentation without effecting total income. When properties are considered held for sale, depreciation of the properties is ceased, and the properties are valued at the lower of the depreciated cost or fair value, less costs to dispose. If circumstances arise that were previously considered unlikely, and, as a result, the property previously classified as held for sale is no longer to be sold, the property is reclassified as held and used. Such property is measured at the lower of its carrying amount (adjusted for any deprecation and amortization expense that would have been recognized had the property been continuously classified as held and used) or fair value at the date of the subsequent decision not to sell.

Assets are classified as held for sale, generally, when all criteria with SFAS No. 144 have been met.

The Partnership periodically reviews its long-lived assets, primarily real estate, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Partnership's review involves comparing current and future operating performance of the assets, the most significant of which is undiscounted operating cash flows, to the carrying value of the assets. Based on this analysis, a provision for possible loss is recognized, if any. The carrying amount of the vacant Park Forest, IL property was reduced by $267,186 to its estimated fair market value of $50,000 during the Third Quarter of 2008.

Statement of Financial Accounting Standards No. 107 ("SFAS No. 107"), Disclosure About Fair Value of Financial Instruments, requires entities to disclose the fair value of all financial assets and liabilities for which it is practicable to estimate. Fair value is defined in SFAS No. 107 as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The general partner, TPG, of the Partnership believes that the carrying value of its assets (exclusive of the Investment Property) and liabilities approximate fair value due to the relatively short maturity of these instruments.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. This Statement is effective for fiscal years beginning after November 15, 2007. SFAS No. 157 was effective for fiscal years beginning after November 15, 2007, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application was permitted until fiscal years beginning after November 15, 2008. The Partnership's adoption of SFAS No. 157 did not have a material impact on the Partnership's financial position, results of operations or cash flows.

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"). SFAS No.159 permits companies to elect to follow fair value accounting for certain financial assets and liabilities in an effort to mitigate volatility in earnings without having to apply complex hedge accounting provisions. The standard also establishes presentation and disclosure requirements designed to facilitate comparison between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Partnership has not elected to report any of its assets or liabilities at fair value as allowed by SFAS No. 159.

No provision for federal income taxes has been made, as any liability for such taxes would be that of the individual partners rather than the Partnership. At December 31, 2008 the tax basis of the Partnership's assets exceeded the amounts reported in the December 31, 2008 financial statements by approximately $7,097,000.

The following represents an unaudited reconciliation of net income as stated on the Partnership statements of income to net income for tax reporting purposes:

	2008 (Unaudited)	2007 (Unaudited)	2006 (Unaudited)
Net income, per statements of income	$2,043,954	$2,111,002	$1,243,233
Book to tax depreciation difference	41,784	(46,470)	(37,070)
Tax over (under) Book gain from asset disposition	21,555	7,271	0
Straight line rent adjustment	17,067	19,573	17,349
Prepaid rent	63,240	33,860	2,816
Impairment write-down of assets held	267,186	0	0
Net income for tax reporting purposes	$2,244,738	$2,125,236	$1,226,328

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes", ("FIN No. 48"). FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. The Partnership's adoption of FIN No. 48, effective January 1, 2007, did not have a material impact on its financial statements.

Recent Accounting Pronouncements

In March of 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities- an amendment of FASB Statement No. 133" ("FAS No. 161"). SFAS No. 161 requires additional disclosures about the objectives of using derivative instruments, the method by which the derivative instruments and related hedged items are accounted for under Statement No. 133 and its related interpretations, and the effect of derivative instruments and related hedged items on financial position, financial performance, and cash flows. SFAS No. 161 also requires disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. As this pronouncement is only disclosure-related, it will not have an impact on the financial position and results of operations.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), "Business Combinations" ("FAS No. 141(R)"). This Statement provides greater consistency in the accounting and financial reporting for business combinations. FAS No. 141(R) establishes new disclosure requirements and, among other things, requires the acquiring entity in a business combination to record contingent consideration payable, to expense transaction costs, and to recognize all assets acquired and liabilities assumed at acquisition-date fair value. This standard is effective for the beginning of the Partnership's first fiscal year beginning after December 15, 2008. FAS No. 141(R) will have a significant impact on the accounting for any future business combinations after the effective date and will impact financial statements both on the acquisition date and subsequent periods.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, “Noncontrolling Interests in Consolidated Financial Statements” (“FAS No. 160”). FAS No. 160 amends Accounting Research Bulletin No. 51, “Consolidated Financial Statements”, to establish accounting and reporting standards for the minority or noncontrolling interests in a subsidiary or variable interest entity and for the deconsolidation of a subsidiary or variable interest entity. Minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. It also establishes a single method of accounting for changes in a parent’s ownership interest in a subsidiary and requires expanded disclosures. FAS No. 160 is effective for the beginning of the Partnership’s first fiscal year beginning after December 15, 2008, and requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. Since the Partnership owns 100% of the Properties, the Partnership does not expect the adoption of this standard to have a material impact on its financial position or results of operations.

2. REGULATORY INVESTIGATION:

A preliminary investigation during 1992 by the Office of Commissioner of Securities for the State of Wisconsin and the Securities and Exchange Commission (the "Investigation") revealed that during at least the four years ended December 31, 1992, the former general partners of the Partnership, Gary J. DiVall ("DiVall") and Paul E. Magnuson ("Magnuson") had transferred substantial cash assets of the Partnership and two affiliated publicly registered limited partnerships, DiVall Insured Income Fund Limited Partnership ("DiVall 1") and DiVall Income Properties 3 Limited Partnership ("DiVall 3") (collectively the "Partnerships") to various other entities previously sponsored by or otherwise affiliated with DiVall and Magnuson. The unauthorized transfers were in violation of the respective Partnership Agreements and resulted, in part, from material weaknesses in the internal control system of the Partnerships.

Subsequent to discovery, and in response to the regulatory inquiries, a third-party Permanent Manager, The Provo Group, Inc. ("TPG"), was appointed (effective February 8, 1993) to assume responsibility for daily operations and assets of the Partnerships as well as to develop and execute a plan of restoration for the Partnerships. Effective May 26, 1993, the Limited Partners, by written consent of a majority of interests, elected the Permanent Manager, TPG, as General Partner. TPG terminated the former general partners by accepting their tendered resignations.

In 1993, the current General Partner estimated an aggregate recovery of $3 million for the Partnerships. At that time, an allowance was established against amounts due from former general partners and their affiliates reflecting the estimated $3 million receivable. This net receivable was allocated among the Partnerships based on each Partnership’s pro rata share of the total misappropriation, and restoration costs and recoveries have been allocated based on the same percentage. Through December 31, 2008, $5,886,000 of recoveries have been received which exceeded the original estimate of $3 million. As a result, from January 1, 1996 through December 31, 2008, the Partnership has recognized a total of $1,198,000 as recovery of amounts previously written off in the statements of income, which represents its share of the excess recovery. The current General Partner continues to pursue recoveries of the misappropriated funds, however, no further significant recoveries are anticipated.

3. INVESTMENT PROPERTIES:

The total cost of the investment properties and specialty leasehold improvements includes the original purchase price plus acquisition fees and other capitalized costs paid to an affiliate of the former general partners.

As of December 31, 2008, the Partnership owned fifteen (15) fully constructed fast-food restaurants and one vacant property located in Park Forest, IL which was formerly operated as a Popeye’s Famous Fried Chicken restaurant (tenant ceased operations in June of 2008, and the lease was terminated and the property vacated in July of 2008). The 15 properties with operating tenants are composed of the following: nine (9) Wendy's restaurants, one (1) Denny's restaurant (reclassified to a property held for sale in January of 2008 and then reclassified to an investment property at September 30, 2008), one (1) Applebee's restaurant, one (1) Kentucky Fried Chicken restaurant, one (1) Chinese Super Buffet restaurant (reclassified to a property held for sale in March of 2008 and then reclassified to an investment property in June of 2008), one (1) Panda Buffet restaurant, and one (1) Daytona's All Sports Café. The sixteen (16) properties are located in a total of eight (8) states.

The Partnership has been unsuccessful in finding a new tenant for the vacant Park Forest, IL property. The Partnership agreed to sell the property for $50,000 to a prospective purchaser. Negotiations ended due to uncertainty over 2008 real estate tax obligations due in 2009. The Partnership has no other interested parties for this vacant property in a distressed location. Accordingly, in the Third Quarter of 2008, the carrying value of the vacant Park Forest, IL property was reduced by $276,186 to its estimated fair market value of $50,000. The reduction included $129,450 related to land and $137,736 related to buildings.

During 2008, 2007 and 2006, the Partnership recognized income from discontinued operations of approximately $1,416,000, $1,083,000 and $283,000, respectively. The 2008, 2007 and 2006 income from discontinued operations is attributable to the reclassification of the Wendy's- 1515 Savannah Hwy., Charleston, SC property and the Blockbuster, Ogden, UT property to properties held for sale in the First Quarter and Second Quarters of 2007, respectively. The 2008 income from discontinued operations includes the Second Quarter net gain of approximately $659,000 on the sale of the Wendy's- 1515 Savannah Hwy., Charleston, SC property (the Wendy's property was sold in May of 2008 under the terms of the Sales Contract dated April 10, 2008) and the Fourth Quarter net gain of approximately $601,000 on the sale of the Blockbuster property (sold in December of 2008). The 2008 income from discontinued operations also includes the First Quarter of 2008 collection of $25,000 in earnest money in relation to the termination of the Wendy's- Savannah Hwy., Charleston, SC property sales contract dated August 21, 2007. Discontinued operations for 2007 and 2006 included income related to the Sunrise Preschool, Phoenix, AZ property which was reclassified to properties held for sale in the Second Quarter of 2006 and sold in April of 2007. The 2007 income from discontinued operations included a Second Quarter net gain on the sale of the Sunrise Preschool property of approximately $862,000 and a Fourth Quarter net gain of approximately $25,000 on the sale of a small strip of the Popeye's- Park Forest, IL land to the Illinois Department of Transportation to be used as street right of way.

The components of property held for sale in the balance sheets as of December 31, 2008 and 2007 are outlined below:

	December 31, 2008	December 31, 2007
Balance Sheet:		
Land	$0	$480,418
Buildings, net	0	329,301
Deferred rent receivable	0	1,462
Deferred charges, net	0	16,421
Security deposits	0	(5,600)
Unearned rental income	0	(5,600)
Property held for sale	$0	$816,402

The components of discontinued operations included in the statements of income for the years ended December 31, 2008, 2007 and 2006 are outlined below:

	December 31, 2008	December 31, 2007	December 31, 2006
Revenues			
Rental Income	$133,413	$231,584	$331,023
Other Income	30,600	0	0
Total Revenues	$164,013	$231,584	$331,023
Expenses			
Insurance	$827	$827	$827
Professional services	527	7,038	4,045
Maintenance and Repair	2,327	14,755	2,100
Depreciation	0	6,455	34,476
Amortization	4,790	6,480	6,114
Total Expenses	$8,471	$35,555	$47,562
Income from Rental Operations	$155,542	$196,029	$283,461
Net gain on sale of properties	1,260,262	886,859	0
Income from Discontinued Operations	$1,415,804	$1,082,888	$283,461

The Denny's- Northern, Phoenix, AZ property was reclassified to a property held for sale in January of 2008, due to the execution of a listing agreement with an unaffiliated broker. A sales contract was executed on March 5, 2008 for the sale of the Denny's- Phoenix, AZ property to an unaffiliated party. In early May, the buyer of the property withdrew from the sales contract dated March 5, 2008 due to financing difficulties. In addition, the listing agreement with the unaffiliated broker for the sale of the property expired in the Second Quarter of 2008. As of June 30, 2008, Management continued to hold the property for sale as they were pursuing other options for its potential sale. However, the property was reclassified to an investment property as of September 30, 2008, as Management had determined that options for its sale would not be actively pursued. The net book value of the buildings was adjusted in the Third Quarter of 2008 by $8,664 for the depreciation during the nine months the property was held for sale.

The components of the Denny's- Northern, Phoenix, AZ property held for sale, that were included in the condensed balance sheets in the March 31, 2008 and June 30, 2008 Quarterly 10-Q reports, are outlined below:

	March 31, 2008 (Unaudited)	June 30, 2008 (Unaudited)
Balance Sheet:		
Land	$453,433	$453,433
Buildings, net	139,593	139,593
Rents and other		

receivables	3,571	5,502
Deferred charges, net	2,340	1,800
Unearned rental income	(6,000)	0
Property held for sale	$592,938	$600,329

The components of the Denny's- Northern, Phoenix, AZ property's income from discontinued operations included in the condensed statements of income in the Quarterly 10-Q reports for the thee months periods ending March 31, 2008 and 2007, and the three and six month periods ending June 30, 2008 and 2007 are outlined below (these amounts were included in income from continuing operations in the condensed statements of income in the Quarterly 10-Q report for the three and nine month periods ended September 30, 2008 and 2007 and in income from continuing operations in the statements of income for the years ended December 31, 2008 and 2007):

	Three Month Period Ended March 31, 2008 (Unaudited)	Three Month Period Ended March 31, 2007 (Unaudited)
Statements of Income:		
Revenues:		
Rental income	$18,248	$15,086
Total Revenues	$18,248	$15,086
Expenses:		
Professional services	$1,726	$0
Depreciation	0	2,888
Amortization	540	428
Total Expenses	$2,266	3,316
Income from Discontinued Operations	$15,982	$11,770

	Three Month Period Ended June 30, 2008 (Unaudited)	Three Month Period Ended June 30, 2007 (Unaudited)	Six Month Period Ended June 30, 2008 (Unaudited)	Six Month Period Ended June 30, 2007 (Unaudited)
Statements of Income:				
Revenues:				
Rental income	$18,000	$15,086	$36,248	$30,172
Total Revenues	$18,000	$15,086	$36,248	$30,172
Expenses:				
Professional services	$2,017	$0	$3,743	$0
Depreciation	0	2,888	0	5,776
Amortization	540	428	1,080	856
Total Expenses	$2,557	3,316	$4,823	$6,632
Income from Discontinued Operations	$15,443	$11,770	$31,425	$23,540

The Chinese Super Buffet, Phoenix, AZ property was reclassified to a property held for sale in March of 2008 due to the execution of a sales contract with an unaffiliated party. The potential buyer terminated the contract in early June of 2008 due to difficulties in obtaining a tenant lease termination. The property was reclassified to an investment property as of June 30, 2008, as the Partnership was not currently pursuing other options for its sale. The net book value of the buildings was adjusted in the Second Quarter of 2008 by $2,848 for the depreciation during the months the property was held for sale.

The components of the Chinese Super Buffet, Phoenix, AZ property held for sale, that were included in the condensed balance sheets as of March 31, 2008 in the Quarterly 10-Q report, are outlined below:

	March 31, 2008 (Unaudited)
Balance Sheet:	
Land	$444,224
Buildings, net	132,922
Deferred rent receivable	28,057
Deferred charges, net	22,943
Property held for sale	$628,146

The components of the Chinese Super Buffet, Phoenix, AZ property's income from discontinued operations included in the condensed statements of income in the Quarterly 10-Q report for the three month periods ending March 31, 2008 and 2007 are outlined below ((these amounts were included in income from continuing operations in the condensed statements of income in the Quarterly 10-Q reports for the three and six month periods ended June 30, 2008 and 2007 and the three and nine month periods ended September 30, 2008 and 2007 and in income from continuing operations in the statements of income for the years ended December 31, 2008 and 2007):

	Three Month Period Ended March 31, 2008 (Unaudited)	Three Month Period Ended March 31, 2007 (Unaudited)
Statements of Income:		
Revenues:		
Rental income	$16,415	$16,560
Total Revenues	$16,415	$16,560
Expenses:		
Professional services	$1,590	$0
Depreciation	2,848	2,848
Amortization	1,208	1,208
Total Expenses	$5,646	$4,056
Income from Discontinued Operations	$10,769	$12,504

Other Investment in Properties Information

According to the Partnership Agreement, the former general partners were to commit 80% of the original offering proceeds to investment in properties. Upon the close of the offering, approximately 75% of the original proceeds were invested in the Partnership's properties.

Certain leases provide the tenant with the option to acquire the property occupied by the tenant. The General Partner is not aware of any unfavorable purchase options in relation to the original cost or fair market value of the property at the time the option was granted, contained in any of the Partnership's existing leases.

4. PARTNERSHIP AGREEMENT:

The Partnership Agreement, prior to an amendment effective May 26, 1993, provided that, for financial reporting and income tax purposes, net profits or losses from operations were allocated 90% to the Limited Partners and 10% to the general partners. The Partnership Agreement also provided for quarterly cash distributions from Net Cash Receipts, as defined, within 60 days after the last day of the first full calendar quarter following the date of release of the subscription funds from escrow, and each calendar quarter thereafter, in which such funds were available for distribution with respect to such quarter. Such distributions were to be made 90% to Limited Partners and 10% to the former general partners, provided, however, that quarterly distributions were to be cumulative and were not to be made to the former general partners unless and until each Limited Partner had received a distribution from Net Cash Receipts in an amount equal to 10% per annum, cumulative simple return on his or her Adjusted Original Capital, as defined, from the Return Calculation Date, as defined.

Net Proceeds, as originally defined, were to be distributed as follows: (a) to the Limited Partners, an amount equal to 100% of their Adjusted Original Capital; (b) then, to the Limited Partners, an amount necessary to provide each Limited Partner a Liquidation Preference equal to a 13.5% per annum, cumulative simple return on Adjusted Original Capital from the Return Calculation date including in the calculation of such return all prior distributions of Net Cash Receipts and any prior distributions of Net Proceeds under this clause; and (c) then, to Limited Partners, 90% and to the General Partners, 10%, of the remaining Net Proceeds available for distribution.

On May 26, 1993, pursuant to the results of a solicitation of written consents from the Limited Partners, the Partnership Agreement was amended to replace the former general partners and amend various sections of the agreement. The former general partners were replaced as General Partner by The Provo Group, Inc., an Illinois corporation. Under the terms of the amendment, net profits or losses from operations are allocated 99% to the Limited Partners and 1% to the current General Partner. The amendment also provided for distributions from Net Cash Receipts to be made 99% to Limited Partners and 1% to the current General Partner, provided that quarterly distributions are cumulative and are not to be made to the current General Partner unless and until each Limited Partner has received a distribution from Net Cash Receipts in an amount equal to 10% per annum, cumulative simple return on his or her Adjusted Original Capital, as defined, from the Return Calculation Date, as defined, except to the extent needed by the General Partner to pay its federal and state income taxes on the income allocated to it attributable to such year. Distributions paid to the General Partner are based on the estimated tax liability resulting from allocated income. Subsequent to the filing of the General Partner's income tax returns, a true up with actual distributions is made.

The provisions regarding distribution of Net Proceeds, as defined, were also amended to provide that Net Proceeds are to be distributed as follows: (a) to the Limited Partners, an amount equal to 100% of their Adjusted Original Capital; (b) then, to the Limited Partners, an amount necessary to provide each Limited Partner a Liquidation Preference equal to a 13.5% per annum, cumulative simple return on Adjusted Original Capital from the Return Calculation Date including in the calculation of such return on all prior distributions of Net Cash Receipts and any prior distributions of Net Proceeds under this clause, except to the extent needed by the General Partner to pay its federal and state income tax on the income allocated to it attributable to such year; and (c) then, to Limited Partners, 99%, and to the General Partner, 1%, of remaining Net Proceeds available for distribution.

Additionally, per the amendment of the Partnership Agreement dated May 26, 1993, the total compensation paid to all persons for the sale of the investment properties is limited to a competitive real estate commission, not to exceed 6% of the contract price for the sale of the property. The General

Partner may receive up to one-half of the competitive real estate commission, not to exceed 3%, provided that the General Partner provides a substantial amount of services in the sales effort. It is further provided that a portion of the amount of such fees payable to the General Partner is subordinated to its success in recovering the funds misappropriated by the former general partners. (See Note 7)

Effective June 1, 1993, the Partnership Agreement was amended to (i) change the definition of "Distribution Quarter" to be consistent with calendar quarters, and (ii) change the distribution provisions to subordinate the General Partner's share of distributions from Net Cash Receipts and Net Proceeds, except to the extent necessary for the General Partner to pay its federal and state income taxes on Partnership income allocated to the General Partner. Because these amendments do not adversely affect the rights of the Limited Partners, pursuant to section 10.2 of the Partnership Agreement, the General Partner made the amendments without a vote of the Limited Partners.

5. LEASES:

Original lease terms for the majority of the investment properties are generally 5 - 20 years from their inception. The leases generally provide for minimum rents and additional rents based upon percentages of gross sales in excess of specified breakpoints. The lessee is responsible for occupancy costs such as maintenance, insurance, real estate taxes, and utilities. Accordingly, these amounts are not reflected in the statements of income except in circumstances where, in management's opinion, the Partnership will be required to pay such costs to preserve its assets (i.e., payment of past-due real estate taxes). Management has determined that the leases are properly classified as operating leases; therefore, rental income is reported when earned on a straight-line basis and the cost of the property, excluding the cost of the land, is depreciated over its estimated useful life.

As of December 31, 2008, the aggregate minimum operating lease payments to be received under the current operating leases for the Partnership's properties are as follows:

Year ending December 31,	
2009	$1,085,650
2010	937,500
2011	938,500
2012	939,500
2013	851,028
Thereafter	5,866,425
	$10,618,603

Operating percentage rentals included in rental income from operations in 2008, 2007, and 2006 were approximately $427,000, $444,000, and $423,000, respectively. At December 31, 2008, rents and other receivables included $2,000 of unbilled and $417,000 of unbilled percentage rents. At December 31, 2007, rents and other receivables included $9,000 of billed and $415,000 of unbilled percentage rents. As of December 31, 2008, only approximately $3,000 of these 2007 percentage rents had not been collected (the amount was related to the Denny's- Northern, Phoenix, AZ property and was written-off as uncollectible in the Third Quarter of 2008).

On September 4, 2008, three (3) of the properties were leased to Wendcharles I, LLC ("Wendcharles"), a franchisee of Wendy's restaurants. On July 2, 2007, six (6) of the properties were leased to Wendgusta, LLC ("Wendgusta"), a franchisee of Wendy's restaurants. Wendcharles and Wendgusta operating base rents accounted for 18% and 43%, respectively, of the total 2008 operating base rents. In each case, the percentage calculation does not include rental income from properties sold during 2008.

6. TRANSACTIONS WITH GENERAL PARTNER AND ITS AFFILIATES:

Pursuant to the terms of the Permanent Manager Agreement ("PMA"), the General Partner receives a Base Fee for managing the Partnership equal to 4% of gross receipts, subject to a $159,000 minimum. The PMA also provides that the Partnership is responsible for reimbursement for office rent and related office overhead ("Expenses") up to a maximum of $13,250. Both the Base Fee and Expense reimbursement are subject to annual Consumer Price Index based adjustments. Effective March 1, 2008, the minimum annual Base Fee and the maximum Expense reimbursement increased by 2.85%, which represents the allowable annual Consumer Price Index adjustment per the PMA. Therefore, as of March 1, 2008, the minimum monthly Base Fee paid by the Partnership was raised to $19,485 and the maximum monthly Expense reimbursement was raised to $1,572.

For purposes of computing the 4% overall fee, gross receipts includes amounts recovered in connection with the misappropriation of assets by the former general partners and their affiliates. TPG has received fees from the Partnership totaling $58,434 to date on the amounts recovered, which includes 2008, 2007 and 2006 fees of $535, $497 and $497, respectively. The fees received from the Partnership on the amounts recovered reduce the 4% minimum fee by that same amount.

Amounts paid and/or accrued to the General Partner and its affiliates for the years ended December 31, 2008, 2007, and 2006, are as follows:

General Partner	Incurred for the Year ended December 31, 2008	Incurred for the Year ended December 31, 2007	Incurred for the Year ended December 31, 2006
Management fees	$232,205	$225,657	$218,523
Restoration fees	535	497	497
Overhead allowance	18,777	18,246	17,670
Sales commission	56,600	48,000	0
Leasing commissions	55,872	58,365	6,480
Reimbursement for out-of-pocket expenses	6,848	7,250	6,832
Cash distribution	9,245	8,444	4,973
	$380,082	$366,459	$254,975

At December 31, 2008 and 2007, $4,465 and $2,339, respectively, was payable to the General Partner.

7. CONTINGENT LIABILITIES:

According to the Partnership Agreement, as amended, the General Partner may receive a disposition fee not to exceed 3% of the contract price of the sale of investment properties. Fifty percent (50%) of all such disposition fees earned by the General Partner is to be escrowed until the aggregate amount of recovery of the funds misappropriated from the Partnerships by the former general partners is greater than $4,500,000. Upon reaching such recovery level, full disposition fees will thereafter be payable and fifty percent (50%) of the previously escrowed amounts will be paid to the General Partner. At such time as the recovery exceeds $6,000,000 in the aggregate, the remaining escrowed disposition fees will be paid to the General Partner. If such levels of recovery are not achieved, the General Partner will contribute the amounts escrowed toward the recovery. In lieu of an escrow, 50% of all such disposition fees have been paid directly to a restoration account and then distributed among the three original Partnerships. Fifty percent (50%) of the total amount paid to the recovery was refunded to the General Partner during March

1996 after exceeding the recovery level of $4,500,000. The General Partner does not expect any future refunds, as the possibility of achieving the $6,000,000 recovery threshold appears remote.

8. PMA INDEMNIFICATION TRUST:

The PMA provides that the Permanent Manager will be indemnified from any claims or expenses arising out of or relating to the Permanent Manager serving in such capacity or as substitute general partner, so long as such claims do not arise from fraudulent or criminal misconduct by the Permanent Manager. The PMA provides that the Partnership fund this indemnification obligation by establishing a reserve of up to $250,000 of Partnership assets which would not be subject to the claims of the Partnership's creditors. An Indemnification Trust ("Trust") serving such purposes has been established at United Missouri Bank, N.A. The corpus of the Trust has been fully funded with Partnership assets as of December 31, 2008. Funds are invested in U.S. Treasury securities. In addition, $199,624 of earnings has been credited to the Trust as of December 31, 2008. The rights of the Permanent Manager to the Trust will be terminated upon the earliest to occur of the following events: (i) the written release by the Permanent Manager of any and all interest in the Trust; (ii) the expiration of the longest statute of limitations relating to a potential claim which might be brought against the Permanent Manager and which is subject to indemnification; or (iii) a determination by a court of competent jurisdiction that the Permanent Manager shall have no liability to any person with respect to a claim which is subject to indemnification under the PMA. At such time as the indemnity provisions expire or the full indemnity is paid, any funds remaining in the Trust will revert back to the general funds of the Partnership.

9. FORMER GENERAL PARTNERS' CAPITAL ACCOUNTS:

The capital account balance of the former general partners as of May 26, 1993, the date of their removal as general partners pursuant to the results of a solicitation of written consents from the Limited Partners, was a deficit of $840,229. At December 31, 1993, the former general partners' deficit capital account balance was reallocated to the Limited Partners.

10. SUBSEQUENT EVENTS:

On February 13, 2009, the Partnership made distributions to the Limited Partners of $1,300,000, which amounted to $28.09 per Interest.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9a. Control and Procedures

Controls and Procedures

As of December 31, 2008, the Partnership's Chief Executive Officer and Chief Financial Officer, have concluded that the Partnership's controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective based on the evaluation of these controls and procedures required by paragraph (b) of Rule 13a-15 or Rule 15d-15 under the Securities Exchange Act of 1934, as amended.

Management's Report on Internal Control over Financial Reporting

The Partnership's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). The Partnership's management assessed the effectiveness of the internal control over financial reporting as of December 31, 2008. In making this assessment, the Partnership's management used the criteria set forth by the Securities and Exchange Commission in Release No. 34-55959 and the interpretive guidance issued thereunder (as permitted in Rules 13a-15(c) and 15d-15(c) under the Securities Exchange Act of 1934, as amended). The Partnership's management has concluded that, as of December 31, 2008, the internal control over financial reporting is effective based on these criteria. Further, there were no changes in the Partnership's controls over financial reporting during the quarter ended December 31, 2008, that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

The Partnership's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the disclosure controls and procedures of the internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

This Form 10-K does not include an attestation report of the Partnership's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Partnership's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Partnership to provide only management's report in this Annual Report.

PART III

Item 10. Directors and Executive Officers of the Registrant

TPG is an Illinois corporation with its principal office at 1100 Main Street, Suite 1830, in Kansas City, Missouri 64105. TPG was elected General Partner by vote of the Limited Partners effective on May 26, 1993. Prior to such date, TPG had been managing the Partnership since February 8, 1993, under the terms of the Permanent Manager Agreement as amended ("PMA"), which remains in effect. See Items 1 and 13 hereof for additional information about the PMA and the election of TPG as General Partner.

The executive officers and director of the General Partner who control the affairs of the Partnership are as follows:

Bruce A. Provo, Age 58 - President, Founder and Director.
Mr. Provo has been involved in the management of real estate and other asset portfolios since 1979. Since he founded the company in 1985, Mr. Provo has been President of TPG. From 1982 to 1986, Mr. Provo served as President and Chief Operating Officer of the North Kansas City Development Company ("NKCDC"), North Kansas City, Missouri. NKCDC was founded in 1903 and the assets of the company were sold in December 1985 for $102,500,000. NKCDC owned commercial and industrial properties, including an office park and a retail district, as well as apartment complexes, motels, recreational facilities, fast food restaurants, and other properties. NKCDC's holdings consisted of over 100 separate properties and constituted approximately 20% of the privately held real property in North Kansas City, Missouri (a four square mile municipality). Following the sale of the company's real estate, Mr. Provo served as the President, Chief Executive Officer and Liquidating Trustee of NKCDC from 1986 to 1991.

Mr. Provo graduated from Miami University, Oxford, Ohio in 1972 with a B.S. in Accounting. He became a Certified Public Accountant in 1974 and was a manager in the banking and financial services division of Arthur Andersen LLP prior to joining Rubloff Development Corporation in 1979. From 1979 through 1985, Mr. Provo served as Vice President - Finance and then as President of Rubloff Development Corporation.

The Advisory Board, although its members are not "Directors" or "Executive Officers" of the Partnership, provides advisory oversight to management of the Partnership and consists of:

William Arnold - Investment Broker. Mr. Arnold works as a financial planner, real estate broker, and investment advisor at his company, Arnold & Company. Mr. Arnold graduated with a Master's Degree from the University of Wisconsin and is a Certified Financial Planner. He serves as a board representative for the brokerage community.

Jesse Small – CPA. Mr. Small has been a well-known, respected tax and business consultant in Hallandale, FL for more than 30 years. Mr. Small has a Master's Degree in Economics. Mr. Small is a Limited Partner representing DiVall 2. During the past five years after retiring from the accounting profession, Mr. Small has been developing property on the east and west coast of Florida.

Albert Kramer - Retired. Mr. Kramer is now retired, but previously worked as Tax Litigation Manager for Phillips Petroleum Company. His education includes undergraduate and MBA degrees from Harvard and a J.D. Degree from South Texas College of Law. Mr. Kramer is a Limited Partner representing DiVall 2.

Item 11. Executive Compensation

The Partnership has not paid any "executive compensation" to the corporate General Partner or to the directors and officers of the General Partner. The General Partner's participation in the income of the Partnership is set forth in the Partnership Agreement, which is filed as Exhibits 3.1, 3.2, 3.3, 3.4 and 3.5 hereto. The current General Partner received management fees and expense reimbursements during the year.

See Item 13, below, and Note 6 to the Financial Statements in Item 8 hereof for further discussion of payments by the Partnership to the General Partner and the former general partners.

Item 12. Security Ownership of Certain Beneficial Owners and Management

(a) As of December 31, 2008, the following person is known to beneficially own 5% or more of the outstanding Interests as follows:

Title of Class	Name and Address of Beneficial Owner	Interests Beneficially Owned	Percentage of Interests of Outstanding
Limited Partnership Interests	Jesse Small 401 NW 10th Terrace Hallandale, FL 33009	3,966	8.57%

(b.) As of December 31, 2008, neither the General Partner nor any of their affiliates owned any Interests in the Partnership.

Item 13. Certain Relationships and Related Transactions

Pursuant to the terms of the Permanent Manager Agreement ("PMA"), the General Partner receives a Base Fee for managing the Partnership equal to 4% of gross receipts, subject to a $159,000 minimum. The PMA also provides that the Partnership is responsible for reimbursement for office rent and related office overhead ("Expenses") up to a maximum of $13,250. Both the Base Fee and Expense reimbursement are subject to annual Consumer Price Index based adjustments. Effective March 1, 2008, the minimum annual Base Fee and the maximum Expense reimbursement increased by 2.85%, which represents the allowable annual Consumer Price Index adjustment per the PMA. Therefore, as of March 1, 2008, the minimum monthly Base Fee paid by the Partnership was raised to $19,485 and the maximum monthly Expense reimbursement was raised to $1,572.

Additionally, TPG is allowed up to one-half of the Competitive Real Estate Commission, not to exceed 3% upon the disposition of assets. The payment of a portion of such fees is subordinated to TPG's success at recovering the funds misappropriated by the former general partners.

The PMA had an original expiration date of December 31, 2002. At the end of the original term, it was extended three years by TPG to an expiration date of December 31, 2005 and then an additional three years to an expiration date of December 31, 2008. Effective January 1, 2009, the PMA was renewed by TPG for the two-year period ending December 31, 2010. The PMA can be terminated earlier (a) by a vote at any time by a majority in interest of the Limited Partners, (b) upon the dissolution and winding up of the Partnership, (c) upon the entry of an order of a court finding that the Permanent Manager has engaged in fraud or other like misconduct or has shown itself to be incompetent in carrying out its duties under the Partnership Agreement, or (d) upon sixty (60) days written notice from the Permanent Manager to the Limited Partners of the Partnership. Upon termination of the PMA, other than by the voluntary action of TPG, TPG shall be paid a termination fee of one month's Base Fee allocable to the Partnership, subject to a minimum of $13,250. In the event that TPG is terminated by action of a substitute general partner, TPG shall also receive, as part of this termination fee, 4% of any proceeds recovered with respect to the obligations of the former general partners, whenever such proceeds are collected.

Under the PMA, TPG shall be indemnified by the Partnership, DiVall and Magnuson, and their controlled affiliates, and shall be held harmless from all claims of any party to the Partnership Agreement and from any third party including, without limitation, the Limited Partners of the Partnership, for any and all liabilities, damages, costs and expenses, including reasonable attorneys' fees, arising from or related to claims relating to or arising from the PMA or its status as Permanent Manager. The indemnification does not extend to claims arising from fraud or criminal misconduct of TPG as established by court findings. To the extent possible, the Partnership is to provide TPG with appropriate errors and omissions, officer's liability or similar insurance coverage, at no cost to TPG. In addition, TPG was granted the right to establish an Indemnification Trust in an original amount, not to exceed $250,000, solely for the purpose of funding such indemnification obligations. Once a determination has been made that no such claims can or will be made against TPG, the balance of the Trust will become unrestricted property of the Partnership. At December 31, 2008 the Partnership had fully funded the Trust.

The Partnership paid and/or accrued the following to management and its affiliates in 2008:

The Provo Group, Inc.:	
Management Fees	$232,205
Restoration Fees	535
Sales Commission	56,600
Leasing Commission	58,872
Office Overhead Allowance	18,777
Direct Cost Reimbursements	6,848
Cash Distributions	9,245
2008 Total	$380,082

Item 14. Principal Accounting Firm Fees and Services

Aggregate billings during the years 2008 and 2007 for audit services provided by the Partnership's principal accounting firm, McGladrey & Pullen ("M&P"), to the Partnership, amounted to $62,009 and $46,625, respectively.

Aggregate billings for interim review services provided by the Partnership's principal accounting firm, M&P, to the Partnership during the years 2008 and 2007, amounted to $12,000 and $11,850, respectively.

Tax compliance services provided by RSM McGladrey, Inc. ("RSM") that were billed during 2008 and 2007 were $22,750 and $18,400, respectively.

For the year ended December 31, 2008, M&P provided management consulting services for the Partnership for a fee of $2,500. For the year ended December 31, 2007, M&P did not perform any management consulting services for the Partnership.

For the years December 31, 2008 and 2007, RSM, did not perform any management consulting services for the Partnership.

PART IV

Item 15. Exhibits, Financial Statement Schedule, and Reports on Form 8-K

(a) 1. Financial Statements

The following financial statements of DiVall Insured Income Properties 2 Limited Partnership are included in Part II, Item 8:

Report of Independent Registered Public Accounting Firm

Independent Auditors' Report

Balance Sheets, December 31, 2008 and 2007

Statements of Income for the Years Ended December 31, 2008, 2007, and 2006

Statements of Partners' Capital for the Years Ended December 31, 2008, 2007, and 2006

Statements of Cash Flows for the Years Ended December 31, 2008, 2007, and 2006

Notes to Financial Statements

2. Financial Statement Schedule

Schedule III – Investment Properties and Accumulated Depreciation, December 31, 2008

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instruction or are inapplicable and, therefore, have been omitted.

3. Listing of Exhibits

3.1 Agreement of Limited Partnership dated as of November 18, 1987, amended as of November 25, 1987, and February 20, 1988, filed as Exhibit 3A to Amendment No. 1 to the Partnership's Registration Statement on Form S-11 as filed on February 22, 1988, and incorporated herein by reference.

3.2 Amendments to Amended Agreement of Limited Partnership dated as of June 21, 1988, included as part of Supplement dated August 15, 1988, filed under Rule 424(b)(3), incorporated herein by reference.

3.3. Amendment to Amended Agreement of Limited Partnership dated as of February 8, 1993, filed as Exhibit 3.3 to the Partnership's 10-K for the year ended December 31, 1992, and incorporated herein by reference.

3.4 Amendment to Amended Agreement of Limited Partnership dated as of May 26, 1993, filed as Exhibit 3.4 to the Partnership's 10-K for the year ended December 31, 1993, and incorporated herein by reference.

3.5 Amendment to Amended Agreement of Limited Partnership dated as of June 30, 1994, filed as Exhibit 3.5 to the Partnership's 10-K for the year ended December 31, 1994 and incorporated herein by reference.

10.0 Permanent Manager Agreement filed as an exhibit to the Current Report on Form 8-K dated January 22, 1993, incorporated herein by reference.

31.1 302 Certifications.

32.1 Certification of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350.

99.0 Correspondence to the Limited Partners dated February 13, 2009 regarding the Fourth Quarter 2008 distribution.

99.1 Reviewed Financial Statements of Wendgusta, LLC for the fiscal years ended December 28, 2008 and December 30, 2007 prepared by Vrona, Van Schuyler & Hester, CPAs, PLLC.

99.2 Reviewed Financial Statements of Wendcharles I, LLC for the initial period June 24, 2008 to December 28, 2008 prepared by Vrona, Van Schuyler & Hester, CPAs, PLLC.

(b) Reports on Form 8-K:

The Registrant filed Form 8-K on August 14, 2002.

The Registrant filed Form 8-K/A on August 27, 2002.

The Registrant filed Form 8-K on January 6, 2003.

The Registrant filed Form 8-K/A on January 17, 2003.

The Registrant filed Form 8-K on November 19, 2004

The Registrant filed Form 8-K/A on December 2, 2004

The Registrant filed Form 8-K on November 30, 2006

The Registrant filed Form 8-K/A on December 21, 2006

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP
SCHEDULE III – INVESTMENT PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2008

		Initial Cost to Partnership			Gross Amount at which Carried at End of Year						
Property	Encumbrances	Land	Building and Improvements	Costs Capitalized Subsequent to Acquisitions	Land	Building and Improvements	Total	Accumulated Depreciation	Date of Construction	Date Acquired	Life on which Depreciation in latest statement of operations is computed (years)
Phoenix, Arizona	-	$444,224	$421,676	-	$444,224	$421,676	$865,900	$297,299	-	6/15/88	31.5
Phoenix, Arizona (1)	-	482,383	490,343	-	453,433	428,676	882,109	300,635	-	8/15/88	31.5
Santa Fe, New Mexico	-	-	451,230	-	-	451,230	451,230	290,004	-	10/10/88	31.5
Augusta, Georgia (2)	-	215,416	434,178	-	213,226	434,177	647,403	285,263	-	12/22/88	31.5
Charleston, South Carolina	-	273,619	323,162	-	273,619	323,162	596,781	212,323	-	12/22/88	31.5
Park Forest, Illinois (3) (4)	-	187,900	393,038	-	50,000	255,302	305,302	255,302	-	12/22/88	31.5
Aiken, South Carolina	-	402,549	373,795	-	402,549	373,795	776,344	244,406	-	2/21/89	31.5
Augusta, Georgia	-	332,154	396,659	-	332,154	396,659	728,813	259,356	-	2/21/89	31.5
Mt. Pleasant, South Carolina	-	286,060	294,878	-	286,060	294,878	580,938	192,806	-	2/21/89	31.5
Charleston, South Carolina	-	273,625	254,500	-	273,625	254,500	528,125	166,405	-	2/21/89	31.5
Aiken, South Carolina	-	178,521	455,229	-	178,521	455,229	633,750	297,652	-	3/14/89	31.5
Des Moines, Iowa (1)	-	164,096	448,529	$287,991	161,996	551,057	713,053	379,245	1989	8/1/89	31.5
North Augusta, South Carolina	-	250,859	409,297	-	250,859	409,297	660,156	253,209	-	12/29/89	31.5
Martinez, Georgia	-	266,175	367,575	-	266,175	367,575	633,750	227,398	-	12/29/89	31.5
Grand Forks, North Dakota	-	172,701	566,674	-	172,701	566,674	739,375	350,570	-	12/28/89	31.5
Columbus, Ohio	-	351,325	708,141	-	351,325	708,140	1,059,465	426,601	-	6/1/90	31.5
	$0	$4,281,607	$6,788,904	$287,991	$4,110,467	$6,692,027	$10,802,494	$4,438,474			

(1) This property was written down to its estimated net realizable value at December 31, 1998.

(2) In the Fourth Quarter of 2001, a portion of the land was purchased from the Partnership by the County Commission for utility and maintenance easement.

(3) In the Fourth Quarter of 2007, a small strip of the land was purchased from the Partnership by the Illinois Department of Transportation to be used as street right of way.

(4) This property was written down $267,186 ($129,450 related to land and $137,736 related to buildings and improvements) to its estimated net realizable value during the Third Quarter of 2008.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

SCHEDULE III – INVESTMENT PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2008
(B) Reconciliation of "Investment Properties and Accumulated Depreciation":

Investment Properties	Year Ended December 31, 2008	Year Ended December 31, 2007	Accumulated Depreciation	Year Ended December 31, 2008	Year Ended December 31, 2007
Balance at beginning of year	$11,069,680	$12,305,493	Balance at beginning of year	$4,239,573	$4,470,221
Additions:			Additions charged to costs and expenses	198,901	208,287
Blockbuster- Ogden, UT (1)		21,290			
Deletions:					
Wendy's- 1515 Savannah Hwy, Charleston, SC Reclassified (2)		(580,938)	Wendy's- 1515 Savannah Hwy, Charleston, SC Reclassifed (2)		(166,677)
Blockbuster- Ogden, UT Reclassified (3)		(667,715)	Blockbuster- Ogden, UT Reclassified (3)		(272,258)
Popeye's- Park Forest, IL (4) (5)	(267,186)	(8,450)			
Balance at end of year	$10,802,494	$11,069,680	Balance at end of year	$4,438,474	$4,239,573

(1) Capitalized roofing expenditures were incurred at the Blockbuster, Ogden, UT property in the Second Quarter of 2007.

(2) This property was reclassified to property held for sale in the First Quarter of 2007 and sold in the Second Quarter of 2008.

(3) This property was reclassified to property held for sale in the Second Quarter of 2007 and sold in the Fourth Quarter of 2008.

(4) A small strip of land was sold to the Illinois Department of Transportation to be used for street right of way in the Fourth Quarter of 2007.

(5) The property was written-down $267,186 to its estimated net realizable value during the Third Quarter of 2008.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

By: The Provo Group, Inc., General Partner

By: /s/Bruce A. Provo
Bruce A. Provo, President

Date: March 27, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following person on behalf of the Registrant and in the capacities and on the date indicated.

By: The Provo Group, Inc., General Partner

By: /s/Bruce A. Provo
Bruce A. Provo, President, Chief Executive Officer and Chief Financial Officer

Date: March 27, 2009

Exhibit 31.1

DIVALL INSURED INCOME PROPERTIES 2
LIMITED PARTNERSHIP

CERTIFICATIONS

I, Bruce A. Provo, certify that:

1. I have reviewed this annual report on Form 10-K of DiVall Insured Income Properties 2 Limited Partnership;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such internal control over financial reporting to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such disclosure controls and procedures to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information ; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

THE PROVO GROUP, INC., General Partner

Dated: March 27, 2009

By /s/ Bruce A. Provo
President, Chief Executive Officer and
Chief Financial Officer

Exhibit 32.1

**DIVALL INSURED INCOME PROPERTIES 2
LIMITED PARTNERSHIP**

**Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Divall Insured Income Properties 2 Limited Partnership (the "Company") certifies that the Annual Report on Form 10-K of the Company for the year ended December 31, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-K/A fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE PROVO GROUP, INC., General Partner

Dated: March 27, 2009

By /s/ Bruce A. Provo
President, Chief Executive Officer and
Chief Financial Officer

This certification is made solely for the purpose of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.

VRONA, VAN SCHUYLER & HESTER CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Exhibit 99.1

WENDGUSTA, LLC

FINANCIAL STATEMENTS

DECEMBER 28, 2008 AND DECEMBER 30, 2007

VRONA, VAN SCHUYLER & HESTER CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS
WWW.VRONAVANSCHUYLERHESTERCPA.COM

240 LONG BEACH ROAD
ISLAND PARK, NY 11558-1541
TEL: 516-670-9479
FAX: 516-670-9477

240 WEST 35TH ST. STE 300
NEW YORK, NY 10001-2506
TEL: 212-868-3750
FAX: 212-868-3727

ACCOUNTANTS' REVIEW REPORT

The Members
Wendgusta, LLC
27 Central Avenue
Cortland, New York 13045

We have reviewed the accompanying statement of assets, liabilities and members' capital-income tax basis of Wendgusta, LLC as of December 28, 2008 And December 30, 2007 and the related statements of revenues and expenses-income tax basis, members' capital-income tax basis and cash flows-income tax basis for the period December 28, 2008 and December 30, 2007 in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Wendgusta, LLC.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the income tax basis of accounting, as described in Note 1.

Vrona, Van Schuyler & Hester CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

January 21, 2009

VRONA, VAN SCHUYLER & HESTER CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Wendgusta, LLC
Statement of Assets, Liabilities and Members' Capital-Income Tax Basis
December 28, 2008 and December 30, 2007

ASSETS

	2008	2007
Current assets:		
Cash - (Note 1J)	$ 714,273	$1,429,205
Inventories - (Note 1C)	55,019	56,570
Prepaid expenses and other current assets	59,748	54,881
Total current assets	829,040	1,540,656
Property and equipment, net of accumulated depreciation - (Notes 1D and 2)	1,612,972	1,704,554
Other assets:		
Goodwill, net of accumulated amortization of $595,662 in 2008 and $198,554 in 2007- (Note 1E)	5,360,965	5,758,073
Loan cost, net of accumulated amortization of $11,109 in 2008 and $3,703 in 2007 - (Note 1G)	55,544	62,950
Organization and start-up cost, net of accumulated amortization of $20,828 in 2008 $6,943 in 2007 and -(Note 1F)	48,598	62,483
Total other assets	5,465,107	5,883,506
TOTAL ASSETS	$7,907,119	$9,128,716

LIABILITIES AND MEMBERS' CAPITAL

	2008	2007
Current liabilities:		
Current maturities of long-term debt - (Note 3)	$ 342,880	$ 316,131
Accounts payable and accrued expenses	860,085	948,114
Total current liabilities	1,202,965	1,264,245
Long-term debt, less current maturities - (Note 3)	6,491,191	6,834,071
Total liabilities	7,694,156	8,098,316
Commitments and contingencies - (Notes 3,4,5 and 6)		-
Members' capital - (Notes 1A and 5)	212,963	1,030,400
TOTAL LIABILITIES AND MEMBERS' CAPITAL	$7,907,119	$9,128,716

See accountants' review report and notes to the financial statements.

VRONA, VAN SCHUYLER & HESTER CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Wendgusta, LLC
Statement of Revenues and Expenses-Income Tax Basis
For the Periods December 28, 2008 and December 30, 2007

	2008	2007
Sales	$13,299,514	$ 6,528,314
Cost of sales	4,247,707	2,105,113
Gross profit	9,051,807	4,423,201
Labor expenses	4,024,586	2,143,779
Store operating and occupancy expenses	2,448,091	1,215,241
General and administrative expenses	494,495	281,410
Advertising expenses - (Note 4A)	601,403	295,812
Royalty expense - (Note 4A)	531,981	261,133
Depreciation and amortization - (Notes 1D, 1E, 1F and 1G)	906,208	326,150
Interest expense - (Note 3)	565,864	244,068
Total expenses	9,572,628	4,767,593
	(520,821)	(344,392)
Loss on restaurant closing	0	(702,375)
Loss on disposal of assets	(56,763)	(124,274)
Interest income	13,420	42,151
Other income	20,587	9,865
Excess of expenses over revenues - (Note 1H)	$(543,577)	$(1,119,025)

See accountants' review report and notes to the financial statements.

Wendgusta, LLC
Statement of Members' Capital - Income Tax Basis
For the Periods December 28, 2008 and December 30, 2007

Members' capital contributions in 2006	$ 2,189,425
Excess of expenses over revenues for the initial period from May 16, 2007 to December 30, 2007	(1,119,025)
Distributions paid to members	(40,000)
Members Capital, December 30, 2007	1,030,400
Excess of expenses over revenues for the period December 30, 2007 to December 28 2008	(543,577)
Distributions paid to members	(271,860)
Purchase of member's interest	(2,000)
MEMBERS' CAPITAL, DECEMBER 30, 2008	$ 212,963

See accountants' review report and notes to the financial statements.

VRONA, VAN SCHUYLER & HESTER CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Wendgusta, LLC
Statement of Cash Flows-Income Tax Basis
For the Periods December 28, 2008 and December 30, 2007

Cash flows from operating activities:	2008	2007
Excess of expenses over revenues	$(543,577)	$(1,119,025)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	906,208	326,150
Decrease (increase) in inventories	1,551	(56,570)
Decrease (increase) in prepaid expenses and other current assets	(4,867)	(54,881)
Increase (decrease) in accounts payable, accrued expenses and taxes	(88,029)	948,114
Loss on restaurant closing	0	702,375
Loss on disposal of assets	56,763	124,274
Total adjustments	871,626	1,989,462
Net cash provided by operating activities	328,049	870,437
Cash flows from investing activities:		
Capital expenditures, tangible and intangible assets	(452,990)	(8,740,859)
Cash flows from financing activities:		
Members contributions	0	2,189,425
Proceeds from Loan	0	7,250,000
Repayments of note payable	(316,131)	(99,798)
Members' distributions	(271,860)	(40,000)
Purchase of member's interest	(2,000)	0
Net cash provided by(used in)financing activities	(589,991)	9,299,627
Net increase in cash	(714,932)	1,429,205
Cash, beginning of year	1,429,205	0
Cash, end of year	$ 714,273	$ 1,429,205
Additional Cash Flow Information:		
Interest paid during the year	$ 565,263	$ 243,543

See accountants' review report and notes to the financial statements.

Wendgusta, LLC
Notes to the Financial Statements
December 28, 2008 and December 30, 2007

Note 1 - Summary of Significant Accounting Policies

(A) The Company:

Wendgusta, LLC was formed on May 16, 2007 pursuant to the Georgia Limited Liability Company Act to acquire, own and operate eleven existing Wendy's Old Fashioned Hamburger Restaurants in Augusta and Martinez, Georgia and Aiken and North Augusta, South Carolina. The restaurants, all of which are leased, were acquired from one seller for an aggregate purchase price of $7,650,000, plus various adjustments in the net aggregate amount of approximately $50,000. The Company recorded goodwill in the amount of approximately $6,527,000. The purchase price was financed principally by a $7,250,000 equipment loan from General Electric Capital Corporation, ("GECC") with the balance provided by capital contributions of the members. The acquisition closed on July 2, 2007. The Company was assigned the eleven leases from four different lessors. (See Notes 2, 3 and 4B).

The Company's eleven restaurants are located in Augusta at 449 and 1730 Walton Way, 2738 Washington Road, 3342 Wrightsboro Road, 3013 Peach Orchard Road, 3087 Deans Bridge Road, and 430 Belair Road; in Martinez at 3859 Washington Road; in Aiken at 1004 Richland Avenue and 1901 Whiskey Road; and in North Augusta at 1717 Martintown Road. In 2007 the Company closed its Dean Bridge Road restaurant. (See Notes 2 and 4B).

The Company is to continue in perpetuity, except it is to be dissolved as a result of the sale of all business operations or the sale of all or substantially all of its assets, in each of such cases upon the receipt of the consideration therefor in cash or the reduction to cash of non-cash consideration, or upon the occurrence of certain events as set forth in the operating agreement. (See Note 5B).

(B) Income Tax Basis of Accounting:

The Company is treated as a partnership for federal, Georgia and South Carolina income tax purposes. The accompanying financial statements have been prepared on the basis of accounting used to prepare the Company's federal partnership return. Such other comprehensive basis of accounting differs in certain respects from generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in accordance with generally accepted accounting principles. (See Note 1H).

(C) Inventories:

Inventories represent food and supplies and are stated at cost.

(D) Property, Equipment and Depreciation:

Property and equipment are stated at cost. Depreciation is provided by application of the straight-line and declining balance methods over depreciable lives as follows:

Leasehold improvements	15 to 39 years
Restaurant and office equipment	5 to 7 years
Automobile	5 years
Land improvements	15 years

Wendgusta, LLC
Notes to the Financial Statements
December 28, 2008 and December 30, 2007

Note 1 - Summary of Significant Accounting Policies - (continued)

(E) Goodwill:

Goodwill, representing the excess of the purchase price over the fair value of the assets acquired, is amortized over fifteen years.

(F) Organizational and Start-Up Costs:

The Company capitalized the costs incurred in the formation of the company. These costs are amortized over 5 years.

(G) Loan Cost:

The Company capitalized the cost incurred in the obtaining the acquisition debt. These costs are amortized over 9 years. (See note 3).

(H) Income Taxes:

The Company was organized as a Limited Liability Company under the laws of Georgia and is not subject to any federal or state income tax. For federal, Georgia and South Carolina income tax purposes, the Company is treated as a partnership. Accordingly, each member is required to report on his federal and applicable state income tax return his distributive share of all items of income, gain, loss, deduction, credit and tax preference of the Company for any taxable year, whether or not any cash distribution has been or will be made to such member.

The Partnership's tax returns are subject to examination by the Federal and State taxing authorities. The tax rules and regulations governing these returns are complex, technical and subject to varying interpretations. If an examination required the Partnership to make adjustments, the profit or loss allocated to the partners would be adjusted accordingly.

Although income tax rules are used to determine the timing of the reporting revenues and expenses, non-taxable revenues and non-deductible expenses are included in the determination of net income in the accompanying financial statements.

(I) Fiscal Year:

The Company's annual accounting period is a fiscal year ending on the last Sunday of December. Fiscal 2007 comprised 26 weeks.

(J) Cash:

The Partnership maintains its cash in various banks. The accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation, to a maximum of $250,000. At any time during the year, the cash balance may exceed $250,000.

(K) Use of Estimates:

The preparation of financial statements in conformity with the income tax accrual basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Wendgusta, LLC
Notes to the Financial Statements
December 28, 2008 and December 30, 2007

Note 2 - Property and Equipment

Property and equipment consist of the following:

	2008	2007
Restaurant and office equipment	$1,116,115	$ 974,328
Automobile	7,415	7,415
Leasehold improvements	1,060,300	825,676
Land improvements	26,345	14,085
Total	2,210,175	1,821,504
Less: Accumulated depreciation	597,203	116,950
Property and equipment, net	$1,612,972	$1,704,554

In 2007 the Company closed its Deans Bridge Road restaurant and realized a net loss of $702,375.

Note 3 - Acquisition Debt

The Company borrowed $7,250,000 from GECC, secured by all of the Company's assets, including equipment, lease and franchise assignments, inventory and intangibles. The note bears interest at the ten-year U.S. dollar interest swap rate in effect on June 30, 2007, plus 2.4%. The rate is fixed for the nine-year term of the note. Blended payments of interest and principal required to fully amortize the loan over 13.5 years are due monthly through July 1, 2016, followed by a balloon payment of approximately $3,383,889 on August 1, 2016. The note may be prepaid in full, subject to a formula-based penalty. The loan agreement requires compliance with various financial and other covenants. At December 28, 2008, the Company was in full compliance with all the terms of the note and related loan and security agreements.

The aggregate annual principal amounts required on the note through maturity are as follows: 2009: $342,880; 2010: $371,893; 2011: $403,360; 2012: $437,491; 2013: $474,509; 2014: $514,659; 2015: $558,206; and 2016: $3,731,073.

Note 4 - Commitments and Contingencies

(A) Franchise Agreement Commitments:

The Company is the franchisee for the ten Wendy's restaurants it owns and operates. The franchise agreements obligate the Company to pay to Wendy's International a monthly royalty equal to 4% of the gross sales of each restaurant, or $250, whichever is greater. The Company must also pay to Wendy's National Advertising Program 3% of the gross sales and spend not less than 1% of the gross sales of each restaurant for local and regional advertising.

Wendgusta, LLC
Notes to the Financial Statements
December 28, 2008 and December 30, 2007

Note 4 - Commitments and Contingencies - (continued)

(B) Minimum Operating Lease Commitments:

All of the leases were assigned to the Company on July 2, 2007 from four different lessors, encompassing two groups - six and three restaurants, respectively, from two of the lessors, with single locations leased from each of the other two.

The leases in the group of six provide for cross defaults with any other lease in the group. Of those six, four leases require the Company to make capital expenditures by the end of fiscal 2009 of approximately $180,000 for each location, and stipulate aggregate improvements for the four stores of $720,000.

The leases for the four restaurants referred to above are for the following locations: 1730 Walton Way and 3013 Peach Orchard Road, both in Augusta, and 1717 Martintown Road, North Augusta and 1901 Whiskey Road, Aiken. Upon the assignment of these leases, the primary term of each was extended through November 6, 2021 with one five-year renewal option requiring ninety days prior written notice. The base annual rents for these restaurants, which apply to the primary and renewal terms of the leases, are: $96,780, $86,160, $87,780 and $96,780, respectively. Percentage rent at 7% in excess of the following floor amounts are also required: $768,937, $744,784, $746,181 and $960,000, respectively. Each of these leases require the Company to pay all realty taxes, common charges, utilities, repairs, maintenance and insurance costs. The Company has a limited right of first refusal to purchase the premises, subject to certain conditions.

The leases for the other two restaurants in this group are for locations at 3859 Washington Road, Martinez and 1004 Richland Avenue, Aiken. These leases have substantially the same terms as the four discussed above except they all expire on November 6, 2016 without renewal option and there is no significant capital expenditure requirement, other than that necessary to comply with the franchisor's image and maintenance guidelines. The basic rent and 7% percentage rent floor amounts are $84,120 and $90,480, and $860,000 and $752,048, respectively. The Company is responsible for the same tax and operating costs as apply to the other four restaurants in this group. A default on any lease in the group constitutes a default for all six restaurants.

Two restaurants in the group of three leased from a second lessor provide for an increase in the percentage rent floor proportionate to the ratio the amount of capital improvements made over a three-year period through October 31, 2007 bear to the targeted amount of $100,000. The amount of such adjustment is being determined.

Note 4 - Commitments and Contingencies - (continued)

(B) Minimum Operating Lease Commitments - (continued):

The restaurants in the group of three are all located in Augusta at 2738 Washington Road, 2007 Deans Bridge Road and 3342 Wrightsboro Road. The expiration and renewal terms of these leases are identical. Each is in its first extended term, which expires October 31, 2009, with three five-year renewal terms requiring 150 days prior written notice. The last such term expires October 31, 2024. Basic annual rent for these restaurants is \$71,573, \$73,069 and \$68,581, respectively. Percentage rent at 5% in excess of \$900,000 is payable for the Washington Road and Deans Bridge Road stores, subject to a formula-based increase as discussed in the preceding paragraph. The specified period for capital expenditures ended October 31, 2007, with documentation required by December 15, 2007. The maximum increase in the percentage rent floors is \$292,733 and \$298,899, respectively, which increase is reduced by the ratio of actual capital expenditures made in the three-year period to \$100,000. The Wrightsboro lease provides for 5% percentage rent on annual sales in excess of \$687,458. Each lease requires the Company to pay all real estate taxes, utilities, repairs, maintenance and insurance costs. Two restaurants in the group of three leased from a second lessor provide for an increase in the percentage rent floor proportionate to the ratio the amount of capital improvements made over a three-year period through October 31, 2007 bear to the targeted amount of \$100,000. The amount of such adjustment is being determined. In 2007 the Company closed the Deans Bridge restaurant. (See Notes 1 and 2).

The Company leases the Augusta restaurant at 449 Walton Way from a third lessor. The second of three renewal options has been elected, expiring February 8, 2013; one additional five-year extension option remains, requiring 240 days prior written notice. Rent is \$96,600 for all renewal periods. Percentage rent at 6% in excess of the base minimum is required. The lease requires the Company to pay all realty taxes, common charges, utilities, repairs, maintenance and insurance costs. The Company has a twenty-day right of first refusal to match a bona-fide third party purchase offer for the restaurant.

The Company leases the Augusta restaurant at 430 Belair Road from a fourth lessor. The primary term of the lease expires December 7, 2025, with two five-year renewal options. Base annual rent is \$143,397 and increases by 1.5% cumulatively for every year of the lease, including renewals. There is no percentage rent. The lease requires the Company to pay all realty taxes, utilities, repairs, maintenance and insurance costs. The Company has a ten-day right of first refusal to match a bona-fide third party purchase offer for the restaurant; such right is subordinate to the first refusal right of the franchisor, which applies to all Wendy's franchised restaurants.

Rent expense for all of the leases was \$1,249,856 in 2008 and \$605,657 in 2007, of which \$254,357 in \$2008 and \$111,468 in 2007 was for percentage rent.

Wendgusta, LLC
Notes to the Financial Statements
December 28, 2008 and December 30, 2007

Note 4 - Commitments and Contingencies - (continued)

(C) Financial and Operational Advisory Services Agreement:

At the closing, the Company entered into a financial and operational advisory services agreement with its two managing members and another individual. The agreement provides for these three individuals to: (i) consult with and advise the Company on applicable financial and/or operational matters; and (ii) if required by the Company's debt, lease or franchise agreements, to which they are signatories, to remain ready, willing and able to maintain such status for the benefit of the Company, except where such guarantees are not needed; and (iii) remain able to provide such additional personal guarantees as, within their sole discretion, may reasonably be necessary to maintain the business of the Company. The aggregate monthly fee under this agreement is $5,500. The initial term ends December 31, 2010 and is automatically renewable annually thereafter, as long as the Company remains in business, at not less than the then current fee. The agreement also provides for the reimbursement of reasonable expenses incurred by the individuals in fulfilling their duties. Fees paid pursuant to this agreement aggregated $66,000 in 2008 and $33,000 in 2007.

Note 5 - Capitalization and Operating Agreement

(A) Capitalization:

The Company's initial capitalization consisted of 800 units, of which 24 and 21 were sold to two managing members at $25 per unit, or $1,125 in the aggregate, and 80 units were sold to the third managing member at $125 per unit, or $10,000 in the aggregate. Of the remaining 675 units, 192 were sold at $25 per unit, or $4,800 in the aggregate, and 483 units were sold at per unit contributions of $4,500 totaling $2,173,500. All contributions totaled $2,189,425. (See Note 5B).

Wendgusta, LLC
Notes to the Financial Statements
December 28, 2008 and December 30, 2007

Note 5 - Capitalization and Operating Agreement - (continued)

(B) Operating Agreement:

All purchasers of membership interests are parties to the Company's operating agreement which provides for the capitalization and operation of the Company, distributions to members and transfers of interests. Members' consents representing 75% of all membership interests are required for the following actions: Change in the operating agreement; voluntary dissolution; sale or exchange of substantially all assets; merger or consolidation; incurrence of debt or refinancing other than in the ordinary course of business or in connection with entering new or unrelated businesses; and removal of a manager, for cause. Members are not required to make up negative capital accounts. Distributions either from cash flow generated by operations or capital transactions (as defined) other than capital contributions are made at the sole discretion of the managers, acting unanimously. Managers are elected by the members. Outside liens against membership interests are prohibited. For permitted transfers of membership interests, book value is equal to assets less liabilities using the income tax method/accrual basis of accounting, except for transfers involving the interest owned by the Company's President, in which case a special valuation adjustment is required through July 1, 2012.

Members wishing to sell their interests shall submit their request in writing, together with appropriate documentation setting forth the terms of such sale, to the managing members, who within thirty days and at their sole discretion, shall approve or disapprove of such sale. If not approved, the managing members within fourteen additional days may elect to have the Company purchase the offered units at the stated terms. Such action by the managing members is to be by simple majority. If the managing members determine that the offered interests are not to be redeemed by the Company, then the interests shall be offered to the remaining members of the Company, pro-rata at the same offered terms, who will have 14 additional days to purchase the offered shares. If the interests are not purchased by the members, then they may be sold to the third-party purchaser at the offered terms. Membership interests may also be transferred to family members or trusts or by reason of death or incompetence.

Note 5 - Capitalization and Operating Agreement - (continued)

(B) Operating Agreement - (continued):

In the event of a termination of a member's interest by death, retirement, resignation, expulsion, bankruptcy, incompetence, or in the case of a member that is not a natural person - dissolution, the Company must be dissolved unless it is continued by the consent of all the remaining members. Non-consenting members are deemed to offer and authorized representatives or trustees of deceased or bankrupt members may offer the applicable membership interest, first to the Company, and then to the consenting (continuing) members. In such case, the offered interests must be purchased by either the Company or one or more of the consenting members. Such purchases, unless made by the Company, are to be made pro-rata to the existing interests of purchasing members, unless they agree otherwise or there is only one purchasing member.

In any event, all offered interests of non-consenting members or by the estate, trustee, etc. of deceased or bankrupt members, etc. must be purchased by the Company or one or more consenting members or the Company must be dissolved and liquidated.

Note 6 - Related Party Transactions

(A) Financial and Operating Advisory Service Fees:

The Company paid two of its three managing members and a third individual a total of $66,000 in 2008 and $33,000 in 2007 pursuant to a financial and operational advisory services agreement. (See note 4C).

(B) Other:

In July 2008 the Company redeemed one member's .25% membership interest for $2,000.

Exhibit 99.2

WENDCHARLES I, LLC

FINANCIAL STATEMENTS

DECEMBER 28, 2008

VRONA, VAN SCHUYLER & HESTER CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
WWW.VRONAVANSCHUYLERHESTERCPA.COM

240 LONG BEACH ROAD
ISLAND PARK, NY 11558-1541
TEL: 516-670-9479
FAX: 516-670-9477

240 WEST 35TH ST. STE 300
NEW YORK, NY 10001-2506
TEL: 212-868-3750
FAX: 212-868-3727

ACCOUNTANTS' REVIEW REPORT

The Members
Wendcharles I, LLC
27 Central Avenue
Cortland, New York 13045

We have reviewed the accompanying statement of assets, liabilities and members' capital-income tax basis of Wendcharles I, LLC as of December 28, 2008 and the related statements of revenues and expenses-income tax basis, members' capital-income tax basis and cash flows-income tax basis for the initial period from June 24, 2008 to December 28, 2008 in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Wendcharles I, LLC.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the income tax basis of accounting, as described in Note 1.

Vrona, Van Schuyler & Hester CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

January 21,2009

Wendcharles I, LLC
Statement of Assets, Liabilities and Members' Capital-Income Tax Basis
December 28, 2008

ASSETS

Current assets:	
Cash (Note 1I)	$ 934,815
Inventories - (Note 1C)	93,544
Prepaid expenses and other current assets	4,612
Total current assets	1,032,971
Property and equipment, net of accumulated - (Notes 1D and 2)	1,152,450
Other assets:	
Goodwill, net of accumulated amortization of $43,784- (Note 1E)	2,583,275
Technical assistance fees, net of accumulated amortization of $0 - (Note 1F)	0
Deferred costs, net of accumulated amortization of $5,268 - (Note 1F)	98,146
Deposits	16,765
Total other assets	2,698,186
TOTAL ASSETS	$4,883,607

LIABILITIES AND MEMBERS' CAPITAL

Current liabilities:	
Current maturities of long-term debt - (Note 3)	$ 88,545
Accounts payable and accrued expenses	1,215,141
Total current liabilities	1,303,686
Long-term debt, less current maturities - (Note 3)	1,696,573
Total liabilities	3,000,259
Commitments and contingencies - (Notes 3, 4, 5 and 6)	-
Members' capital - (Notes 1A, 5 and 6C)	1,883,348
TOTAL LIABILITIES AND MEMBERS' CAPITAL	$4,883,607

See accountants' review report and notes to the financial statements.

Wendcharles I, LLC
Statement of Revenues and Expenses-Income Tax Basis
For the Initial Period From June 24, 2008 To December 28, 2008

Sales	$3,541,924
Cost of sales	1,257,225
Gross profit	2,284,699
Labor expenses	1,477,319
Store operating and occupancy expenses	812,023
General and administrative expenses	177,923
Advertising expenses - (Note 4A)	153,431
Royalty expense - (Note 4A)	141,640
Depreciation and amortization - (Notes 1D, 1E, and 1F)	340,063
Interest expense - (Note 3)	27,471
Total operating expenses	3,129,870
	(845,171)
Interest income	2,800
Other income	4,319
Excess of revenues(deficit)over expenses - (Note 1G)	$(838,052)

See accountants' review report and notes to the financial statements.

Wendcharles I, LLC
Statement of Members' Capital-Income Tax Basis
For the Initial Period From June 24, 2008 To December 28, 2008

Members' capital contributions	$2,745,400
Excess of revenues over expenses for the initial period from June 24, 2008 to December 28, 2008	(838,052)
Distributions paid to members	(24,000)
MEMBERS' CAPITAL, DECEMBER 28, 2008	$1,883,348

See accountants' review report and notes to the financial statements.

Wendcharles I, LLC
Statement of Cash Flows-Income Tax Basis
For the Initial Period From June 24, 2008 To December 28, 2008

Cash flows from operating activities:	
Excess of revenues(deficit)over expenses	$(838,052)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation and amortization	340,063
Decrease(increase)in inventories	(93,544)
Decrease (increase) in prepaid expenses and other current assets	(21,377)
Increase (decrease) in accounts payable, accrued expenses and taxes	1,215,141
Total adjustments	1,440,283
Net cash provided by operating activities	602,231
Cash flows from investing activities:	
Capital expenditures, tangible and intangible assets	(4,173,934)
Net cash provided by(used in)investing activities	(4,173,934)
Cash flows from financing activities:	
Members' capital contributions	2,745,400
Repayments of note payable	(14,882)
Members' distributions	(24,000)
Proceeds from acquisition debt	1,800,000
Net cash provided by (used in)financing activities	4,506,518
Net increase in cash	934,815
Cash, beginning of period	0
Cash, end of period	$ 934,815
Additional Cash Flow Information:	
Interest paid during the year	$ 19,617

See accountants' review report and notes to the financial statements.

Wendcharles I, LLC
Notes to the Financial Statements
December 28, 2008

Note 1 - Summary of Significant Accounting Policies

(A) The Company:

Wendcharles I, LLC was formed on June 24, 2008 pursuant to the South Carolina Code of Laws to acquire, own and operate eleven existing Wendy's Old Fashioned Hamburger Restaurants in the Charleston, South Carolina metropolitan area. As part of the same overall transaction, another South Carolina limited liability company, Wendcharles II, LLC, affiliated with the Company by certain common management and ownership interests, acquired six other existing Wendy's Old Fashioned Hamburger Restaurants in and proximate to North Charleston. The restaurants were all acquired from one unrelated seller for an aggregate purchase price of $5,760,000, less net adjustments to the Company of approximately $14,000. The Company's recorded goodwill in the amount of approximately $4,060,000. The purchase price was financed principally by a $3,500,000 loan from Bank of America, with the balance provided by capital contributions of the members. The acquisition closed and restaurant operations commenced on September 16, 2008.

The leases for the eleven leasehold estates, all in South Carolina, were assigned to the Company from different lessors. Four locations each are in Charleston and North Charleston and three are in Mt. Pleasant as follows: Charleston: 1721 Sam Rittenberg Boulevard; 194 Cannon Street; 343 Folly Road; and 5275 International Blvd; North Charleston: 4113 Rivers Avenue; 5115 Dorchester Rd; 9145 University Blvd; and 4892 Ashley Phosphate Road; Mt Pleasant: 361 Highway 17 By-Pass; 935 Chuck Dawley Boulevard; and 596 Long Point Road. (See Notes 2, 3, and 4A).

The Company is to continue in perpetuity, except it is to be dissolved as a result of the sale of all business operations or the sale of all or substantially all of its assets, in each of such cases upon the receipt of the consideration therefor in cash or the reduction to cash of non-cash consideration, or upon the occurrence of certain events as set forth in the operating agreement. (See Note 5B).

(B) Income Tax Basis of Accounting:

The Company is treated as a partnership for Federal and South Carolina income tax purposes. The accompanying financial statements have been prepared on the basis of accounting used to prepare the Company's federal partnership return. Such other comprehensive basis of accounting differs from generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in accordance with generally accepted accounting principles. (See Note 1G).

(C) Inventories:

Inventories represent food and supplies and are stated at cost.

Wendcharles I, LLC
Notes to the Financial Statements
December 28, 2008

Note 1 - Summary of Significant Accounting Policies - (continued)

(D) Property, Equipment and Depreciation:

Property and equipment are stated at cost. Depreciation is provided by application of the straight-line and declining balance methods over depreciable lives as follows:

Land improvements	15 to 39 years
Leasehold improvements	15 to 39 years
Restaurant equipment	5 to 7 years
Automobile	5 years

(E) Goodwill:

Goodwill, representing the excess of the purchase price over the fair value of the assets acquired, is amortized over fifteen years.

(F) Deferred Costs:

The Company capitalized the costs incurred in obtaining its financing and its leases. These costs are amortized over the life of the loan.

(G) Income Taxes:

The Company was organized as a Limited Liability Company under the laws of South Carolina and is not subject to any federal or state income tax. For federal and South Carolina income tax purposes, the Company is treated as a partnership. Accordingly, each member is required to report on his federal and applicable state income tax return his distributive share of all items of income, gain, loss, deduction, credit and tax preference of the Company for any taxable year, whether or not any cash distribution has been or will be made to such member.

The Partnership's tax returns are subject to examination by the Federal and State taxing authorities. The tax laws, rules and regulations governing these returns are complex, technical and subject to varying interpretations. If an examination required the Partnership to make adjustments, the profit or loss allocated to the partners would be adjusted accordingly.

Although income tax rules are used to determine the timing of the reporting revenues and expenses, non-taxable and non-deductible expenses are included in the determination of net income in the accompanying financial statements.

(H) Fiscal Year:

The Company's annual accounting period is a fiscal year ending on the last Sunday of December. Fiscal 2008 comprised 15 weeks of operations.

(I) Cash:

The Partnership maintains its cash in various banks. The accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation, to a maximum of $250,000. At any time during the year, the cash balance may exceed $250,000.

Wendcharles I, LLC
Notes to the Financial Statements
December 28, 2008

Note 1 - Summary of Significant Accounting Policies - (continued)

(J) Use of Estimates:

The preparation of financial statements in conformity with the income tax accrual basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Note 2 - Property and Equipment

Property and equipment consist of the following:

Land improvements	$ 20,270
Leasehold improvements	106,796
Restaurant equipment	1,311,455
Automobile	4,940
Total	1,443,461
Less: Accumulated depreciation	291,011
Property and equipment, net	$1,152,450

Note 3 - Acquisition Debt

At the closing of the purchase transaction, the Company and its affiliate, Wendcharles II, LLC, jointly obtained a $3,500,000 loan from Bank of America, with interest at a floating rate, initially equal to the thirty-day adjusted LIBOR plus 250 basis points for the period commencing on the closing date until four quarterly financial reports have been submitted and reviewed in accordance with the loan agreement and, thereafter, equal to the thirty day adjusted LIBOR plus a margin based on the funded debt to earnings before interest, taxes depreciation and amortization ("EBITDA") ratio. Based on the relative values of the leasehold interests acquired, $1,800,000 and $1,700,000, representing 51% and 49%, respectively, of the total principal amount, were recorded on the books of the Company and its affiliate, although they are jointly and severally liable for the loan.

A combined initial payment of interest only of $7,277, based on LIBOR of 2.49%, set two business days before the closing date was due and paid on October 1, 2008. Beginning on November 1, 2008 and ending on August 1, 2015, monthly payments of interest and principal are due in an amount sufficient to amortize the loan over 13.5 years. LIBOR is adjusted on the first business day of each month. The loan matures on August 16, 2015. The loan may be prepaid at any time upon five days written notice, in minimum increments of $250,000, provided the Companies pay any costs incurred by the bank in the termination of any interest swap agreements between the parties.

The Loan is guaranteed by two of the Companies three managing members until the later occurrence of one year from the closing date or the date the Companies achieve a combined funded debt to EBITDA ratio of less than 3.75 to 1.00 for two consecutive quarters. (See Note 4C).

The Company's share of the monthly payment required for the month of January 2009 is $15,390. The Company's share of the estimated aggregate annual principal amounts required on the note through maturity are as follows: 2009: $88,545; 2010: $94,003; 2011: $99,799; 2012: $105,955; 2013: $112,491; 2014: $119,432; and 2015: $1,164,893.

Wendcharles I, LLC
Notes to the Financial Statements
December 28, 2008

Note 4 - Commitments and Contingencies

(A) Franchise Agreement Commitments:

The Company is the franchisee for the eleven Wendy's restaurants it owns and operates. The franchise agreements obligate the Company to pay to Wendy's International a monthly royalty equal to 4% of the gross sales of each restaurant, or $250, whichever is greater. The Company must also pay to Wendy's National Advertising Program 3% of the gross sales and spend not less than 1% of the gross sales of each restaurant for local and regional advertising.

(B) Minimum Operating Lease Commitments:

The seller assigned the Company amended leases for three locations. The provisions for these three leases are identical except for the annual and percentage rentals. These leases, for 1721 Sam Rittenberg Boulevard and 343 Folly Road, both in Charleston, and 361 Highway 17 By-Pass in Mt. Pleasant, are all designated as "Absolutely Net" Leases. Their primary terms expire November 6, 2021 with two five-year renewal options thereafter. The Company is required to make aggregate capital expenditures of $350,000 to the three premises on or before September 4, 2009.

Exercise of the second renewal option requires the Company to have made $50,000 of capital improvements to each restaurant on or before August 7, 2023. Annual base rent for the remainder of the primary term of the leases is $76,920, $70,200 and $77,280, respectively. The leases require percentage rent of seven percent of annual gross sales of $662,665, $589,488 and $750,000, respectively. The Company is responsible for all realty taxes, repairs and maintenance, insurance and utilities for the properties. These leases did not contemplate common charges. The Company has the right of first refusal to purchase each property within thirty days after receiving a copy of the proposed purchase contract from the landlord. The leases provide for cross defaults on all leases to which the Company is a party. Annual aggregate base rentals for these three locations is $224,400 for each of the next five years.

The lease for the location at 194 Cannon Street, Charleston is currently in its first extended term, expiring September 14, 2009, with three five-year renewal terms thereafter. Base annual rent is $131,600 for all terms of the lease. Percentage rent is equal to 5% of gross sales in excess of average gross sales for the first three years of the primary term of the lease. The Company is responsible for all realty taxes, common charges, repairs and maintenance, insurance and utilities for the property. There is no right of first refusal.

Wendcharles I, LLC
Notes to the Financial Statements
December 28, 2008

Note 4 - Commitments and Contingencies - (continued)

(B) Minimum Operating Lease Commitments - (continued):

The lease for the location at 5275 International Blvd, Charleston is in its primary term, expiring April 30, 2027, with four five-year renewal terms thereafter. Base annual rent through June 30, 2013 is $123,000. Commencing on July 1, 2013 and every five years thereafter, base annual rent increases by five percent, compounded. There is no percentage rent. The Company is responsible for all realty taxes, common charges, repairs and maintenance, insurance and utilities for the property. The Company has right of first refusal to purchase premises, exercisable within 14 days of notice from the lessor, with time of the essence. If the Company' should exercise this option, it is obligated to pay the third-party offeror's reasonable costs and expenses up to $4,000.

The leases for the four North Charleston locations as well as the location at 596 Long Point Road, Mt. Pleasant are with related lessors and have very similar provisions, except for the initial amount of annual rent. The North Charleston locations are: 4113 Rivers Avenue; 5115 Dorchester Road; 9145 University Blvd; and 4892 Ashley Phosphate Road. All of the leases are in their primary terms, expiring March 31, 2025, with two five-year renewal terms. Respective annual rentals through March 31, 2009 are as follows: $93,531, $99,786, $96,837, $102,351, $97,222. Thereafter, for the balance of the primary terms, annual rent increases by one percent, compounded.

For renewal terms, base annual rent may be increased to the fair market rental value. The Company is responsible for all realty taxes, common charges, repairs and maintenance, insurance and utilities for the property.

The Company has standard rights of first refusal to purchase the properties, except that for Long Point Road, Rivers Avenue and Dorchester Road, upon such exercise, it is obligated to pay the third-party offeror's reasonable costs and expenses up to $4,000.

The lease for the location at 935 Chuck Dawley Boulevard, Mt. Pleasant, as amended and subsequently assigned to the Company, is in its third renewal term, expiring September 9, 2011, with one additional five-year renewal term. Rent for the existing term is $90,090. Rent for the renewal term is $97,020. Percentage rent is due in an amount equal to six percent of sales in excess of the base minimums. There is no right of first refusal with respect to the property. The Company is responsible for all realty taxes, common charges, repairs and maintenance, insurance and utilities for the property. There is no right of first refusal.

Rent expense for the initial period ended December 28,2008 was $337,984, of which $29,065 was for percentage rent.

Note 4 - Commitments and Contingencies - (continued)

(C) Financial and Operational Advisory Services Agreement:

The Company has a financial and operational advisory services agreement with three of its corporate officers. The agreement provides for these officers to: Consult with and advise the Company on applicable financial and/or operational matters and if required by the Company's debt, lease or franchise agreements, to which they are signatories, to remain ready, willing and able to maintain such status for the benefit of the Company, except where such guarantees are not needed; and remain able to provide such additional personal guarantees as, within their sole discretion, may reasonably be necessary to maintain the business of the Company. The initial term expires December 2011, and is automatically renewable annually thereafter, as long as the Company remains in business. The agreement also provides for the reimbursement of reasonable expenses incurred by the individuals in fulfilling their duties. The aggregate annual fee under this agreement is $42,000. (See Note 6).

Note 5 - Capitalization and Operating Agreement

(A) Capitalization:

The Company's initial capitalization consisted of 800 units, of which 42 and 32 were sold to two managing members at $100 per unit, or $ 7,400 in the aggregate, and 80 units were sold to the third managing member at $125 per unit, or $10,000 in the aggregate. Of the remaining 646 units, 67 were sold at $100 per unit, or $6,700 in the aggregate, and 579 units were sold at per unit contributions of $4,700 totaling $2,721,300. All contributions totaled $2,745,400. (See Note 5B).

(B) Operating Agreement:

All purchasers of membership interests are parties to the Company's operating agreement which provides for the capitalization and operation of the Company, distributions to members and transfers of interests. Members' consents representing 75% of all membership interests are required for the following actions: Change in the operating agreement; voluntary dissolution; sale or exchange of substantially all assets; merger or consolidation; incurrence of debt or refinancing other than in the ordinary course of business or in connection with entering new or unrelated businesses; and removal of a manager, for cause. Members are not required to make up negative capital accounts. Distributions either from cash flow generated by operations or capital transactions (as defined) other than capital contributions are made at the sole discretion of the managers, acting unanimously. Managers are elected by the members. Outside liens against membership interests are prohibited. For permitted transfers of membership interests, book value is equal to assets less liabilities using the income tax method/accrual basis of accounting, except for transfers involving the interest owned by the Company's President, in which case a special valuation adjustment is required through August 2013.

Note 5 - Capitalization and Operating Agreement - (continued)

(B) Operating Agreement-continued:

Members wishing to sell their interests shall submit their request in writing, together with appropriate documentation setting forth the terms of such sale, to the managing members, who within thirty days and at their sole discretion, shall approve or disapprove of such sale. If not approved, the managing members within fourteen additional days may elect to have the Company purchase the offered units at the stated terms. Such action by the managing members is to be by simple majority. If the managing members determine that the offered interests are not to be redeemed by the Company, then the interests shall be offered to the remaining members of the Company, pro-rata at the same offered terms, who will have 14 additional days to purchase the offered shares. If the interests are not purchased by the members, then they may be sold to the third-party purchaser at the offered terms, but the purchaser must become bound by the terms of the operating agreement. Membership interests may also be transferred to family members or trusts or by reason of death or incompetence.

In the event of a termination of a member's interest by death, retirement, resignation, expulsion, bankruptcy, incompetence, or in the case of a member that is not a natural person - dissolution, the Company must be dissolved unless it is continued by the consent of all the remaining members. Non-consenting members are deemed to offer and authorized representatives or trustees of deceased or bankrupt members may offer the applicable membership interest, first to the Company, and then to the consenting (continuing) members. In such case, the offered interests must be purchased by either the Company or one or more of the consenting members. Such purchases, unless made by the Company, are to be made pro-rata to the existing interests of purchasing members, unless they agree otherwise or there is only one purchasing member.

In any event, all offered interests of non-consenting members or by the estate, trustee, etc. of deceased or bankrupt members, etc. must be purchased by the Company or one or more consenting members or the Company must be dissolved and liquidated.

Note 6 - Related Party Transactions

In 2008 the Company paid two of its three managing members and a third individual a total of $7,000 pursuant to a financial and operational advisory services agreement.