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, 2009

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 whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ___ 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. [ ]

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 Certificate of Limited Partnership dated as of November 20, 1987, and governed by a Limited Partnership Agreement , as amended from time to time (collectively, the "Partnership Agreement"). As of December 31, 2009, the Partnership consisted of one General Partner ("Management") and 1,887 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 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. At December 31, 2009, the Partnership owned fifteen (15) Properties, which included one vacant property in Park Forest, IL (formerly a Popeye's restaurant). Nine (9) of the fifteen (15) Partnership properties are leased to two Wendy's Franchisee's. Six (6) of the properties were leased to Wendgusta, LLC ("Wendgusta") and three (3) of the properties were leased to Wendcharles I, LLC ("Wendcharles"). Operating base rents from these nine (9) leases comprised approximately 65% of the total 2009 operating base rents. During 2009, additional percentage rents were also generated from these Wendy's properties and totaled approximately $350,000. Additionally, the nine properties exceeded approximately 60% of the Partnership's total properties, both by asset value and number. Eight (8) of the Nine (9) Wendy's leases are set to expire in November of 2021, with the remaining one (1) lease set to expire in November of 2016. See Properties under Item 2. below for further discussion of the Partnership's investment properties.

As a result of the amendment to the Partnership Agreement following the consent of a majority of the Limited Partners (pursuant to our 2009 Consent solicitation which closed on October 14, 2009) to extend the term of the Partnership, the Partnership will be dissolved on November 30, 2020 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 continued to operate as a going concern. On July 31, 2009, the Partnership mailed a Consent solicitation (the "2009 Consent") to Limited Partners to determine whether the Limited Partners wished to extend the term of the Partnership for ten (10) years to November 30, 2020 (the "Extension Proposition"), or wished the Partnership to sell its assets, liquidate, and dissolve by November 30, 2010. Per the provisions of the 2009 Consent, once the General Partner had received Consent Cards from Limited Partners holding a majority of the Partnership Interests voting either "FOR" or "AGAINST" the Extension Proposition, the General Partner could declare the 2009 Consent solicitation process concluded and would be bound by the results of such process. In any event, unless the General Partner elected to extend the deadline of the Consent solicitation, the 2009 Consent solicitation processes and the opportunity to vote by returning a Consent Card, was to end on October 31, 2009. As of October 14

2009, a majority of the Partnership Interests voted "FOR" the Extension Proposition and the General Partner declared the 2009 Consent solicitation process concluded as of that date. Therefore, the Partnership continues to operate as a going concern.

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 The Provo Group, Inc. ("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 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.

Available Information

We are required to file with the SEC annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, along with any related amendments and supplements to these periodic reports. The SEC maintains a website containing these reports and other information regarding our electronic filings at www.sec.gov. These reports may also be read and copied at the SEC's Public Reference Room at 100 F Street, NE Washington, DC 20549. Further information about the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

We also make these reports and other information available either on or through our Internet Website at www.divallproperties.com as soon as reasonably practicable after such reports are available. Please note that any internet addresses provided in this Form 10-K are for information purposes only and are not intended to be hyperlinks. Accordingly, no information found and/or provided at such internet addresses is intended or deemed to be incorporated by reference herein.

Item 1A. Risk Factors

Not Applicable.

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 (5% to 8%) of gross sales above a threshold amount.

The Partnership owned the following Properties as of December 31, 2009:

Acqui-sition Date	Property Name & Address	Lessee	Purchase Price (1)	Operating 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 (5) 2360 W Northern Ave Phoenix, AZ	Denny's #6423, LLC	1,155,965	0	06-30-2010	None
10/10/88	Kentucky Fried Chicken (6) 1014 S St Francis Dr Santa Fe, NM	Palo Alto, Inc,	451,230	60,000	06-30-2018	None
12/22/88	Wendy's (8) 1721 Sam Rittenburg Blvd Charleston, SC	Wendcharles I, LLC	596,781	76,920	11-6-2021	(2)

12/22/88	Wendy's (7) 3013 Peach Orchard Rd Augusta, GA	Wendgusta, LLC	649,594	86,160	11-6-2021	(3)
12/29/88	Vacant (9) 2562 Western Ave Park Forest, IL	Not Applicable	580,938	0	Not Applicable	Not Applicable
02/21/89	Wendy's (7) 1901 Whiskey Rd Aiken, SC	Wendgusta, LLC	776,344	96,780	11-6-2021	(3)
02/21/89	Wendy's (7) 1730 Walton Way Augusta, GA	Wendgusta, LLC	728,813	96,780	11-6-2021	(3)
02/21/89	Wendy's (8) 343 Foley Rd Charleston, SC	Wendcharles I, LLC	528,125	70,200	11-6-2021	(2)
02/21/89	Wendy's (8) 361 Hwy 17 Bypass Mount Pleasant, SC	Wendcharles I, LLC	580,938	77,280	11-6-2021	(2)
03/14/89	Wendy's (7) 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	Karl Shaen Valderrama	897,813	72,000	05-31-11	None
12/29/89	Wendy's (7) 517 Martintown Rd N Augusta, SC	Wendgusta, LLC	660,156	87,780	11-6-2021	(3)
12/29/89	Wendy's (7) 3869 Washington Rd Martinez, GA	Wendgusta, LLC	633,750	84,120	11-6-2016	None
05/31/90	Applebee's 2770 Brice Rd Columbus, OH	Thomas & King, Inc.	1,434,434	135,996	10-31-2012	(4)
			$11,395,768	$1,106,496		

Footnotes:

(1) Purchase price includes all costs incurred to acquire the property.
(2) The tenant has two (5) year lease renewal options available.
(3) The tenant has one (5) year lease renewal option available.
(4) The tenant has five (2) year lease renewal options available.
(5) In December of 2009, the tenant notified Management of its intent to terminate its lease, which was set to expire on April 30, 2011, as of March 15, 2010. In January of 2010, Management and tenant agreed to a temporary rent modification for the first six months of 2010. Unless further rent negotiations are agreed upon by Management and the tenant, the expiration date of the lease will be effectively June 30, 2010. See Denny's- Phoenix, AZ property paragraphs below for further information.
(6) Ownership of lessee's interest under a ground lease. The tenant is responsible for payment of all rent obligations under the ground lease.
(7) Six (6) of the fifteen (15) properties owned as of December 31, 2009 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. At the request of the Partnership, Wendgusta provided it with a copy of its reviewed financial statements for the fiscal years ended December 27, 2009 and December 28, 2008. Those reviewed financial statements are attached to this Annual Report 10-K as Exhibit 99.1.

(8) Three (3) of the fifteen (15) properties owned by the Partnership as of December 31, 2009 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 fiscal years ended December 27, 2009 and 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.

(9) The property is currently vacant. The lease on the property was terminated with former tenant, Popeye's, during the Third Quarter of 2008.

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

Panda Buffet Restaurant- Grand Forks, ND Property

A sales contract was executed on September 30, 2009 for the installment sale of the Panda Buffet restaurant property to the tenant for $520,000 (sales amount was to be reduced to $450,000 if closing occurred on or before November 15, 2009). The closing date on the sale of the property was November 12, 2009 at a sales price of $450,000. The buyer paid $150,000 at closing with the remaining balance of $300,000 being delivered in the form of a Promissory note ("Buyers Note") to the Partnership. The Buyers Note reflects a term of three years, an interest rate of 7.25%, and principal and interest payments paid monthly and principal amortized over a period of ten years beginning December 1, 2009 with a balloon payment after year three. Pursuant to the Buyers Note, there will be no penalty for early payment of principal. A net gain on the sale of approximately $29,000 was recognized in the Fourth Quarter of 2009. Closing and other sale related costs amounted to approximately $21,000 and included a $13,500 sales commission paid to the General Partner. The Buyers Note also requires the buyer to escrow property taxes with the Partnership beginning January of 2010.

Per the amortization schedule, the monthly payments are to total approximately $3,522 per month. The first payment was received by the Partnership on November 30, 2009 and included approximately $2,374 in principal and $1,148 in interest.

Applebee's- Columbus, OH Property

An Amendment and Extension of Lease ("Amendment") was fully executed with the tenant on November 4, 2009. The Amendment, effective as of November 1, 2009, provides for an annual base rent of $135,996 and is set to expire on October 31, 2012. The Amendment also provides for five (5) options to renew the lease for an additional two (2) years (base rent will increase by 2% percent for each year of each option). The Amendment also increased the percentage rent sales breakpoint from $1,500,000 to $2,300,000 and decreased the additional percentage rent from 7% to 5%. A leasing commission of approximately $12,000 was paid to a General Partner affiliate in the Fourth Quarter of 2009 in relation to the Amendment.

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

The previous lease, with an annual base rent of $72,000, expired on February 28, 2009. In July of 2009, Management agreed to the terms of a twenty seven (27) month lease extension with Daytona's All Sports

Café ("Daytona's"). The lease amendment, which was executed in early August of 2009, began, and was effective, as of March 1, 2009, provides for an annual base rent of $72,000 (less a potential $600 rent credit per month for both timely payment and sales reporting), and is set to expire on May 31, 2011. A commission of approximately $5,000 was paid to a General Partner affiliate in the Third Quarter upon the execution of the lease amendment. In accordance with the lease amendment, building improvements of approximately $17,000 were made to the property during the Fourth Quarter of 2009, which included $9,000 paid by the Partnership.

Beginning in December of 2005, Management requested that Daytona's escrow its future property tax liabilities with the Partnership on a monthly basis. As of December 31, 2009, Daytona's was current on its monthly rent and property tax escrow obligations and escrow payments held by the Partnership totaled approximately $26,000.

Denny's- Phoenix, Arizona Property

The former property lease, with an annual base rent of $72,000, expired on April 30, 2009. The tenant then paid month-to-month rent of $6,000 for May of 2009. A new twenty three (23) month lease was executed with the tenant, Denny's #6423, LLC ("Denny's), in June of 2009. The lease (which was effective as of June 1, 2009) provides for an annual base rent of $72,000 (less a potential $600 rent credit per month for both timely payment and sales reporting), and is set to expire on April 30, 2011. A commission of approximately $4,000 was paid to a General Partner affiliate in the Second Quarter of 2009 in relation to the lease. In December of 2009, due to recent sluggish sales figures, Denny's notified Management of its intent to terminate the lease, pursuant to its lease rights, as of March 15, 2010. Responsive to the depressed Phoenix market, during January of 2010, Management and Denny's agreed to a six month temporary modification to the lease retroactive to January 1, 2010. The tenant's rent from January 2010 through June of 2010 will be strictly percentage rent at eight (8) percent of monthly sales over $50,000. Management is uncertain as to whether there will be rent modifications for the remaining six months of 2010 or whether the expiration date of the lease will be effectively June 30, 2010.

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 February of 2008. The sales contract, dated February 22, 2008, for the sale of the Denny's- Phoenix, AZ property was terminated by the potential buyer in early May of 2008 due to financing difficulties. The $25,000 escrow deposit continued to be held with the title company until June of 2009, when both parties agreed to release the escrow deposit and to share the released funds equally between seller and buyer. 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 plan to actively pursue options for its sale.

Vacant Park Forest, IL Property

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. During the Fourth Quarter of 2009, the land carrying value of the vacant Park Forest, IL property was reduced by $50,000 to an estimated fair market value of zero.

Property tax in Cook County, IL is paid in arrears (2009 tax will be paid in 2010) and is paid in two installments, one in the First Quarter and one in the Third or Fourth Quarter (depending upon the timing of tax rate determinations and property tax bill issuance by the County). The former tenant's property tax escrow balance held with the Partnership as of September 30, 2008 met all but $1,300 of the second installment of 2007 property tax paid in November of 2008 for the Park Forest property. The minimal shortage was accrued and expensed by the Partnership as of September 30, 2008. As of December 31, 2008, the Partnership had accrued approximately $56,000 of estimated 2008 property tax related to the Park Forest property, which would be payable to the Cook County taxing authority in 2009. The first installment of 2008 property tax, totaling approximately $27,500, was paid in February of 2009. During the Third Quarter of 2009, Cook County responded to the Partnership's appraisal appeal for Park Forest (due to the property's vacancy) and lowered the property's 2008 appraised value. At September 30, 2009, the remaining accrued 2008 property tax balance was decreased by $20,000 and at October 31, 2009 it was further decreased by $3,000 upon receipt of the actual tax statement. The 2008 second installment of approximately $5,500 was paid in November of 2009. Due to the lease termination and settlement, the 2008 property taxes paid in 2009 will not be collectible from the former tenant. Therefore, beginning with the property tax related to the 2008 tax year, property tax related to the vacant Park Forest property are the responsibility of the Partnership. As of December 31, 2009, the Partnership has accrued twelve months of estimated 2009 property tax totaling approximately $36,000 related to the Park Forest property, which the Partnership will be obligated to pay to the Cook County taxing authority in 2010. The first installment of 2009 property tax, totaling approximately $18,000 was paid in January of 2010.

Due to the vacancy of the Park Forest, IL property, the Partnership has assumed maintenance responsibility. Approximately $1,400 in maintenance expenditures were incurred by the Partnership during 2009 in relation to lawn and landscaping services.

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 provides for one (1) option to renew the lease for an additional five (5) year period, and an obligation for Wendgusta to make $130,000 of capital improvements in the property (all of which have been made). 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 (5) year lease extension.

Blockbuster- Ogden, UT Property

In February of 2008, Management executed a one-year lease extension agreement with Blockbuster, extending the lease term to January 31, 2009 and provided for 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 began on February 1, 2009, was set to expire on January 31, 2010, and provided for 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.

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.

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 provides for two (2) options to renew for additional five (5) year periods, an obligation for Wendcharles to make $100,000 of capital improvements in the property by September 2010, and an obligation for Wendcharles to make $50,000 of capital improvements in the property 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 (5) 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 years to November 6, 2021. The Amendment provides for two (2) options to renew for additional five (5) year periods, an obligation for Wendcharles to make, $120,000 of capital improvements in the property by September 2010, and an obligation for Wendcharles to make $50,000 of capital improvements in the property 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 (5) 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 provides for two options to renew for additional five (5) year periods, an obligation for Wendcharles to make $130,000 of capital improvements in the property by September 2010, and an obligation for Wendcharles to make $50,000 of capital improvements in the property 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 (5) year lease extension.

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.

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.

Other Property Information

Property taxes, general maintenance, 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 vacant Park Forest, IL property formerly operated as a Popeye's Famous Fried Chicken restaurant), the Partnership makes the appropriate property tax payments to avoid possible foreclosure of the property and in a property vacancy the Partnership pays for maintenance related to the vacant 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.

Item 3. Legal Proceedings

None.

Item 4. Removed and Reserved

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, 2009, there were 1,887 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 2009 and 2008, $2,050,000 and $2,390,000, respectively, were distributed in the aggregate to the Limited Partners. The General Partner received aggregate distributions of $3,290 and $9,245 in 2009 and 2008, 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, 2009, 2008, 2007, 2006, and 2005

	2009	2008	2007	2006	2005
Total Operating Revenue	$1,563,165	$1,629,445	$1,668,680	$1,645,900	$1,648,231
Income from Continuing Operations	$729,832	$611,852	$1,011,816	$943,474	$1,000,102
Income from Discontinued Operations	42,242	1,432,102	1,099,186	299,759	1,121,089
Net Income	$772,074	$2,043,954	$2,111,002	$1,243,233	$2,121,191
Net Income per Limited Partner Interest	$16.52	$43.72	$45.16	$26.59	$45.38
Total Assets	$7,819,524	$9,167,459	$9,585,612	$10,325,153	$12,149,329
Total Partners' Capital	$7,649,586	$8,930,802	$9,286,093	$10,058,535	$11,920,275
Cash Distributions per Limited Partnership Interest	$44.30	$51.64	$62.12	$66.98	$37.38

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

CAUTIONARY STATEMENT

Item 7 of this Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this section and located elsewhere in this Form 10-K regarding the prospects of our industry as well as the Partnership's prospects, plans, financial position and business strategy may constitute forward-looking statements. These forward-looking statements are not historical facts but are the intent, belief or current expectations of our management based on their knowledge and understanding of the business and industry. Words such as "may," "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "would," "could," "should" and variations of these words and similar expressions are intended to identify forward-looking statements. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. These statements are not guarantees of the future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. We caution readers not to place undue reliance on forward-looking statements, which reflect our management's view only as of the date of this Form 10-K. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results. Factors that could cause actual results to differ materially from any forward-looking statements made in this Form 10-K include changes in general economic conditions, changes in real estate conditions, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, the potential need to fund tenant improvements or other capital expenditures out of operating cash flows and our inability to realize value for limited partners upon disposition of the Partnership's assets.

Liquidity and Capital Resources:

Investment Properties and Net Investment in Direct Financing Leases

The Properties held by the Partnership at December 31, 2009 were originally purchased at a price, including acquisition costs, of $11,395,768.

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, 2009, the Partnership owned fifteen (15) fully constructed fast-food restaurants, one of which, located in Park Forest, IL, is currently vacant and 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 fourteen (14) properties with operating tenants are composed of the following: nine (9) Wendy's restaurants, one (1) Denny's restaurant, one (1) Applebee's restaurant, one (1) Kentucky Fried Chicken restaurant, one (1) Chinese Super Buffet, and one (1) Daytona's All Sports Café. The fifteen (15) properties are located in a total of seven (7) states.

Six (6) of the fifteen (15) properties owned as of December 31, 2009 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 27, 2009 and December 28, 2008. 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 independent registered public accounting firm has 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 fifteen (15) properties owned as of December 31, 2009 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 fiscal year ended December 27, 2009 and 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 independent registered public accounting firm has 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.

The Partnership's return on its investment will be derived principally from rental payments received from its lessees. Therefore, the Partnership's return on its investment is largely dependent upon the business success of its lessees. The business success of the Partnership's individual lessees 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 lessee'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 lessees of Partnership properties. Finally, despite an individual lessee'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. An overall economic recession is another factor that could affect the relative success of a lessee's business. Therefore, there can be no assurance that any specific lessee will have the ability to pay its rent over the entire term of its lease with the Partnership.

Since the Partnership's investment in properties and equipment 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-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; the relocation of the market area itself to another traffic area; 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.

Property taxes, general maintenance, 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 vacant Park Forest, IL property formerly operated as a Popeye's Famous Fried Chicken restaurant), the Partnership makes the appropriate property tax payments to avoid possible foreclosure of the property and in a property vacancy the Partnership pays for maintenance related to the vacant 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.

During the Fourth Quarter of 2009, $9,000 in building improvements related to the Daytona's All Sports Café were capitalized by the Partnership.

In accordance with Financial Accounting Standards Board ("FASB") guidance for "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. The guidance 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 estimated 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. The remaining land carrying value of the vacant Park Forest, IL property was further reduced by $50,000 to an estimated fair market value of zero during the Fourth Quarter of 2009.

During 2009, 2008 and 2007, the Partnership recognized income from discontinued operations of approximately $42,000, $1,432,000 and $1,099,000, respectively. The 2009, 2008 and 2007 income from discontinued operations is attributable to the Third Quarter of 2009 reclassification of the Panda Buffet restaurant- Grand Forks, ND ("Panda Buffet") property to property held for sale (executed sales contract dated September 30, 2009). The 2009 income from discontinued operations includes the Fourth Quarter net gain of approximately $29,000 on the sale of the Panda Buffet property. The 2008 and 2007 income from discontinued operations is also 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. The Wendy's property was sold in May of 2008 under the terms of the Sales Contract dated April 10, 2008 and the Blockbuster property was sold in December of 2008. 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 and the Fourth Quarter net gain of approximately $601,000 on the sale of the Blockbuster. 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 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 following summarizes significant developments, by property, for properties with such developments.

Panda Buffet Restaurant- Grand Forks, ND Property

A sales contract was executed on September 30, 2009 for the installment sale of the Panda Buffet restaurant property to the owner tenant for $520,000 (sales amount was to be reduced to $450,000 if closing occurred on or before November 15, 2009). The closing date on the sale of the property was November 12, 2009 at a sales price of $450,000. The buyer paid $150,000 at closing with the remaining balance of $300,000 being delivered in the form of a Promissory note ("Buyers Note") to the Partnership. The Buyers Note reflects a term of three years, an interest rate of 7.25%, and principal and interest payments paid monthly and principal amortized over a period of ten years beginning December 1, 2009 with a balloon payment after year three. Pursuant to the Buyers Note, there will be no penalty for early payment of principal. A net gain on the sale of approximately $29,000 was recognized in the Fourth Quarter of 2009. Closing and other sale related costs amounted to approximately $21,000 and included a $13,500 sales commission paid to the General Partner. The Buyers Note also requires the buyer to escrow property taxes with the Partnership beginning January of 2010.

Per the amortization schedule, the monthly payments are to total approximately $3,522 per month. The first payment was received by the Partnership on November 30, 2009 and included approximately $2,374 in principal and $1,148 in interest.

Applebee's- Columbus, OH Property

An Amendment and Extension of Lease ("Amendment") was fully executed with the tenant on November 4, 2009. The Amendment, effective as of November 1, 2009, provides for an annual base rent of $135,996 and is set to expire on October 31, 2012. The Amendment also provides for five (5) options to renew the lease for an additional two (2) years (base rent will increase by 2% percent for each year of each option). The Amendment also increased the percentage rent sales breakpoint from $1,500,000 to $2,300,000 and decreased the additional percentage rent from 7% to 5%. A leasing commission of approximately $12,000 was paid to a General Partner affiliate in the Fourth Quarter of 2009 in relation to the Amendment.

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

The previous lease, with an annual base rent of $72,000, expired on February 28, 2009. In July of 2009, Management agreed to the terms of a 27 month lease extension with Daytona's All Sports Café ("Daytona's"). The lease amendment, which was executed in early August of 2009, began, and was effective, as of March 1, 2009, provides for an annual base rent of $72,000 (less a potential $600 rent credit per month for both timely payment and sales reporting), and is set to expire on May 31, 2011. A commission of approximately $5,000 was paid to a General Partner affiliate in the Third Quarter upon the execution of the lease amendment. In accordance with the lease amendment, building improvements of approximately $17,000 were made to the property during the Fourth Quarter of 2009, which included $9,000 paid by the Partnership.

Beginning in December of 2005, Management requested that Daytona's escrow its future property tax liabilities with the Partnership on a monthly basis. As of December 31, 2009, Daytona's was current on its monthly rent and property tax escrow obligations and escrow payments held by the Partnership totaled approximately $26,000.

Denny's- Phoenix, Arizona Property

The former property lease, with an annual base rent of $72,000, expired on April 30, 2009. The tenant then paid month-to-month rent of $6,000 for May of 2009. A new twenty three (23) month lease was executed with the tenant, Denny's #6423, LLC ("Denny's), in June of 2009. The lease (which was effective as of June 1, 2009) provides for an annual base rent of $72,000 (less a potential $600 rent credit per month for both timely payment and sales reporting), and is set to expire on April 30, 2011. A commission of approximately $4,000 was paid to a General Partner affiliate in the Second Quarter of 2009 in relation to the lease. In December of 2009, due to recent sluggish sales figures, Denny's notified Management of its intent to terminate the lease, pursuant to its lease rights, as of March 15, 2010. Responsive to the depressed Phoenix market, during January of 2010, Management and Denny's agreed to a six month temporary modification to the lease retroactive to January 1, 2010. The tenant's rent from January 2010 through June of 2010 will be strictly percentage rent at eight (8) percent of monthly sales over $50,000. Management is uncertain as to whether there will be rent modifications for the remaining six months of 2010 or whether the expiration date of the lease will be effectively June 30, 2010.

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. A sales contract, dated February 22, 2008, for the sale of the Denny's- Phoenix, AZ property was terminated by the potential buyer in early May of 2008 due to financing difficulties. The $25,000 escrow deposit continued to be held with the title company until June of 2009, when both parties agreed to release the escrow deposit and to share the released funds equally between seller and buyer. 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 plan to actively pursue options for its sale.

Vacant Park Forest, IL Property

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 $267,186 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. During the Fourth Quarter of 2009, the land carrying value of the vacant Park Forest, IL property was reduced by $50,000 to its estimated fair market value of zero.

Property tax in Cook County, IL is paid in arrears (2009 tax will be paid in 2010) and is paid in two installments, one in the First Quarter and one in the Third or Fourth Quarter (depending upon the timing of tax rate determinations and property tax bill issuance by the County). The former tenant's property tax escrow balance held with the Partnership as of September 30, 2008 met all but $1,300 of the second installment of 2007 property tax paid in November of 2008 for the Park Forest property. The minimal shortage was accrued and expensed by the Partnership as of September 30, 2008. As of December 31, 2008, the Partnership had accrued approximately $56,000 of estimated 2008 property tax related to the Park Forest property, which would be payable to the Cook County taxing authority in 2009. The first installment of 2008 property tax, totaling approximately $27,500, was paid in February of 2009. During the Third Quarter of 2009, Cook County responded to the Partnership's appraisal appeal for Park Forest (due to the property's vacancy) and lowered the property's 2008 appraised value. At September 30, 2009, the remaining accrued 2008 property tax balance was decreased by $20,000 and at October 31, 2009 it was further decreased by $3,000 upon receipt of the actual tax statement. The 2008 second installment of approximately $5,500 was paid in November of 2009. Due to the lease termination and settlement, the 2008 property taxes paid in 2009 will not be collectible from the former tenant. Therefore, beginning with the property tax related to the 2008 tax year, property tax related to the vacant Park Forest property are the responsibility of the Partnership. As of December 31, 2009, the Partnership has accrued twelve months of estimated 2009 property tax totaling approximately $36,000 related to the Park Forest property, which the Partnership will be obligated to pay to the Cook County taxing authority in 2010. The first installment of 2009 property tax, totaling approximately $18,000 was paid in January of 2010.

Due to the vacancy of the Park Forest, IL property, the Partnership has assumed maintenance responsibility. Approximately $1,400 in maintenance expenditures were incurred by the Partnership during 2009 in relation to lawn and clean-up services.

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 provides for one (1) option to renew the lease for an additional five (5) year period, and an obligation for Wendgusta to make $130,000 of capital improvements in the property (all of which have been made). 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 (5) year lease extension.

Blockbuster- Ogden, UT Property

In February of 2008, Management executed a one-year lease extension agreement with Blockbuster, extending the lease term to January 31, 2009 and provided for 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 began on February 1, 2009, was set to expire on January 31, 2010, and provided for 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.

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.

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 provides for two (2) options to renew for additional five (5) year periods, an obligation for Wendcharles to make $100,000 of capital improvements in the property by September 2010, and an obligation for Wendcharles to make $50,000 of capital improvements in the property 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 (5) 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 years to November 6, 2021. The Amendment provides for two (2) options to renew for additional five (5) year periods, an obligation for Wendcharles to make, $120,000 of capital improvements in the property by September 2010, and an obligation for Wendcharles to make $50,000 of capital improvements in the property 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 (5) 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 provides for two options to renew for additional five (5) year periods, an obligation for Wendcharles to make $130,000 of capital improvements in the property by September 2010, and an obligation for Wendcharles to make $50,000 of capital improvements in the property 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 (5) year lease extension.

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.

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.

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 held by the Partnership totaled approximately $551,000 at December 31, 2009, compared to $1,529,000 at December 31, 2008. The variance in the cash balance is primarily due to the net sale proceeds collected from the sale of the Blockbuster, Ogden, UT property in December of 2008. Cash of $390,000 is anticipated to be used to fund the Fourth Quarter of 2009 distribution to Limited Partners in February of 2010, and cash of approximately $76,000 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.

Our principal demands for funds will be for the payment of operating expenses and distributions. Management anticipates that cash generated through the operations of the Partnership's investment properties and sales of investment properties will provide the sources for future fund liquidity and limited partner distributions. The amount of cash to be distributed to our limited partners is determined by the General Partner, TPG, and is dependent on a number of factors, including funds available for payment of distributions, financial condition and capital expenditures.

As of December 31, 2009, the Partnership’s investment portfolio was 93% leased as compared to 94% as of December 31, 2008 (the variance is due to the sale of the Panda Buffet, Grand Forks, ND property in November of 2009). Of the approximately fourteen (14) properties currently leased, only two (2) are due to expire in the next twelve (12) months. Management anticipates working with the current tenants to extend these two leases.

Management intends to hold the current investment properties that the Partnership owns until such time as a sale or other disposition appears to be advantageous to achieve investment objectives or until it appears that such objectives will not be met. In deciding whether to sell individual properties, Management will consider factors such as potential capital appreciation, cash flow and federal income tax considerations, including possible adverse federal income tax consequences to limited partners. TPG may exercise its discretion as to whether and when to sell a property, and it will have no obligation to sell properties at any particular time, except upon the Partnership termination date of November 30, 2020, or if limited partners holding a majority of the units vote to liquidate the Partnership in response to a formal proxy to sell all of the Partnership’s properties prior to that date.

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 the Financial Statements- PMA Indemnification Trust.)

Property tax cash escrow held by the Partnership on behalf of the Daytona’s property amounted to approximately $26,000 and $19,000 at December 31, 2009 and December 31, 2008, respectively. Payments of approximately $29,000 were received by the Partnership from Daytona’s during 2009. Daytona’s 2007-2008 second property tax installment of approximately $11,000 was paid by the Partnership from the property tax cash escrow balance in the First Quarter of 2009 and its 2008-2009 first property tax installment estimate of $11,000 was paid in the Third Quarter of 2009. Daytona’s 2008-2009 second property tax installment of approximately $11,000 is scheduled to be due in the First Quarter of 2010. Property tax for the vacant Park Forest property is paid by the Partnership from operating cash. (For further disclosure see Investment Properties in Part I- Item 2, and Part II- Item 7.)

Rents and other receivables amounted to approximately $395,000 at December 31, 2009, compared to $424,000 as of December 31, 2008. At December 31, 2009, rents and other receivables primarily included approximately $393,000 in 2009 percentage rental income accrued in the Second, Third and Fourth Quarters of 2009 for tenants who had reached their sales breakpoint. These percentage rents included $43,000 which was billed to Applebee’s- Columbus, OH in the Fourth Quarter of 2009 due to its Fourth Quarter of 2009 lease renewal and amendment and $350,000 which were not billed to or owed by the tenant’s until the First Quarter of 2010. At December 31, 2008 rents and other receivables included $419,000 in rental income accrued during 2008 for tenants who had reached their individual sales breakpoints. 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. These percentage rents were not billed to or owed by the tenant’s until the First Quarter of 2009. As of December 31, 2009, only approximately $2,000 of these 2008 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 2009).

Property tax receivable at December 31, 2009 and December 31, 2008 totaled approximately zero and $2,000, 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 $28,000 and $29,000 at December 31, 2009 and 2008, respectively. The balances represented approximately ten months of prepaid insurance paid by the Partnership.

Deferred charges totaled approximately $292,000 and $306,000, net of accumulated amortization, at December 31, 2009 and December 31, 2008, respectively. Deferred charges represent leasing commissions paid when properties are leased or upon the negotiated extension of a lease. Leasing commissions of approximately $5,000, $4,000 and $12,000 were paid in 2009 in relation to the lease extension of the Daytona's- All Sports, Des Moines, IA property, the new lease for the Denny's- Phoenix, AZ property, and the lease extension for the Applebee's- Columbus, OH property, respectively. 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 and $14,000 were paid in 2008 in relation to the lease extensions of three (3) of the Wendy's Properties that were assigned from Wencoast to Wendcharles and the lease extension of one (1) of the Wendgusta Properties. 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.

The Note receivable balance amounted to approximately $298,000 at December 31, 2009. A sales contract was executed on September 30, 2009 for the installment sale of the Panda Buffet restaurant property to the owner tenant for $520,000 (sales amount was to be reduced to $450,000 if closing occurred on or before November 15, 2009). The closing date on the sale of the property was November 12, 2009 at a sales price of $450,000. The buyer paid $150,000 at closing with the remaining balance of $300,000 being delivered in the form of a Promissory note ("Buyers Note") to the Partnership. The Buyers Note reflects a term of three years, an interest rate of 7.25%, and principal and interest payments paid monthly and principal amortized over a period of ten years beginning December 1, 2009 with a balloon payment after year three. Pursuant to the Buyers Note, there will be no penalty for early payment of principal. Per the amortization schedule, the monthly payments are to total approximately $3,522 per month. The first payment was received by the Partnership on November 30, 2009 and included approximately $2,374 in principal and $1,148 in interest.

Liabilities

Accounts payable and accrued expenses at December 31, 2009, and December 31, 2008 amounted to approximately $13,000 and $62,000, respectively. The balances primarily represented the accruals of professional and data processing fees and the variance is primarily due to the timing of vendor invoices received and paid.

Property tax payable at December 31, 2009 and December 31, 2008, totaled approximately $62,000 and $77,000, respectively. The December 31, 2009 balance primarily represented the vacant Park Forest, IL property's 2009 accrued property taxes (which will be paid in 2010 by the Partnership from operating cash) and Daytona's property tax escrow charges related to the tenant's property tax which are scheduled to be due in 2010 (which will be paid by the Partnership from the property tax escrow cash balance held by the Partnership on the behalf of Daytona's). 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 were scheduled to be due in 2009. (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 $1,819 at December 31, 2009, and primarily represented the General Partner's portion of the Fourth Quarter 2009 distribution.

Partners' Capital

Net income for the year was allocated between the General Partner and the Limited Partners, 1% and 99%, respectively, as provided for 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 2009 of $2,050,000 and $3,290, respectively, have also been made in accordance with the Partnership Agreement. The Partnership intends to pay Fourth Quarter of 2009 Limited Partner distributions totaling $390,000 on February 12, 2010.

Results of Operations

The Partnership reported income from continuing operations for the year ended December 31, 2009, in the amount of $730,000 compared to income from continuing operations for the years ended December 31, 2008 and 2007 of $612,000 and $1,012,000, respectively. The variance in income from continuing operations in 2009 compared to 2008 and 2007 is due primarily to: (i) lower percentage rent billed and accrued in 2009 for some tenants, due to lower 2009 sales figures; (ii) the Second Quarter of 2009 collection of a $12,500 deposit in relation to the termination of the Denny's- Phoenix, AZ property sales contract dated February 22, 2008; (iii) higher investor communication and professional services expenditures in 2009 primarily due to the 2009 Consent solicitation process; (iv) the actual Park Forest property tax paid in 2009 for the 2008 tax year was lower than the accrued amount at December 31, 2008; (v) the Park Forest, IL 2009 monthly property tax accruals were lower than the 2008 property tax accruals; (vi) the vacancy of the Park Forest, IL property effective June 30, 2008; (vii) the $50,000 and $267,000 carrying value write-downs of the vacant Park Forest, IL property in the Fourth Quarter of 2009 and the Third Quarter of 2008, respectively; (viii) lower depreciation expense beginning October of 2008, due to the Park Forest, IL building and improvements, net balance being zero after Third Quarter of 2008 write-down; (ix) higher 2008 estimated income tax paid and year-end accruals resulting from the sale of properties; (x) the reversal of the $12,000 2005/2006 estimated insurance premium adjustment accrual in the First Quarter of 2008 and the reversal of the $12,000 2006/2007 estimated insurance premium adjustment accrual in the Second Quarter of 2008 due to insurance endorsements received (accruals were due to the unexpected $12,000 2004/2005 insurance premium adjustment received in the Second Quarter of 2006); and (xi) the recognition of higher interest yields in 2008.

Discontinued Operations

During 2009, 2008 and 2007, the Partnership recognized income from discontinued operations of approximately $42,000, $1,432,000 and $1,099,000, respectively. In accordance with FASB guidance for "Accounting for the Impairment or Disposal of Long Lived Assets", 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 2009, 2008 and 2007 income from discontinued operations is attributable to the Third Quarter of 2009 reclassification of the Panda Buffet restaurant-Grand Forks, ND ("Panda Buffet") property to property held for sale (executed sales contract dated September 30, 2009). The 2009 income from discontinued operations includes the Fourth Quarter net gain of approximately $29,000 on the sale of the Panda Buffet property. The 2008 and 2007 income from discontinued operations is also 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. The Wendy's property was sold in May of 2008 under the terms of the Sales Contract dated April 10, 2008 and the Blockbuster property was sold in December of 2008. 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 and the Fourth Quarter net gain of approximately $601,000 on the sale of the Blockbuster. 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 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.

Revenues

Total operating revenues were $1,563,000, $1,629,000, and $1,669,000, for the years ended December 31, 2009, 2008 and 2007, respectively. (For further disclosure see Investment Properties in Part I- Item 2, and Part II- Item 7.) The variance in operating revenues in 2009 compared to 2008 and 2007 is due primarily to: (i) lower percentage rent billed and accrued in 2009 for some tenants, due to lower 2009 sales figures; (ii) the Second Quarter of 2009 collection of a $12,500 deposit in relation to the termination of the Denny's- Phoenix, AZ property sales contract dated February 22, 2008 (iii) the vacancy of the Park Forest, IL property due to the lease termination agreement (rent ceased beginning July of 2008); and (iv) higher percentage rental income accruals for 2007.

As of December 31, 2009, total base operating rent revenues should approximate $1,106,000 for the year 2010 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. Operating percentage rentals included in rental income from operations in 2009, 2008, and 2007 were approximately $399,000, $427,000, and $444,000, respectively.

Expenses

For the years ended December 31, 2009, 2008, and 2007 total operating expenses amounted to approximately 55%, 66% and 45%, of total operating revenues, respectively.

The variance in total operating expenses in 2009 compared to 2008 and 2007 is due primarily to: (i) higher investor communication and professional services expenditures in 2009 primarily due to the 2009 Consent solicitation process; (ii) the actual Park Forest property tax paid in 2009 for the 2008 tax year was lower than the accrued amount at December 31, 2008; (iii) the Park Forest, IL 2009 monthly property tax accruals were lower than the 2008 property tax accruals; (iv) the vacancy of the Park Forest, IL property effective June 30, 2008; (v) the $50,000 and $267,000 carrying value write-downs of the vacant Park Forest, IL property in the Fourth Quarter of 2009 and the Third Quarter of 2008, respectively; (vi) lower depreciation expense beginning October of 2008, due to the Park Forest, IL building and improvements, net balance being zero after Third Quarter of 2008 write-down; (vii) higher 2008 estimated income tax paid and year-end accruals resulting from the sale of properties; (viii) the accrual of six months of estimated 2008 property tax related to the vacant Park Forest, IL property in the Second Quarter of 2008; (ix) the reversal of the $12,000 2005/2006 estimated insurance premium adjustment accrual in the First Quarter of 2008 and the reversal of the $12,000 2006/2007 estimated insurance premium adjustment accrual in the Second Quarter of 2008 due to insurance endorsements received (accruals were due to the unexpected $12,000 2004/2005 insurance premium adjustment received in the Second Quarter of 2006); and (x) the recognition of higher interest yields in 2008.

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 $2,000 were incurred in the Third Quarter of 2009. Operating write-offs for non-collectible rents and receivables totaling approximately $5,000 were incurred in the Third Quarter of 2008. Such write-offs were 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 year ended December 31, 2007.

Other Income

For the years ended December 31, 2009, 2008 and 2007 the Partnership did generate other income of approximately $32,000, $69,000 and $90,000, respectively. During 2009, 2008 and 2007, the Partnership received approximately $3,000, $3,000 and $13,000, respectively, in investor service fees related to the voiding and reissuance of old outstanding limited partner distribution checks. (See Investment Properties- in Part I- Item 2, and Part II- Item 7.)

A note receivable interest payment totaling approximately $1,000 was received by the Partnership during 2009 and related to the installment sale of the Panda Buffet, Grand Forks, ND property in November of 2009. Per the note receivable amortization schedule, approximately $21,000 is anticipated to be collected by the Partnership in 2010.

During 2009, 2008 and 2007 revenues were also generated from account interest earnings and small recoveries from former General Partners. Higher interest yields were recognized in 2008 and 2007 due to higher interest rates and higher average cash balances (Blockbuster property sold in May of 2008 and sale proceeds distributed in August of 2007; 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 the year ended 2009 (does not include rental income from properties sold during 2009). 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 the 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 7A. Quantitative and Qualitative Disclosures About Market Risk

The Partnership is not subject to market risk as defined by Item 305 of Regulation S-K.

Item 8. Financial Statements and Supplementary Data

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

INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

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, 2009 and 2008 and the related statements of income, partners' capital, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the 2009 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, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, 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, 2009 included in the accompanying Management's Report on Internal Control Over Financial Reporting and, accordingly, we do not express an opinion thereon.

/s/ McGladrey and Pullen, LLP

Chicago, Illinois
March 26, 2010

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2009 and 2008

ASSETS

	December 31, 2009	December 31, 2008
INVESTMENT PROPERTIES: **(Note 3)**		
Land	$3,887,766	$4,110,467
Buildings	6,134,353	6,692,027
Accumulated depreciation	(4,260,745)	(4,438,474)
Net investment properties	$5,761,374	$6,364,020
OTHER ASSETS:		
Cash	$551,373	$1,528,935
Cash held in Indemnification Trust **(Note 8)**	450,647	449,624
Property tax cash escrow	25,529	19,020
Rents and other receivables	394,910	424,022
Property tax receivable	0	2,422
Deferred rent receivable	17,977	44,015
Prepaid insurance	28,012	28,939
Deferred charges, net	292,076	306,462
Note receivable **(Note 10)**	297,626	0
Total other assets	$2,058,150	$2,803,439
Total assets	$7,819,524	$9,167,459

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

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2009 and 2008

LIABILITIES AND PARTNERS' CAPITAL

	December 31, 2009	December 31, 2008
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$13,146	$61,561
Property tax payable	61,533	77,191
Due to General Partner	1,819	4,465
Security deposits	88,440	93,440
Unearned rental income	5,000	0
Total current liabilities	$169,938	$236,657
CONTINGENCIES AND COMMITMENTS **(Notes 7 and 8)**		
PARTNERS' CAPITAL: **(Notes 1, 4 and 9)**		
General Partner -		
Cumulative net income	$304,214	$296,493
Cumulative cash distributions	(125,611)	(122,321)
	$178,603	$174,172
Limited Partners (46,280.3 interests outstanding)		
Capital contributions, net of offering costs	$39,358,468	$39,358,468
Cumulative net income	36,483,012	35,718,659
Cumulative cash distributions	(67,530,268)	(65,480,268)
Reallocation of former general partners' deficit capital	(840,229)	(840,229)
	$7,470,983	$8,756,630
Total partners' capital	$7,649,586	$8,930,802
Total liabilities and partners' capital	$7,819,524	$9,167,459

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, 2009, 2008, and 2007

	2009	2008	2007
OPERATING REVENUES:			
Rental income **(Note 5)**	$1,563,165	$1,629,445	$1,668,680
TOTAL OPERATING REVENUES	$1,563,165	$1,629,445	$1,668,680
EXPENSES:			
Partnership management fees **(Note 6)**	$240,841	$232,205	$225,657
Restoration fees **(Note 6)**	459	535	497
Insurance	34,541	9,249	46,522
General and administrative	103,553	155,513	92,973
Advisory Board fees and expenses	10,000	9,500	9,500
Professional services	206,401	156,115	174,778
Property tax expense	13,056	57,085	0
Personal property taxes	820	820	820
Write-off of uncollectible receivables	2,013	5,445	0
Property impairment write-downs **(Note 3)**	50,000	267,186	0
Depreciation	172,840	170,101	184,544
Amortization	26,195	9,114	8,560
Other expenses	4,643	2,380	3,031
Adjustment to carrying value of property no longer held for sale	0	11,512	0
TOTAL OPERATING EXPENSES	$865,362	$1,086,760	$746,882
OTHER INCOME			
Other interest income	$3,498	$34,067	$64,213
Note receivable interest income **(Note 10)**	1,148	0	0
Other income	15,907	21,719	13,377
Recovery of amounts previously written off **(Note 2)**	11,476	13,381	12,428
TOTAL OTHER INCOME	$32,029	$69,167	$90,018
INCOME FROM CONTINUING OPERATIONS	$729,832	$611,852	$1,011,816
INCOME FROM DISCONTINUED OPERATIONS **(Note 3)**	42,242	1,432,102	1,099,186
NET INCOME	$772,074	$2,043,954	$2,111,002
NET INCOME- GENERAL PARTNER	$7,721	$20,440	$21,110
NET INCOME- LIMITED PARTNERS	764,353	2,023,514	2,089,892
	$772,074	$2,043,954	$2,111,002
PER LIMITED PARTNERSHIP INTEREST, Based on 46,280.3 interests outstanding:			
INCOME FROM CONTINUING OPERATIONS	$15.61	$13.44	$21.99
INCOME FROM DISCONTINUED OPERATIONS	.91	30.28	23.17
NET INCOME PER LIMITED PARTNERSHIP INTEREST	$16.52	$43.72	$45.16

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, 2009, 2008 and 2007

	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	Total Partners' Capital
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	$10,058,535
Cash Distributions ($62.12 per limited partnership interest)		(8,444)	(8,444)			(2,875,000)		(2,875,000)	(2,883,444)
Net Income	21,110		21,110		2,089,892			2,089,892	2,111,002
BALANCE AT DECEMBER 31, 2007	276,053	(113,076)	162,977	39,358,468	33,695,145	(63,090,268)	(840,229)	9,123,116	9,286,093
Cash Distributions ($51.64 per limited partnership interest)		(9,245)	(9,245)			(2,390,000)		(2,390,000)	(2,399,245)
Net Income	20,440		20,440		2,023,514			2,023,514	2,043,954
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	8,930,802
Cash Distributions ($44.30 per limited partnership interest)		(3,290)	(3,290)			(2,050,000)		(2,050,000)	(2,053,290)
Net Income	7,721		7,721		764,353			764,353	772,074
BALANCE AT DECEMBER 31, 2009	$304,214	$(125,611)	$178,603	$39,358,468	$36,483,012	$(67,530,268)	$(840,229)	$7,470,983	$7,649,586

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, 2009, 2008, and 2007

	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$772,074	$2,043,954	$2,111,002
Adjustments to reconcile net income to net cash from operating activities -			
Depreciation and amortization	213,851	203,513	225,548
Adjustment for carrying value of property no longer held for sale	0	11,512	0
Recovery of amounts previously written off	(11,476)	(13,381)	(12,428)
Provision for non-collectible rents and other receivables	2,013	5,445	0
Property impairment write-downs	50,000	267,186	0
Net gain on disposal of assets	(28,604)	(1,260,262)	(886,859)
Interest applied to Indemnification Trust account	(1,023)	(11,569)	(20,195)
Decrease (Increase) in rents and other receivables	27,100	(4,185)	7,158
(Increase) Decrease in property tax cash escrow	(6,509)	21,673	(10,496)
Decrease (Increase) in prepaid insurance	927	(325)	3,012
Decrease in deferred rent receivable	10,162	14,912	19,573
Decrease (Increase) in property tax receivable	2,422	(1,219)	9,500
(Decrease) Increase in accounts payable and accrued expenses	(48,415)	(37,042)	9,284
(Decrease) Increase in property tax payable	(15,658)	35,294	997
(Decrease) Increase in due to General Partner	(2,646)	2,126	(41)
Decrease in security deposits	(5,000)	(11,200)	(9,945)
Increase (Decrease) in unearned rental income	5,000	(63,240)	33,860
Net cash from operating activities	$964,218	$1,203,192	$1,479,970
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net proceeds from sale of investment properties	$127,720	$2,094,268	$1,522,520
Note receivable, principal payment received	2,374	0	0
Investment in building improvements	(9,000)	0	(21,290)
Payment of leasing commissions	(21,060)	(60,072)	(58,365)
Recoveries from former General Partner affiliates	11,476	13,381	12,428
Net cash from investing activities	$111,510	$2,047,577	$1,455,293
CASH FLOWS USED IN FINANCING ACTIVITIES:			
Cash distributions to Limited Partners	$(2,050,000)	$(2,390,000)	$(2,875,000)
Cash distributions to General Partner	(3,290)	(9,245)	(8,444)
Net cash used in financing activities	$(2,053,290)	$(2,399,245)	$(2,883,444)
NET (DECREASE) INCREASE IN CASH	$(977,562)	$851,524	$51,819
CASH AT BEGINNING OF YEAR	1,528,935	677,411	325,592
CASH AT END OF YEAR	$551,373	$1,528,935	$677,411
Supplemental Schedule of Noncash Investing Activity			
Sale of investment property for note receivable	$300,000	$0	$0

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

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, 2009, the Partnership owned fifteen (15) properties.

The Partnership will be dissolved on November 30, 2020 (extended ten years per the results of the 2009 Consent, as defined below), 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 continued to operate as a going concern. On July 31, 2009, the Partnership mailed a Consent solicitation (the “2009 Consent”) to Limited Partners to determine whether the Limited Partners wished to extend the term of the Partnership for ten (10) years to November 30, 2020 (the “Extension Proposition”), or wished the Partnership to sell its assets, liquidate, and dissolve by November 30, 2010. Per the provisions of the 2009 Consent, once the General Partner had received Consent Cards from Limited Partners holding a majority of the Partnership Interests voting either “FOR” or “AGAINST” the Extension Proposition, the General Partner could declare the 2009 Consent solicitation process concluded and would be bound by the results of such process. In any event, unless the General Partner elected to extend the deadline of the Consent solicitation, the 2009 Consent solicitation processes and the opportunity to vote by returning a Consent Card, was to end on October 31, 2009. As of October 14, 2009, a majority of the Partnership Interests voted “FOR” the Extension Proposition and the General Partner declared the 2009 Consent solicitation process concluded as of that date. Therefore, the Partnership continues to operate as a going concern.

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, 2009 and 2008 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, 2009 and December 31, 2008, accumulated amortization amounted to $54,095 and $46,250, respectively.

Property taxes, general maintenance, 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 vacant Park Forest, IL property formerly operated as a Popeye's Famous Fried Chicken restaurant), the Partnership makes the appropriate property tax payments to avoid possible foreclosure of the property and in a property vacancy the Partnership pays for maintenance related to the vacant 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 in federally insured accounts in a bank that is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through June 30, 2010, 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, 2009, nine (9) of the Partnership's fifteen (15) properties are leased to two (2) significant tenants who comprised 46% and 19%, respectively, of the total 2009 operating base rents.

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 U.S. generally accepted accounting principles applicable to "Accounting for the Impairment or Disposal of Long Lived Assets". 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 discontinued, 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 within U.S. generally accepted accounting principles applicable to "Accounting for the Impairment or Disposal of Long Lived Assets" 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.

In September 2006, the FASB issued "Fair Value Measurements and Disclosure", which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measures required under other accounting pronouncements but does not change existing guidance as to whether or not an instrument is carried at fair value. The Partnership's adoption of the provisions of this FASB issued "Fair Value Measurements and Disclosure" on January 1, 2008, with respect to financial assets and liabilities measured at fair value did not have a material impact on its fair value measurements in its financial statements. The adoption of the provisions of this FASB issuance on January 1, 2009, with respect to nonrecurring fair value measurements of nonfinancial assets and liabilities, including (but not limited to) the valuation of reporting units for the purpose of assessing goodwill impairment and the valuation of property and equipment when assessing long-lived asset impairment, did not have a material impact on how the Partnership estimated its fair value measurements but did result in increased disclosures about fair value measurements in the Partnership's financial statements as of and for the year ended December 31, 2009. See Note 11 for further disclosure.

U.S. generally accepted accounting principles applicable to 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 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 of the Partnership, The Provo Group, Inc. ("TPG"), believes that the carrying value of the Partnership's assets (exclusive of the Investment Property) and liabilities approximate fair value due to the relatively short maturity of these instruments.

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, 2009 the tax basis of the Partnership's assets exceeded the amounts reported in the December 31, 2009 financial statements by approximately $7,135,000.

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

	2009 (Unaudited)	2008 (Unaudited)	2007 (Unaudited)
Net income, per statements of income	$772,074	$2,043,954	$2,111,002
Book to tax depreciation difference	(34,855)	41,784	(46,470)
Tax over (under) Book gain from asset disposition	(2,840)	21,555	7,271
Straight line rent adjustment	26,038	17,067	19,573
Prepaid rent	5000	63,240	33,860
Impairment write-down of assets held	50,000	267,186	0
Net income for tax reporting purposes	$815,417	$2,244,738	$2,125,236

The Partnership is not subject to federal income tax because its income and losses are includable in the tax returns of its partners, but may be subject to certain state taxes. The Financial Accounting Standards Board (FASB) has provided guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the entity's tax returns to determine whether the tax positions are more-likely-than-not of being sustained when challenged or when examined by the applicable taxing authority. For the years ended December 31, 2009 and 2008, Management has determined that there are no material uncertain income tax positions. Tax returns filed by the Partnership generally are subject to examination by U.S. and state taxing authorities for the years ended after December 31, 2005.

Recent Accounting Pronouncements

Effective January 1, 2010, the way in which a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar) rights should be consolidated will change. The determination of whether a company is required to consolidate an entity will be based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. The Partnership does not expect this will have a material effect on its results of operations or financial position.

In June 2009, the FASB issued new guidance which revises and updates previously issued guidance related to variable interest entities. This new guidance revises the previous guidance by eliminating the exemption for qualifying special purposes entities, by establishing a new approach for determining who should consolidate a variable interest entity and by changing when it is necessary to reassess who should consolidate a variable interest entity. The Partnership will adopt this new guidance on January 1, 2010. The Partnership does not expect the adoption of the new guidance to have a material impact on the Partnership's 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, 2009, approximately $5,899,000 of recoveries have been received which exceeded the original estimate of $3 million. As a result, from January 1, 1996 through December 31, 2009, the Partnership has recognized a total of approximately $1,209,000 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. <u>INVESTMENT PROPERTIES:</u>

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, 2009, the Partnership owned fourteen (14) 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 fourteen (14) properties with operating tenants are composed of the following: nine (9) Wendy's restaurants, one (1) Denny's restaurant, one (1) Applebee's restaurant, one (1) Kentucky Fried Chicken restaurant, one (1) Chinese Super Buffet restaurant, and one (1) Daytona's All Sports Café. The fifteen (15) properties are located in a total of seven (7) 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 had 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 $267,186 to its estimated fair market value of $50,000. The reduction included $129,450 related to land and $137,736 related to buildings. The land carrying value of the vacant Park Forest, IL property was further reduced by $50,000 in the Fourth Quarter of 2009 to an estimated fair market value of zero.

During 2009, 2008 and 2007, the Partnership recognized income from discontinued operations of approximately $42,000, $1,432,000 and $1,099,000, respectively. The 2009, 2008 and 2007 income from discontinued operations is attributable to the Third Quarter of 2009 reclassification of the Panda Buffet restaurant- Grand Forks, ND ("Panda Buffet") property to property held for sale (executed sales contract dated September 30, 2009). The 2009 income from discontinued operations includes the Fourth Quarter net gain of approximately $29,000 on the sale of the Panda Buffet property. The 2008 and 2007 income from discontinued operations is also 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. The Wendy's property was sold in May of 2008 under the terms of the Sales Contract dated April 10, 2008 and the Blockbuster property was sold in December of 2008. 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 and the Fourth Quarter net gain of approximately $601,000 on the sale of the Blockbuster. 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 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

There were no components of property held for sale in the balance sheets as of December 31, 2009 and 2008.

The components of discontinued operations included in the statements of income for the years ended December 31, 2009, 2008 and 2007 are outlined below:

	December 31, 2009	December 31, 2008	December 31, 2007
Revenues			
Rental Income	$31,015	$169,219	$267,391
Other Income	0	30,600	0
Total Revenues	$31,015	$199,819	$267,391
Expenses			
Insurance	$0	$827	$827
Professional services	2,561	527	7,038
Maintenance and Repair	0	2,327	14,755
Depreciation	12,966	17,288	23,744
Amortization	1,850	7,010	8,700
Total Expenses	$17,377	$27,979	$55,064
Income from Rental Operations	$13,638	$171,840	$212,327
Net gain on sale of properties	28,604	1,260,262	886,859
Income from Discontinued Operations	$42,242	$1,432,102	$1,099,186

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 Amended Agreement of Limited Partnership was amended, effective as of November 9, 2009, to extend the term of the Partnership to November 30, 2020, or until dissolution prior thereto pursuant to the consent of the majority of the outstanding Units. The Second Amendment to the Partnership Agreement was attached to the September 30, 2009 Form 10-Q in Exhibit 4.1.

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 were 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, 2009, 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,	
2010	$1,106,496
2011	1,064,496
2012	1,011,830
2013	830,278
2014	826,500
Thereafter	5,039,925
	$9,879,525

Operating percentage rentals included in rental income from operations in 2009, 2008, and 2007 were approximately $399,000, $427,000, and $444,000, respectively. At December 31, 2009, rents and other receivables included $43,000 of billed and $350,000 of unbilled percentage rents. At December 31, 2008, rents and other receivables included $2,000 of billed and $417,000 of unbilled percentage rents. As of December 31, 2009, only approximately $2,000 of these 2008 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 2009).

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 19% and 46%, respectively, of the total 2009 operating base rents.

6. TRANSACTIONS WITH GENERAL PARTNER AND ITS AFFILIATES:

Pursuant to the terms of the Permanent Manager Agreement ("PMA") executed in 1993, the General Partner receives a Base Fee for managing the Partnership equal to 4% of gross receipts, subject to an initial minimum amount of $159,000. The PMA also provides that the Partnership is responsible for reimbursement for office rent and related office overhead ("Expenses") up to an initial annual maximum of $13,250. Both the Base Fee and Expense reimbursement are subject to annual Consumer Price Index based adjustments. Effective March 1, 2009, the minimum annual Base Fee and the maximum Expense reimbursement increased by 3.84% from the prior year, which represents the allowable annual Consumer Price Index adjustment per the PMA. Therefore, as of March 1, 2009, the minimum monthly Base Fee paid by the Partnership was raised to $20,233 and the maximum monthly Expense reimbursement was raised to $1,632.

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. To date, TPG has received fees from the Partnership totaling $58,893 to date on the amounts recovered, which includes fees received for 2009, 2008 and 2007 of $459, $535 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, 2009, 2008, and 2007, are as follows:

General Partner	Incurred for the Year ended December 31, 2009	Incurred for the Year ended December 31, 2008	Incurred for the Year ended December 31, 2007
Management fees	$240,841	$232,205	$225,657
Restoration fees	459	535	497
Overhead allowance	19,464	18,777	18,246
Sales commission	13,500	56,600	48,000
Leasing commissions	21,060	55,872	58,365
Reimbursement for out-of-pocket expenses	5,210	6,848	7,250
Cash distribution	3,290	9,245	8,444
	$303,824	$380,082	$366,459

At December 31, 2009 and 2008, $1,819 and $4,465, 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. Funds are invested in U.S. Treasury securities. In addition, $200,647 of earnings has been credited to the Trust as of December 31, 2009. 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. NOTE RECEIVABLE:

A sales contract was executed on September 30, 2009 for the installment sale of the Panda Buffet restaurant property to the tenant for $520,000 (sales amount was to be reduced to $450,000 if closing occurred on or before November 15, 2009). The closing date on the sale of the property was November 12, 2009 at a sales price of $450,000. The buyer paid $150,000 at closing with the remaining balance of $300,000 being delivered in the form of a Promissory note (“Buyers Note”) to the Partnership. A net gain on the sale of approximately $29,000 was recognized in the Fourth Quarter of 2009. The Buyers Note reflects a term of three years, an interest rate of 7.25%, and principal and interest payments paid monthly and principal amortized over a period of ten years beginning December 1, 2009 with a balloon payment after year three. Pursuant to the Buyers Note, there will be no penalty for early payment of principal. Buyers Note also requires the buyer to escrow property taxes with the Partnership beginning January of 2010.

Per the Buyer’s Note amortization schedule, the monthly payments are to total approximately $3,522 per month. The first payment was received by the Partnership on November 30, 2009 and included approximately $2,374 in principal and $1,148 in interest.

The amortized principal payments to be received under the Buyers Note for the next three years are as follows:

Year ending December 31,

2010	$21,388
2011	22,991
2012	253,247
	$297,626

11. FAIR VALUE DISCLOSURES

The Partnership has determined the fair value based on hierarchy that gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the accounting principle are described below:

Level 1. Quoted prices in active markets for identical assets or liabilities.

Level 2. Quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, and inputs other than quoted prices that are observable for the investment.

Level 3. Unobservable inputs for which there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation and the use of discounted cash flow models to value the investment.

The fair value hierarchy is based on the lowest level of input that is significant to the fair value measurements. The Partnership's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Total losses of $50,000 represent an impairment charge related to the Park Forest, IL property recorded in 2009.

12. SUBSEQUENT EVENTS:

On February 12, 2010, the Partnership made distributions to the Limited Partners of $390,000, which amounted to $8.43 per Interest.

The Partnership has performed an evaluation of subsequent events through the date the financial statements were issued.

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

None.

Item 9A (T). Control and Procedures

Controls and Procedures

As of December 31, 2009, the Partnership's Management, including its principal executive officer and principal 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) as of the end of the period covered by this report were effective based on the evaluation of these controls and procedures as 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, 2009. 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 there under (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, 2009, 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, 2009, that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

The Partnership's Management, does not expect that the disclosure controls and procedures of the internal controls will prevent all error and misstatements. 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.

Item 9B. Other Information

On July 31, 2009, the Partnership solicited the consent of the Limited Partners, pursuant to a Consent solicitation statement on Schedule 14A, to amend the Partnership Agreement to extend the term of the Partnership to November 30, 2020 (the "Extension Proposition"). As of October 14, 2009, holders of a majority of the outstanding Limited Partner Interests voted in favor of the Extension Proposition and the Consent solicitation was closed. The results of the Consent solicitation were as follows: 23,886.4400 votes "FOR", 7,203.9250 votes "Against", 238.5000 votes "Abstain". The Amendment to Amended

Agreement of Limited Partnership dated as of November 9, 2009, was filed as Exhibit 4.1 to the Partnership Quarterly Report on Form 10-Q filed November 12, 2009.

PART III

Item 10. Directors and Executive Officers of the Registrant

The Partnership does not have any employees, executive officers, or directors and therefore no board committees.

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 officer and director of the General Partner who control the affairs of the Partnership are as follows:

> ***Bruce A. Provo, Age 59 - 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.
>
> Since the founding of TPG in 1985, Mr. Provo has also founded various entities engaged in unique businesses, but grouped under an informal umbrella known as The Provo Group of Companies.

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 the DiVall 2 Limited

Partners. 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, now known as ConocoPhillips. 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 the DiVall 2 Limited Partners.

Code of Ethics

The Partnership has no executive officers or any employees and, accordingly, has not adopted a formal code of ethics.

Mr. Provo and TPG require that all personnel, including all employees, officers and directors: engage in honest and ethical conduct; ensure full, fair, accurate, timely and understandable disclosure; comply with all applicable governmental laws, rules and regulations; and report to Mr. Provo any deviation from these principles. Because the organization is composed of very few individuals, and because Mr. Provo is the ultimate decision maker in all instances, TPG has not adopted a formal code of ethics. Mr. Provo, as Chief Executive Officer and Chairman of the Board of Directors of TPG, mitigates and resolves all conflicts to the best of his ability and determines appropriate actions if necessary to deter violations and promote accountability, consistent with his fiduciary obligations to TPG and the fiduciary obligations of TPG to the Partnership.

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, 3.5 and 3.6 hereto. The 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. The principal executive officer of the General Partner is not compensated by the Partnership for controlling the affairs of the Partnership, except to the extent he may receive remuneration as a result of his management of the General Partner and its management fee received from the Partnership.

Item 12. Security Ownership of Certain Beneficial Owners and Management

(a) As of December 31, 2009, 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	4,082.1	8.82%

(b.) As of December 31, 2009, neither the General Partner nor any of its 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 annually. 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 annually. Both the Base Fee and Expense reimbursement are subject to annual Consumer Price Index based adjustments. Effective March 1, 2009, the minimum annual Base Fee and the maximum annual Expense reimbursement increased by 3.84%, which represents the allowable annual Consumer Price Index adjustment per the PMA. Therefore, as of March 1, 2009, the minimum monthly Base Fee paid by the Partnership was raised to $20,233 and the maximum monthly Expense reimbursement was raised to $1,632.

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. The corpus of the Trust has been fully funded with Partnership assets.

The Partnership paid and/or accrued the following to Management and its affiliates in 2009 and 2008:

The Provo Group, Inc.:

	Incurred for the Year ended December 31, 2009	Incurred for the Year ended December 31, 2008
Management fees	$240,841	$232,205
Restoration fees	459	535
Overhead allowance	19,464	18,777
Sales commission	13,500	56,600
Leasing commissions	21,060	55,872
Direct Cost Reimbursement	5,210	6,848
Cash Distributions	3,290	9,245
	$303,824	$380,082

Item 14. Principal Accounting Firm Fees and Services

Audit Fees

Aggregate billings during the years 2009 and 2008 for audit services provided by the Partnership's principal accounting firm, McGladrey & Pullen, LLP ("M&P"), to the Partnership, amounted to $51,720 and $62,009, respectively. Aggregate billings for interim review services provided by the Partnership's principal accounting firm, M&P, to the Partnership during the years 2009 and 2008, amounted to $13,500 and $12,000, respectively.

Audit-Related Fees

For the year ended December 31, 2009 and 2008, M&P did not perform any assurance and related services that were reasonably related to the performance of the audit or interim reviews.

Tax Fees

Tax compliance services provided by RSM McGladrey, Inc. ("RSM") that were billed during 2009 and 2008 were $23,000 and $22,750, respectively.

All Other Fees

For the year ended December 31, 2009, M&P did not perform any management consulting or other services for the Partnership. For the year ended December 31, 2008, M&P provided management consulting services for the Partnership for a fee of $2,500.

For the years December 31, 2009 and 2008, RSM, did not perform any management consulting or other services for the Partnership.

PART IV

Item 15. Exhibits and Financial Statement Schedule

(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, 2009 and 2008

Statements of Income for the Years Ended December 31, 2009, 2008, and 2007

Statements of Partners' Capital for the Years Ended December 31, 2009, 2008, and 2007

Statements of Cash Flows for the Years Ended December 31, 2009, 2008, and 2007

Notes to Financial Statements

2. Financial Statement Schedule

Schedule III – Investment Properties and Accumulated Depreciation, December 31, 2009

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.

4.1 Amendment to Amended Agreement of Limited Partnership dated as of November 9, 2009, filed as Exhibit 4.1 to the Partnership Quarterly Report on Form 10-Q filed November 12, 2009, 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, and 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 12, 2010 regarding the Fourth Quarter 2009 distribution.

99.1 Reviewed Financial Statements of Wendgusta, LLC for the fiscal years ended December 27, 2009 and December 28, 2008 prepared by Vrona & Van Schuyler, CPAs, PLLC.

99.2 Reviewed Financial Statements of Wendcharles I, LLC for the fiscal year ended December 27, 2009 and the initial period June 24, 2008 to December 28, 2008 prepared by Vrona &Van Schuyler, CPAs, PLLC.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP
SCHEDULE III – INVESTMENT PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2009

		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	$308,692	-	6/15/88	31.5
Phoenix, Arizona (1)	-	482,383	490,343	-	453,433	428,676	882,109	312,188	-	8/15/88	31.5
Santa Fe, New Mexico	-	-	451,230	-	-	451,230	451,230	304,230	-	10/10/88	31.5
Augusta, Georgia (2)	-	215,416	434,178	-	213,226	434,177	647,403	298,212	-	12/22/88	31.5
Charleston, South Carolina	-	273,619	323,162	-	273,619	323,162	596,781	221,961	-	12/22/88	31.5
Park Forest, Illinois (3) (4) (5)	-	187,900	393,038	-	0	255,302	255,302	255,302	-	12/22/88	31.5
Aiken, South Carolina	-	402,549	373,795	-	402,549	373,795	776,344	255,577	-	2/21/89	31.5
Augusta, Georgia	-	332,154	396,659	-	332,154	396,659	728,813	271,209	-	2/21/89	31.5
Mt. Pleasant, South Carolina	-	286,060	294,878	-	286,060	294,878	580,938	201,618	-	2/21/89	31.5
Charleston, South Carolina	-	273,625	254,500	-	273,625	254,500	528,125	174,010	-	2/21/89	31.5
Aiken, South Carolina	-	178,521	455,229	-	178,521	455,229	633,750	311,256	-	3/14/89	31.5
Des Moines, Iowa (1) (6)	-	164,096	448,529	$296,991	161,996	560,057	722,053	393,784	1989	8/1/89	31.5
North Augusta, South Carolina	-	250,859	409,297	-	250,859	409,297	660,156	265,696	-	12/29/89	31.5
Martinez, Georgia	-	266,175	367,575	-	266,175	367,575	633,750	238,612	-	12/29/89	31.5
Columbus, Ohio	-	351,325	708,141	-	351,325	708,140	1,059,465	448,398	-	6/1/90	31.5
	$0	$4,108,906	$6,222,230	$296,991	$3,887,766	$6,134,353	$10,022,119	$4,260,745			

(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 vacant 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.

(5) This vacant property was written down $50,000 related to land to its estimated net realizable value of zero during the Fourth Quarter of 2009.

(6) Building improvements were incurred at the property during the Fourth Quarter of 2009.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

SCHEDULE III – INVESTMENT PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2009
(B) Reconciliation of "Investment Properties and Accumulated Depreciation":

Investment Properties	Year Ended December 31, 2009	Year Ended December 31, 2008	Accumulated Depreciation	Year Ended December 31, 2009	Year Ended December 31, 2008
Balance at beginning of year	$10,802,494	$11,069,680	Balance at beginning of year	$4,438,474	$4,239,573
Additions:			Additions charged to costs and expenses	185,806	198,901
Daytona's All Sports Cafe- Des Moines, IA (1)	9,000				
Deletions:					
Vacant- Park Forest, IL (2) (3)	(50,000)	(267,186)			
Panda Buffet restaurant- Grand Forks, ND (4)	(739,375)		Panda Buffet restaurant- Grand Forks, ND (4)	(363,535)	
Balance at end of year	$10,022,119	$10,802,494	Balance at end of year	$4,260,745	$4,438,474

(1) Building improvements were incurred at the property during the Fourth Quarter of 2009.

(2) The property was written-down $50,000 to its estimated net realizable value of zero during the Fourth Quarter of 2009.

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

(4) This property was reclassified to property held for sale in the Third Quarter of 2009 and sold in the Fourth Quarter of 2009.

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 26, 2010

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

/s/Bruce A. Provo
Bruce A. Provo
President, Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Chairman of the Board of Directors of The Provo Group, Inc.
(principal executive officer, principal financial officer and principal accounting officer)

/s/Caroline E. Provo
Caroline E. Provo
Director of The Provo Group, Inc.

Date: March 26, 2010

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a- 15(f) and 15(d)- 15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures 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 26, 2010

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, 2009 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 fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE PROVO GROUP, INC., General Partner

Dated: March 26, 2010

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.

EXHIBIT 99.0

DiVall Insured Income Properties 2, L.P.

QUARTERLY NEWS

A publication of The Provo Group, Inc. FOURTH QUARTER 2009

FOURTH QUARTER OF 2009 DISTRIBUTION HIGHER THAN PROJECTION…

The Fourth Quarter distribution is $390,000 ($8.43 per unit), which is $170,000 ($3.68 per unit) greater than the budgeted $220,000 ($4.75 per unit). The increase is primarily due to the unexpected sale of the Panda Buffet restaurant property and the unplanned lease renewals with tenants Denny's and the Daytona's All Sports Café (see **Property Sold Highlight** on page 2).

2010 OUTLOOK…

As of December 31, 2009 the Partnership owned 15 properties, all of which are owned "free and clear". In addition, 12 of the 14 tenant leases have remaining lease periods of at least 34 months; 8 of the 9 Wendy's leases do not expire until late in the year 2021; 11 of the 14 leased properties are leased to nationally recognized franchises, such as Wendy's, KFC and Applebee's restaurants; and only 1 of the 15 properties is anticipated to be vacant for 2010. This is an exceptional situation to be in during these current economic times. For the four Quarters of 2010, we expect to distribute approximately $19.88 per unit, for an operating return of approximately 6% (based on the $310 per Net Unit Value ("NUV") as of December 31, 2009). See **Other Property Highlights** on page 2 for further information.

DISTRIBUTION HIGHLIGHTS

- **$1,140,000** distributed for the **four** Quarters of 2009, which was **$260,000 ($5.62 per unit) higher** than originally projected.
- The total distributions represent **$24.63 per unit,** and included approximately $2 per unit in "return of capital" (predominantly includes the Panda Buffet sale downpayment which is included with this distribution mailing).
- The approximate annualized "operating return" for the four Quarters of 2009 was approximately **7%,** based on the 12/31/08 NUV of $330 (See **Questions & Answers** on page 2 for discussion of NUV).
- **$1,569 to $ 1,420** is the range of cumulative distributions per unit from the *first* unit sold to the *last* unit sold before the offering closed (3/90), respectively. (Distributions are from both cash flow from operations and "net" cash activity from financing and investing activities).

SEE INSIDE

PROPERTY SOLD HIGHLIGHT

- Grand Forks, ND **(operated as a Panda Buffet restaurant)**: A sales contract was executed on September 30, 2009 for the installment sale of the property to the owner tenant. The closing date of the sale was November 12, 2009 and the sales price was $450,000. At the time of closing, $150,000 in cash was credited to the Partnership and the remaining balance was delivered in the form of a $300,000 Promissory Note. The Note has a term of three years, an interest rate of 7.25%, and principal and interest payments to be paid monthly and amortized over a ten year period with a balloon payment after year three. The sales downpayment, net of sale and closing costs, is included in the distribution received with this newsletter.

LEASED PROPERTY HIGHLIGHTS

- Des Moines, IA **(operates as Daytona's All Sports Café)**: The lease on the property was extended in 2008 for one year and expired as of February 28, 2009. A twenty-seven (27) month lease (retroactive to March 1, 2009), was executed in August of 2009, and includes first year base rent of $72,000. Due to the uncertainties of a sports bar, a lease renewal for Daytona's was not included in the 2009 budget.

- Phoenix, AZ **(operates as a Denny's restaurant)**: A lease on the property expired on April 30, 2009 and month-to-month rent of $6,000 was charged to the tenant for May of 2009. A new twenty-three (23) month lease was executed in June of 2009 and commenced on June 1, 2009. The first year base rent amounted to $72,000. Due to the uncertainty of a lease renewal, the Denny's new lease was not included in the 2009 budget. In December of 2009, due to recent sluggish sales figures, tenant notified Management of its intent to terminate the lease as of March 15, 2010 pursuant to its lease rights. We have agreed in principal to extend the lease with new terms, responsive to the depressed Phoenix market.

- Columbus, OH **(operates as an Applebee's restaurant)**: The lease on the property expired on October 31, 2009. A lease amendment and three (3) year lease extension agreement (effective November 1, 2009) was executed and includes first year base rent of approximately $136,000.

VACANT PROPERTY HIGHLIGHT

- Park Forest, IL **(formerly operated as Popeye's restaurant)**: As previously reported, due to the vacancy of the property as of July of 2008, the Partnership is responsible for the property's real estate taxes. The Park Forest property is a troubled location and Management continues to exhaust options to mitigate the carrying costs, which is primarily the annual real estate taxes related to the property. Management was successful in lowering the 2008 real estate taxes that were payable in 2009 by approximately $20,000 and is appealing to further lower the 2009 real estate taxes that will be payable in 2010. The Net Unit Value ("NUV") attributable to this property at 12/31/09 was slightly less than zero and therefore there is limited NUV downside to the property.

QUESTIONS & ANSWERS

- ***When can I expect my next distribution mailing?***
  Your distribution correspondence for the First Quarter of 2010 is scheduled to be mailed on May 14, 2010.

- ***What was the December 31, 2008 Net Unit Value ("NUV")?***
  The Net Unit Value was $330 per unit. The Net Unit Value letter from the General Partner was included with the February 13, 2009 distribution mailing. Please note that the year-end NUV should be adjusted (reduced) for any subsequent property sales during the following year. For example, due to the sale of the Panda Buffet restaurant property in November of 2009, the property NUV of $6 per unit would be deducted from the 12/31/08 NUV of $330 and then $6 would be added back for the Promissory Note. Therefore, the adjusted 12/31/08 NUV, net of the effects of the 2009 property sale, was $330 per unit.

- ***What was the December 31, 2009 Net Unit Value ("NUV")***
  The Net Unit Value was $310 per unit. The Net Unit Value letter from the General Partner is included with this distribution mailing. As noted above, a year-end NUV should be adjusted (reduced) for any subsequent property sale(s) during the following year.

- ***When can I expect to receive my 2009 Partnership K-1?***
  According to IRS regulations Management is not required to mail K-1's until April 15th, 2010. The 2009 K-1's are scheduled to be mailed out by mid- March of 2010.

- ***Where can I find the new Partnership website?***
  Please visit the website at www.divallproperties.com.

- ***How do I have a question answered in the next Newsletter?***
  Please e-mail your specific question to Diane Conley (DiVall Controller) at dconley@theprovogroup.com by Monday, April 5, 2010 or visit the Investor Relations page at www.divallproperties.com.

- ***I've moved. How do I update my account registration?***
  Please mail or fax to DiVall Investor Relations a signed letter stating your new address and telephone number. Updates cannot be accepted over the telephone or via voicemail messages.

- ***If I have questions or comments, how can I reach DiVall Investor Relations?***
  You can reach DiVall Investor Relations at the address and/or number(s) listed below.

CONTACT INFORMATION

MAIL:	DiVall Investor Relations	**PHONE:**	1-800-547-7686
	c/o Phoenix American Financial Services, Inc.	**FAX:**	1-415-485-4553
	2401 Kerner Blvd.		
	San Rafael, CA 94901		

DIVALL INSURED INCOME PROPERTIES 2 L.P.
STATEMENTS OF INCOME AND CASH FLOW CHANGES
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2009

	PROJECTED 4th QUARTER 12/31/2009	ACTUAL 4th QUARTER 12/31/2009	VARIANCE BETTER (WORSE)
OPERATING REVENUES			
Rental income	$465,614	$494,240	$28,626
Interest income	1,655	1,982	327
Net gain on sale of property	0	28,604	28,604
Other income	0	4,127	4,127
TOTAL OPERATING REVENUES	**$467,269**	**$528,954**	**$61,685**
OPERATING EXPENSES			
Insurance	$8,682	$8,496	$186
Management fees	60,210	60,575	(365)
Overhead allowance	4,857	4,896	(39)
Advisory Board	2,625	2,625	0
Administrative	7,665	7,575	90
Professional services	18,300	16,492	1,808
Auditing	27,181	26,500	681
Legal	9,000	2,174	6,826
Property Expenses	12,846	7,256	5,590
TOTAL OPERATING EXPENSES	$151,366	$136,589	$14,777
INVESTIGATION AND RESTORATION EXPENSES	$0	$124	($124)
NON-OPERATING EXPENSES			
Depreciation	$47,526	$43,224	$4,302
Amortization	5,006	7,653	(2,647)
Uncollectible receivables	0	0	0
Property: land write-down	0	50,000	(50,000)
TOTAL NON-OPERATING EXPENSES	$52,532	$100,878	($48,346)
TOTAL EXPENSES	**$203,897**	**$237,591**	**($33,694)**
NET INCOME	**$263,372**	**$291,363**	**$27,991**
OPERATING CASH RECONCILIATION:			**VARIANCE**
Depreciation and amortization	52,532	50,878	(1,654)
Recovery of amounts previously written off	0	(3,107)	(3,107)
Property: land write-down	0	50,000	50,000
Net gain on sale of property	0	(28,604)	(28,604)
(Increase) Decrease in current assets	(223,469)	(224,575)	(1,106)
Increase (Decrease) in current liabilities	34,279	(9,490)	(43,769)
(Increase) Decrease in cash reserved for payables	(35,332)	8,001	43,333
Current cash flows advanced from (reserved for) future distributions	149,094	149,094	0
Net Cash Provided From Operating Activities	**$240,476**	**$283,558**	**$43,082**
CASH FLOWS (USED IN) FROM INVESTING AND FINANCING ACTIVITIES			
Indemnification Trust (Interest earnings reinvested)	($155)	($356)	($201)
Recovery of amounts previously written off	0	3,107	3,107
Building improvements	0	(9,000)	(9,000)
Payment of Leasing Commissions	(20,367)	(12,240)	8,127
Relinquishment of tenant security deposit	0	(5,000)	(5,000)
Note Receivable, net of principal payment received	0	(297,626)	(297,626)
Net proceeds from sale of property	0	427,720	427,720
Net Cash (Used In) From Investing And Financing Activities	**($20,522)**	**$106,605**	**$127,127**
Total Cash Flow For Quarter	**$219,954**	**$390,163**	**$170,209**
Cash Balance Beginning of Period	**523,347**	**563,305**	**39,958**
Less 3rd quarter 2009 L.P. distributions paid 11/09	(220,000)	(245,000)	(25,000)
Change in cash reserved for payables or future distributions	(113,762)	(157,095)	(43,333)
Cash Balance End of Period	**$409,539**	**$551,373**	**$141,834**
Cash reserved for 4th quarter 2009 L.P. distributions	(220,000)	(390,000)	(170,000)
Cash reserved for payment of accrued expenses	(85,390)	(55,973)	29,417
Cash advanced from (reserved for) future distributions	0	0	0
Unrestricted Cash Balance End of Period	**$104,149**	**$105,400**	**$1,251**

	PROJECTED	ACTUAL	VARIANCE
* **Quarterly Distribution**	**$220,000**	**$390,000**	**$170,000**
Mailing Date	**02/12/2010**	**(enclosed)**	**-**

PROJECTIONS FOR
DISCUSSION PURPOSES

DIVALL INSURED INCOME PROPERTIES 2 LP
2010 PROJECTED PROPERTY SUMMARY AND RELATED RECEIPTS FOR CURRENT INVESTMENT PROPERTIES AS OF DECEMBER 31, 2009

PORTFOLIO (Note 1)

		REAL ESTATE			EQUIPMENT					TOTALS		
CONCEPT	LOCATION	COST	ANNUAL BASE RENT	% YIELD	LEASE EXPIRATION DATE	COST	PRINCIPAL RETURNED AS OF 1/1/94	ANNUAL LEASE RECEIPTS	% RETURN	COST	ANNUAL RECEIPTS	RETURN
APPLEBEE'S (2)	COLUMBUS, OH	1,059,465	135,996	12.84%		84,500	29,849	0	0.00%	1,143,965	135,996	11.89%
DENNY'S (3)	PHOENIX, AZ	972,726	0	0.00%		183,239	0	0	0.00%	1,155,965	0	0.00%
CHINESE SUPER BUFFET	PHOENIX, AZ	865,900	72,000	8.32%		221,237	0	0	0.00%	1,087,137	72,000	6.62%
DAYTONA'S All SPORTS CAFÉ (4)	DES MOINES, IA	845,000	72,000	8.52%		52,813	0	0	0.00%	897,813	72,000	8.02%
KFC	SANTA FE, NM	451,230	60,000	13.30%						451,230	60,000	13.30%

Note:

1: This property summary includes only property held by the Partnership as of December 31, 2009.
2: The Applebee's lease expired on October 31, 2009. A lease amendment and three year lease extension was executed in the Fourth Quarter of 2009, effective November 1, 2009.
3: The former Denny's lease expired on April 30, 2009. A new twenty-three month lease was executed in June of 2009, retroactive to June 1, 2009, and set to expire on April 30, 2011. In December of 2010, the tenant notified Management of its intent to terminate the lease as of March 15, 2010 pursuant to its lease rights. Management and tenant have agreed in principal to extend the lease with new terms as of January 1, 2010, responsive to the depressed Phoenix market.
4: The Daytona's lease expired on February 28, 2009. A new twenty-seventh month lease was executed in the Third Quarter of 2009 and was retroactive to March 1, 2009.
5: Popeye's ceased operations in June of 2008 and the lease was terminated in July of 2008. Management anticipates the property will be vacant throughout 2010.

PROJECTIONS FOR
DISCUSSION PURPOSES

DIVALL INSURED INCOME PROPERTIES 2 LP
2010 PROJECTED PROPERTY SUMMARY
AND RELATED RECEIPTS
FOR CURRENT INVESTMENT PROPERTIES
AS OF DECEMBER 31, 2009

PORTFOLIO (Note 1)

CONCEPT	LOCATION	REAL ESTATE COST	REAL ESTATE ANNUAL BASE RENT	REAL ESTATE % YIELD	EQUIPMENT LEASE EXPIRATION DATE	EQUIPMENT COST	EQUIPMENT PRINCIPAL RETURNED AS OF 1/1/94	EQUIPMENT ANNUAL LEASE RECEIPTS	EQUIPMENT % RETURN	TOTALS COST	TOTALS TOTAL RECEIPTS	TOTALS RETURN
VACANT (FORMER POPEYE'S) (5)	PARK FOREST, IL	580,938	0	0.00%						580,938	0	0.00%
WENDY'S	AIKEN, SC	633,750	90,480	14.28%						633,750	90,480	14.28%
WENDY'S	N. AUGUSTA, SC	660,156	87,780	13.30%						660,156	87,780	13.30%
WENDY'S	AUGUSTA, GA	728,813	96,780	13.28%						728,813	96,780	13.28%
WENDY'S	CHARLESTON, SC	596,781	76,920	12.89%						596,781	76,920	12.89%
WENDY'S	AIKEN, SC	776,344	96,780	12.47%						776,344	96,780	12.47%
WENDY'S	AUGUSTA, GA	649,594	86,160	13.26%						649,594	86,160	13.26%
WENDY'S	CHARLESTON, SC	528,125	70,200	13.29%						528,125	70,200	13.29%
WENDY'S	MT. PLEASANT, SC	580,938	77,280	13.30%						580,938	77,280	13.30%
WENDY'S	MARTINEZ, GA	633,750	84,120	13.27%						633,750	84,120	13.27%
PORTFOLIO TOTALS		**10,563,510**	**1,106,496**	**10.47%**		**541,789**	**29,849**	**0**	**0.00%**	**11,105,299**	**1,106,496**	**9.96%**

Note:

1: This property summary includes only property held by the Partnership as of December 31, 2009.
2: The Applebee's lease expired on October 31, 2009. A lease amendment and three year lease extension was executed in the Fourth Quarter, effective November 1, 2009.
3: The former Denny's lease expired on April 30, 2009. A new twenty-three month lease was executed in June of 2009, retroactive to June 1, 2009, and set to expire on April 30, 2011. In December of 2010, the tenant notified Management of its intent to terminate the lease as of March 15, 2010 pursuant to its lease rights. Management and tenant have agreed in principal to extend the lease with new terms as of January 1, 2010, responsive to the depressed Phoenix market.
4: The Daytona's lease expired on February 28, 2009. A new twenty-seventh month lease was executed in the Third Quarter of 2009 and was retroactive to March 1, 2009.
5: Popeye's ceased operations in June of 2008 and the lease was terminated in July of 2008. Management anticipates the property will be vacant throughout 2010.

February 12, 2010

Re: DiVall Insured Income Properties 2, L.P.
(the "Partnership")

Dear Limited Partner:

Each limited partner who has a qualified plan is subject to annual reporting requirements under the Employee Retirement Income Security Act of 1974 (ERISA).

To assist you in filing this information for your investment in DiVall Insured Income Properties 2 Limited Partnership, we have estimated the **Net Unit Value** of each interest of the Partnership to approximate $310 at December 31, 2009.

Because no formal market exists for the Partnership's interest, actual sales prices of interests may vary. In addition, there is no assurance that these values will be obtained upon the future sale of the Partnership's assets.

If you have any questions or need additional assistance, please contact Investor Relations at 800-547-7686.

Sincerely,
The Provo Group, Inc., General Partner

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

VRONA & VAN SCHUYLER, CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WENDGUSTA, LLC

FINANCIAL STATEMENTS

DECEMBER 27, 2009 and DECEMBER 28, 2008

VRONA & VAN SCHUYLER, CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
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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 27, 2009 and 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 period December 27, 2009 and 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 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 audit 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 CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

January 21, 2010

Wendgusta, LLC
Statement of Assets, Liabilities and Members' Capital-Income Tax Basis
December 27, 2009 and December 28, 2008

ASSETS

	2009	2008
Current assets:		
Cash - (Note 1J)	$ 671,613	$ 714,273
Inventories - (Note 1C)	65,981	55,019
Prepaid expenses and other current assets	136,368	59,348
Total current assets	873,962	828,640
Property and equipment, net of accumulated depreciation - (Notes 1D and 2)	1,444,123	1,612,972
Other assets:		
Goodwill, net of accumulated amortization of $992,770 in 2009 and $595,662 in 2008- (Note 1E)	4,963,857	5,360,965
Loan cost, net of accumulated amortization of $18,515 in 2009 and $11,109 in 2008 - (Note 1G)	48,138	55,544
Organization and start-up cost, net of accumulated amortization of $34,713 in 2009 $20,828 in 2008 and -(Note 1F)	34,713	48,598
Deposits	14,732	400
Total other assets	5,061,440	5,465,507
TOTAL ASSETS	$7,379,525	$7,907,119

LIABILITIES AND MEMBERS' CAPITAL

	2009	2008
Current liabilities:		
Current maturities of long-term debt - (Note 3)	$ 360,445	$ 342,880
Accounts payable and accrued expenses	881,048	860,085
Total current liabilities	1,241,493	1,202,965
Long-term debt, less current maturities - (Note 3)	5,639,555	6,491,191
Total liabilities	6,881,048	7,694,156
Commitments and contingencies - (Notes 3,4,5 and 6)		-
Members' capital - (Notes 1A and 5)	498,477	212,963
TOTAL LIABILITIES AND MEMBERS' CAPITAL	$7,379,525	$7,907,119

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

Wendgusta, LLC
Statement of Revenues and Expenses-Income Tax Basis
For the Years Ended December 27, 2009 and December 28, 2008

	2009	2008
Sales	$14,018,004	$13,299,514
Cost of sales	4,280,830	4,247,707
Gross profit	9,737,174	9,051,807
Labor expenses	4,196,056	4,024,586
Store operating and occupancy expenses	2,447,357	2,448,091
General and administrative expenses	570,593	494,495
Advertising expenses - (Note 4A)	633,440	601,403
Royalty expense - (Note 4A)	560,720	531,981
Depreciation and amortization - (Notes 1D, 1E, 1F and 1G)	832,378	906,208
Interest expense - (Note 3)	774,737	565,864
Total expenses	10,015,281	9,572,628
	(278,107)	(520,821)
Loss on disposal of assets	(34,106)	(56,763)
Interest income	78	13,420
Workers' Compensation refund	100,000	0
Other income	18,160	20,587
Excess of expenses over revenues - (Note 1H)	$(193,975)	$(543,577)

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

Wendgusta, LLC
Statement of Members' Capital - Income Tax Basis
For the Years Ended December 27, 2009 and December 28, 2008

Members Capital, December 30, 2007	$ 1,030,400
Excess of expenses over revenues for the year ended December 28 2008	(543,577)
Distributions paid to members	(271,860)
Purchase of member's interest	(2,000)
Members' Capital, December 28, 2008	212,963
Excess of expenses over revenues for the year ended December 27, 2009	(193,975)
Members' contributed capital	796,000
Distributions paid to members	(310,911)
Purchase of member's interest	(5,600)
Members' Capital, December 27, 2009	$ 498,477

Wendgusta, LLC
Statement of Cash Flows-Income Tax Basis
For the Years Ended December 27, 2009 and December 28, 2008

	2009	2008
Cash flows from operating activities:		
Excess of expenses over revenues	$(193,975)	$(543,577)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	832,378	906,208
Decrease (increase) in inventories	(10,962)	1,551
Decrease (increase) in prepaid expenses and other current assets	(77,020)	(4,867)
Increase (decrease) in accounts payable, accrued expenses and taxes	20,963	(88,029)
Loss on disposal of assets	34,106	56,763
Total adjustments	799,465	871,626
Net cash provided by operating activities	605,490	328,049
Cash flows from investing activities:		
Capital expenditures, tangible and intangible assets	(279,236)	(452,990)
Cash flows from financing activities:		
Members contributions	796,000	0
Repayments of note payable	(834,071)	(316,131)
Increase in deposits	(14,332)	0
Members' distributions	(310,911)	(271,860)
Purchase of member's interest	(5,600)	(2,000)
Net cash provided by(used in)financing activities	(368,914)	(589,991)
Net increase in cash	(42,660)	(714,932)
Cash, beginning of year	714,273	1,429,205
Cash, end of year	$ 671,613	$ 714,273
Supplemental Information:		
Interest paid during the year	$ 794,357	$ 565,263

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

Wendgusta, LLC
Notes to the Financial Statements
December 27, 2009 and December 28, 2008

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 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. (See Note 3).

In October 2007 the Company closed the Dean Bridge Road restaurant.

The Company currently operates ten restaurants, all of which are leased. (See Note 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 27, 2009 and December 28, 2008

Note 1 - Summary of Significant Accounting Policies - (Continued):

(D) Property, Equipment and Depreciation - continued:

If it had qualifying property placed in service during the year, the Company has taken additional depreciation deductions in accordance with the federal government's enactment of the Economic Stimulus Act of 2008, amended by the American Recovery and Reinvestment Act of 2009.

(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 Company'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 Company to make adjustments, the profit or loss allocated to the members 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.

(J) Cash:

The Company 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.

Wendgusta, LLC
Notes to the Financial Statements
December 27, 2009 and December 28, 2008

Note 1 - Summary of Significant Accounting Policies - (Continued):

(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.

(J) Subsequent Events:

Subsequent events have been evaluated through the date the financial statements were issued, as reflected on the accountants' review report.

Note 2 - Property and Equipment

Property and equipment consist of the following:

	2009	2008
Restaurant and office equipment	$1,204,305	$1,116,115
Automobile	7,415	7,415
Leasehold improvements	1,197,686	1,060,300
Land improvements	30,245	26,345
Total	2,439,651	2,210,175
Less: Accumulated depreciation	995,528	597,203
Property and equipment, net	$1,444,123	$1,612,972

Note 3 - Acquisition Debt

At the time of the acquisition closing, the Company borrowed $7,250,000 from GECC. The loan maturity date was August 1, 2016 and was payable in monthly installments assuming a 13.5 year amortization period with a balloon payment due at maturity. In December 2009 the Company made an additional principal payment of $491,190 reducing the amount owed to $6,000,000 and restructured the terms of the loan. The loan bears interest at a rate of LIBOR plus 4.5% and is payable in monthly installments based upon a 12.5 year amortization with a balloon payment of approximately $2,050,919 plus interest due on January 1, 2019.

The note agreement contains various standard affirmative and negative covenants as well as certain formula-based financial covenants. At December 27, 2009 the Company was in compliance with all terms of the loan.

The future annual principal payments are as follows:

2010	$ 360,445
2011	377,906
2012	396,213
2013	415,407
2014	435,531
2015	456,629
2016	478,750
2017	501,942
2018	526,258
2019	2,050,919
	$6,000,000

Wendgusta, LLC
Notes to the Financial Statements
December 27, 2009 and December 28, 2008

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.

(B) Minimum Operating Lease Commitments:

The lease for the restaurant located at 517 Martintown Road in North Augusta expires on November 6, 2016. The annual rent is $87,780. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of $746,181.

The lease for the restaurant located at 1730 Walton Way in Augusta expires on November 6, 2016. The annual rent is $96,780. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of $768,937.

The lease for the restaurant located at 2738 Washington Road in Augusta had a primary term that expired on October 31, 2004. The current term expires on October 31, 2014 and includes two remaining five-year renewal options. The annual rent is $71,573 for all terms of the lease. In addition the Company is required to pay percentage rent equal to 5% of gross sales in excess of $900,000.

The lease for the restaurant located at 100 Richland Avenue in Aiken expires on November 6, 2016. The annual rent is $90,480. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of $752,048.

The lease for the restaurant located at 3342 Wrightsboro Road in Augusta had a primary term that expired on October 31, 2004. The current term expires on October 31, 2014 and includes two remaining five-year renewal options. The annual rent is $68,581 for all terms of the lease. In addition the Company is required to pay percentage rent equal to 5% of gross sales in excess of $687,458.

The lease for the restaurant located at 3859 Washington Road in Martinez expires on November 6, 2016. The annual rent is $84,120. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of $860,000.

The lease for the restaurant located at 3013 Peach Orchard Road in Augusta expires on November 6, 2016. The annual rent is $86,160. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of $744,784.

The lease for the restaurant located at 1901 Whiskey Road in Aiken expires on November 6, 2016. The annual rent is $96,780. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of $960,000.

Wendgusta, LLC
Notes to the Financial Statements
December 27, 2009 and December 28, 2008

Note 4 - Commitments and Contingencies - (Continued):

(B) Minimum Operating Lease Commitments - continued:

The lease for the restaurant located at 449 Walton Way in Augusta had a primary term that expired on February 28, 2003. The current term expires on February 28, 2013 and includes one remaining five-year renewal option. The annual rent is $96,600 for all terms of the lease. In addition the Company is required to pay percentage rent equal to 6% of gross sales less base rent.

The lease for the restaurant located at 430 South Belair Road in Augusta has a primary term that expires on November 30, 2025 and includes two five-year renewal options. The annual rent is $147,731 through November 30, 2010. At that time and on each one year anniversary thereafter, annual rent will be increased by the previous year's annual rent multiplied by 1.5%.

The leases are all net leases and require the Company to pay real estate taxes, insurance, maintenance and other property expenses.

Rent expense was $1,259,449 in 2009 and $1,249,856 in 2008 including percentage rent of $286,153 in 2009 and $254,357 in 2008.

Future annual minimum rentals are as follows:

2010	$ 926,169
2011	928,388
2012	930,640
2013	852,926
2014	815,887
Thereafter	2,877,638
	$ 7,331,648

(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 2009 and 2008.

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).

In 2009 the Company required each member to contribute $1,000 per unit of membership interest as an additional capital contribution. The proceeds were used in part to reduce the loan to GECC. (See Notes 3 and 6B).

(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 2009 and 2008 pursuant to a financial and operational advisory services agreement. (See note 4C).

(B) Additional Capital Contributions:

During 2009 additional capital contributions of $1,000 per unit of membership interest were received by the Company for a total of $796,000. In lieu of a cash payment, the President's contribution was made by the issuance of a promissory note of $80,000. The note bears interest at a rate of .75% over the 12 month LIBOR rate and calls for annual payments of $12,000 beginning on January 11, 2011 until the loan is paid off. The payment is contingent upon the Company making total annual distributions of at least $430,000. If the annual distributions fall below that amount, the next loan payment will be proportionately reduced.

(C) Other:

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

In March 2009 the Company redeemed one member's .13% membership interest for $2,000.

In October 2009 the Company redeemed one member's .13% membership interest for $3,600.

VRONA & VAN SCHUYLER, CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WENDCHARLES I, LLC

FINANCIAL STATEMENTS

DECEMBER 27, 2009 AND DECEMBER 28, 2008

VRONA & VAN SCHUYLER, CPAs, PLLC
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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 27, 2009 and 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 years then ended 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 audit 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 CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

January 21, 2010

Wendcharles I, LLC
Statement of Assets, Liabilities and Members' Capital-Income Tax Basis
December 27, 2009 and December 28, 2008

ASSETS

	2009	2008
Current assets:		
Cash (Note 1I)	$ 261,195	$ 934,815
Inventories - (Note 1C)	92,614	93,544
Prepaid expenses and other current assets	0	4,612
Total current assets	353,809	1,032,971
Property and equipment - (Notes 1D and 2)	1,279,826	1,152,450
Other assets:		
Goodwill, net of accumulated amortization of $175,137 in 2009 and $43,784 in 2008 - (Note 1E)	2,451,922	2,583,275
Deferred costs, net of accumulated amortization of $21,074 in 2009 and $5,268 in 2008 - (Note 1F)	82,340	98,146
Deposits	16,765	16,765
Total other assets	2,551,027	2,698,186
TOTAL ASSETS	$4,184,662	$4,883,607

LIABILITIES AND MEMBERS' CAPITAL

	2009	2008
Current liabilities:		
Current maturities of long-term debt - (Note 3)	$ 94,973	$ 88,545
Accounts payable and accrued expenses	1,143,122	1,215,141
Total current liabilities	1,238,095	1,303,686
Long-term debt, less current maturities - (Note 3)	1,599,951	1,696,573
Total liabilities	2,838,046	3,000,259
Commitments and contingencies - (Notes 3, 4, 5 and 6)		-
Members' capital - (Notes 1A, 5 and 6B)	1,346,616	1,883,348
TOTAL LIABILITIES AND MEMBERS' CAPITAL	$4,184,662	$4,883,607

Wendcharles I, LLC
Statement of Revenues and Expenses-Income Tax Basis
For the Years Ended December 27, 2009 and December 28, 2008

	2009	2008
Sales	$13,015,200	$3,541,924
Cost of sales	3,902,709	1,257,225
Gross profit	9,112,491	2,284,699
Labor expenses	4,642,622	1,477,319
Store operating and occupancy expenses	2,782,709	812,023
General and administrative expenses	619,303	177,923
Advertising expenses - (Note 4A)	598,878	153,431
Royalty expense - (Note 4A)	520,609	141,640
Depreciation and amortization - (Notes 1D, 1E, and 1F)	860,258	340,063
Interest expense - (Note 3)	52,149	27,471
Total operating expenses	10,076,528	3,129,870
	(964,037)	(845,171)
Gain(loss)on sale(disposal)of assets	(65,086)	0
Interest income	84	2,800
Workers' compensation refund	650,000	0
Other income	12,307	4,319
Excess of revenues(deficit)over expenses - (Note 1G)	$(366,732)	$(838,052)

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

Wendcharles I, LLC
Statement of Members' Capital-Income Tax Basis
For the Years Ended December 27, 2009 and December 28, 2008

Members' capital contributions	$2,745,400
Excess of revenues over expenses December 28, 2008	(838,052)
Distributions paid to members	(24,000)
Members' capital, December 28, 2008	1,883,348
Excess of revenues over expenses December 28, 2008	(366,732)
Distributions paid to members	(168,000)
Redemption of member's interest	(2,000)
Members' Capital, December 27, 2009	$1,346,616

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

Wendcharles I, LLC
Statement of Cash Flows-Income Tax Basis
For the Years Ended December 27, 2009 and December 28, 2008

	2009	2008
Cash flows from operating activities:		
Excess of revenues(deficit)over expenses	$(366,732)	$(838,052)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	860,258	340,063
Decrease(increase)in inventories	930	(93,544)
Decrease (increase) in prepaid expenses and other current assets	4,612	(21,377)
Increase (decrease) in accounts payable, accrued expenses and taxes	(72,026)	1,215,141
(Gain)/loss on (Sale)/disposal of assets	65,086	0
Total adjustments	858,860	1,440,283
Net cash provided by operating activities	492,128	602,231
Cash flows from investing activities:		
Capital expenditures, tangible and intangible assets	(905,554)	(4,173,934)
Net cash provided by(used in)investing activities	(905,554)	(4,173,934)
Cash flows from financing activities:		
Members' capital contributions	0	2,745,400
Repayments of note payable	(90,194)	(14,882)
Members' distributions	(168,000)	(24,000)
Redemption of member's interest	(2,000)	0
Proceeds from acquisition debt	0	1,800,000
Net cash provided by (used in)financing activities	(260,194)	4,506,518
Net increase in cash	(673,620)	934,815
Cash, beginning of period	934,815	0
Cash, end of period	$ 261,195	$ 934,815
Additional Cash Flow Information:		
Interest paid during the year	$ 53,199	$ 19,617

Wendcharles I, LLC
Notes to the Financial Statements
December 27, 2009 and 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.

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

If it had qualifying property placed in service during the year, the Company has taken additional depreciation deductions in accordance with the federal government's enactment of the Economic Stimulus Act of 2008, amended by the American Recovery and Reinvestment Act of 2009.

(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 Company'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 Company to make adjustments, the profit or loss allocated to the members 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.

Wendcharles I, LLC
Notes to the Financial Statements
December 27, 2009 and December 28, 2008

Note 1 - Summary of Significant Accounting Policies - (Continued):

(I) Cash:

The Company 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.

(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.

(K) Subsequent Events:

Subsequent events have been evaluated through the date the financial statements were issued, as reflected on the accountants' review report.

Note 2 - Property and Equipment

Property and equipment consist of the following:

	2009	2008
Land improvements	$ 62,541	$ 20,270
Leasehold improvements	663,378	106,796
Restaurant equipment	1,536,821	1,311,455
Automobile	4,940	4,940
Total	2,267,680	1,443,461
Less: Accumulated depreciation	987,854	291,011
Property and equipment, net	$1,279,826	$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.

Note 3 - Acquisition Debt - (Continued):

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 estimated aggregate annual principal amounts required on the note through maturity are as follows: 2010: $94,973; 2011: $99,799; 2012: $105,955; 2013: $112,491; 2014: $119,432; and 2015: $1,162,274.

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 lease for the restaurant located at 1721 Sam Rittenberg Blvd in Charleston has a primary term that expires on November 6, 2021 and includes two five-year renewal options. The annual rent is $76,920 for all terms of the lease. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of $662,665.

The lease for the restaurant located at 4113 Rivers Ave in North Charleston has a primary term that expires on March 31, 2025 and includes two five-year renewal options. The current annual rent for the lease is $100,784 through March 31, 2010. At that time and on each April 1 thereafter, annual rent will be increased by the previous year's annual rent multiplied by 1%.

The lease for the restaurant located at 194 Canon Street in Charleston had a primary term that expired on September 14, 2004. The current term expires on September 14, 2014 and includes two remaining five-year renewal options. The annual rent is $131,600 for all terms of the lease. In addition the Company is required to pay percentage rent equal to 5% of gross sales in excess of $1,087,872.

The lease for the restaurant located at 343 Folly Road in Charleston has a primary term that expires on November 6, 2021 and includes two five-year renewal options. The annual rent is $70,200 for all terms of the lease. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of $589,488.

Note 4 - Commitments and Contingencies - (Continued):

(B) Minimum Operating Lease Commitments - continued:

The lease for the restaurant located at 5115 Dorchester Road in North Charleston has a primary term that expires on March 31, 2025 and includes two five-year renewal options. The current annual rent for the lease is $97,805 through March 31, 2010. At that time and on each April 1 thereafter, annual rent will be increased by the previous year's annual rent multiplied by 1%.

The lease for the restaurant located at 361 Hwy 17 Bypass in Mt Pleasant has a primary term that expires on November 6, 2021 and includes two five-year renewal options. The annual rent is $77,280 for all terms of the lease. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of $750,000.

The lease for the restaurant located at 935 Chuck Dawley Blvd in Mt Pleasant had a primary term that expired on September 9, 1996. The current term expires on September 9, 2011 and includes one remaining five-year renewal option. The annual rent is $90,090 for the remainder of the current term. In addition the Company is required to pay percentage rent equal to 6% of gross sales in excess of base rent.

The lease for the restaurant located at 9145 University Blvd in North Charleston has a primary term that expires on March 31, 2025 and includes two five-year renewal options. The current annual rent for the lease is $103,375 through March 31, 2010. At that time and on each April 1 thereafter, annual rent will be increased by the previous year's annual rent multiplied by 1%.

The lease for the restaurant located at 4892 Ashley Phosphate Road in North Charleston has a primary term that expires on March 31, 2025 and includes two five-year renewal options. The current annual rent for the lease is $98,194 through March 31, 2010. At that time and on each April 1 thereafter, annual rent will be increased by the previous year's annual rent multiplied by 1%.

The lease for the restaurant located at 596 Long Point Road in Mt Pleasant has a primary term that expires on March 31, 2025 and includes two five-year renewal options. The current annual rent for the lease is $94,466 through March 31, 2010. At that time and on each April 1 thereafter, annual rent will be increased by the previous year's annual rent multiplied by 1%.

The lease for the restaurant located at 5275 International Blvd in North Charleston has a primary term that expires on April 30, 2027 and includes four five-year renewal options. The current annual rent for the lease is $123,000 through June 30, 2013. At that time and on each five year anniversary thereafter, annual rent will be increased by the previous year's annual rent multiplied by 5%.

Note 4 - Commitments and Contingencies - (Continued):

(B) Minimum Operating Lease Commitments - continued:

The Company is required to pay all realty taxes, insurance, routine maintenance and common charges for the above leases.

Rent expense was $1,170,278 in 2009 and $337,984 in 2008 including percentage including percentage rent of $107,832 in 2009 and $29,065 in 2008.

Future annual minimum rentals are as follows:

2010	$ 1,067,423
2011	1,044,629
2012	987,350
2013	995,508
2014	964,969
Thereafter	8,836,396
	$13,896,275

(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).

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 August 2013.

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.

Wendcharles I, LLC
Notes to the Financial Statements
December 27, 2009 and December 28, 2008

Note 6 - Related Party Transactions

(A) The Company paid two of its three managing members and a third individual a total of $42,000 in 2009 and $7,000 in 2008 pursuant to a financial and operational advisory services agreement.

(B) In October 2009 the Company redeemed one member's .125% membership interest for $2,000.