



Professional Partners - Melbourne

**Investment Report
Private and Confidential**

27-Jan-2010

Prepared for: John Smith
 Consultant: Sean Herman
 Property: 123 Sample Report
 Description: Investment Property 1

SUMMARY

| Assumptions | | Projected results over 10 yrs | |
|--------------------|-----------|--------------------------------------|-----------|
| Property value | \$500,000 | Property value | \$814,447 |
| Initial investment | \$100,000 | Equity | \$387,377 |
| Gross rental yield | 4.00% | After-tax return /yr | 11.61% |
| Net rental yield | 2.88% | Net present value | \$152,665 |
| Cap. growth rate | 5.00% | IF SOLD | |
| Inflation rate | 3.00% | Selling costs & CGT | \$101,981 |
| Interest rate | 7.00% | Equity | \$285,396 |
| Taxable income | \$120,000 | After-tax return /yr | 7.93% |

COMPUTER PROJECTIONS

| Investment Analysis | Projections over 10 years | | | | | |
|-----------------------------|----------------------------------|-------------------------------------|------------|------------|------------|----------------|
| | 2010 | 1yr | 2yr | 3yr | 5yr | 10yr |
| End of year | | | | | | |
| Property value | \$500,000 | 525,000 | 551,250 | 578,813 | 638,141 | 814,447 |
| Purchase costs | \$27,070 | | | | | |
| Investments | \$100,000 | | | | | |
| Loan amount | \$427,070 | 427,070 | 427,070 | 427,070 | 427,070 | 427,070 |
| Equity | \$72,930 | 97,930 | 124,180 | 151,743 | 211,071 | 387,377 |
| Capital growth rate | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Inflation rate (CPI) | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Gross rent /week | \$392 | 20,000 | 20,600 | 21,218 | 22,510 | 26,095 |
| Cash deductions | | | | | | |
| Interest (I/O) | 7.00% | 29,895 | 29,895 | 29,895 | 29,895 | 29,895 |
| Rental expenses | 27.40% | 5,592 | 5,760 | 5,933 | 6,294 | 7,297 |
| Pre-tax cash flow | \$-100,000 | -15,487 | -15,055 | -14,610 | -13,679 | -11,096 |
| Non-cash deductions | | | | | | |
| Deprec.of building | 2.50% | 6,250 | 6,250 | 6,250 | 6,250 | 6,250 |
| Deprec.of fittings | \$30,000 | 4,813 | 6,304 | 4,359 | 2,244 | 658 |
| Loan costs | \$0 | | | | | |
| Total deductions | | 46,550 | 48,209 | 46,437 | 44,683 | 44,100 |
| Tax credit (single) | \$120,000 | 10,487 | 10,905 | 9,962 | 8,758 | 7,112 |
| After-tax cash flow | \$-100,000 | -5,000 | -4,150 | -4,648 | -4,921 | -3,984 |
| Rate of return (IRR) | 11.61% | | | | | |
| Pre-tax equivalent | 19.19% | | | | | |
| | | Your cost /(income) per week | | | | |
| | | 96 | 80 | 89 | 95 | 77 |

Disclaimer: Note that the computer projections listed above simply illustrate the outcome calculated from the input values and the assumptions contained in the model. Hence the figures can be varied as required and are in no way intended to be a guarantee of future performance. Although the information is provided in good faith, it is also given on the basis that no person using the information, in whole or in part, shall have any claim against Professional Partners - Melbourne, its servants, employees or consultants..

Detailed Notes on Spreadsheet Items

PROPERTY VALUE

The property (or market) value refers to how much the property is worth (i.e. how much you could sell it for). Its book value, on the other hand, refers to how much you have paid for it plus the cost of any immediate renovations.

| | |
|-------------------------------|------------------|
| Property price: | 500,000 |
| Renovation costs: | 0 |
| Total book value: | 500,000 |
| Property market value: | \$500,000 |

PURCHASE COSTS

These include your solicitor's conveyancing fees and, where applicable, State Government stamp duty charges. In Australia, stamp duty varies from State to State and is a function of purchase price whereas, in New Zealand, it has been abolished on all property transfers since May 1999. Conveyancing costs may also be dependent on purchase price and may be negotiable. In some States of Australia (e.g. A.C.T.), purchase costs are tax deductible in the first year of the investment, though normally they will only be taken into account in Capital Gains Tax calculations in the year of sale.

| | |
|------------------------------|-----------------|
| Conveyancing costs: | 2,000 |
| Stamp duty: | 25,070 |
| Total Purchase costs: | \$27,070 |

INVESTMENT & LOAN

Your initial investment is usually just the total of all monies outlaid at the time of purchase. These may include contributions toward any, or all, of the costs listed below. The remainder will largely determine the size of the loan. If you have sufficient equity in other property, it is possible to outlay nothing, and actually borrow the lot (i.e. the purchase price, purchase costs, loan costs, any renovation costs, and even additional monies to cover such things as fittings). If you are modelling an investment from some point in time after purchase (e.g. to assess the return on major renovations), your investment might also include the equity you already have built up in the property.

| | Investments | Loan | Total Cost |
|-------------------|--------------------|------------------|-------------------|
| Property costs: | 100,000 | 400,000 | 500,000 |
| Renovation costs: | 0 | 0 | 0 |
| Purchase costs: | 0 | 27,070 | 27,070 |
| Furniture costs: | 0 | 0 | 0 |
| Loan costs: | 0 | 0 | 0 |
| Totals: | \$100,000 | \$427,070 | \$527,070 |

CAPITAL GROWTH & INFLATION RATES

Rate of capital growth is your anticipated annual compound rate of increase of the property value. It will undoubtedly vary substantially over the short term, but over the longer term (10 years or more), it has generally been about 2 to 3% above the rate of inflation.

| | |
|-------------------------------------|------|
| Average rate of inflation (%): | 3.00 |
| Average rate of capital growth (%): | 5.00 |

EQUITY

The equity is the difference between the property value and the loan. The equity increases in line with the increasing property value in the case of an interest-only loan. For a principal & interest loan, it also increases with the decrease in the debt.

| Projected values over | 5 yrs | 10 yrs | 15 yrs | 20 yrs |
|---------------------------------------|------------------|------------------|------------------|------------------|
| Property value | 638,141 | 814,447 | 1.039m | 1.327m |
| Loan | 427,070 | 427,070 | 427,070 | 427,070 |
| EQUITY | \$211,071 | \$387,377 | \$612,394 | \$899,579 |
| Approximate costs if sold..... | | | | |
| Capital Gains Tax | 29,054 | 79,265 | 140,164 | 213,442 |
| Solicitor's fees | 3,191 | 4,072 | 5,197 | 6,633 |
| Sales commission | 14,765 | 18,644 | 23,594 | 29,912 |
| EQUITY (after sale) | \$164,061 | \$285,396 | \$443,438 | \$649,591 |

INTEREST COSTS & TYPE OF LOAN

The type of loan can be either interest-only and/or principal & interest. Repayments for interest-only loans, as the title suggests, consist of interest only. Repayments for principal & interest loans include a component of the principal. Interest-only loans are usually of a shorter term (e.g. 3 to 5 years) at which time they are usually rolled-over.

| | |
|--------------------------------------|-----------------|
| Loan type: | I/O Yrs 1-40 |
| Interest rate (yr 1) (%) | 7.00 |
| Loan: | \$427,070 |
| Loan costs (written off over 5 yrs): | \$0 |
| Monthly payment: | \$2,491 |
| Annual payment: | \$29,895 |

RENT

The potential annual rent is simply the rent per week times 52. The actual annual rent must account for any period that the property is vacant. Annual rents are assumed to increase in line with inflation.

| | |
|----------------------------|-----------------|
| Rent per week: | 392 |
| Potential annual rent: | 20,408 |
| Vacancy rate (%): | 2.00 |
| Actual annual rent: | \$20,000 |

ANNUAL RENTAL EXPENSES

These are all the real operating costs associated with the investment property with the exception of loan interest payments. The first cell of the spreadsheet represents the expenses expressed as a percentage of the potential annual rent. As a guide, expenses could vary anywhere from 13% to 30%, depending on the maintenance and whether a professional property management agent is used. For holiday letting, with higher vacancies, the percentage can be more than 50%.

| | |
|--|----------------|
| Normal Expenses: | |
| Agent's commission (7.00%): | 1,400 |
| Letting fees: | 392 |
| Rates: | 2,000 |
| Maintenance: | 800 |
| Body corporate: | 1,000 |
| Special expenses: | 0 |
| Total expenses: | \$5,592 |
| Normal expenses as % of annual rent (%): | 27.40 |
| Net yield or Capitalisation rate (%): | 2.88 |

PRE-TAX CASH FLOW

These are all of the monies that flow out of your pocket before tax is taken into account. Normally, it would represent the gross annual rent less interest and rental expenses. This will vary if interest or expenses are capitalised or rents used directly to reduce the loan.

| Year | | 1yr | 2yr | 3yr | 5yr | 10yr |
|--------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|
| Rent | | 20,000 | 20,600 | 21,218 | 22,510 | 26,095 |
| Cash invested | 100,000 | 0 | 0 | 0 | 0 | 0 |
| Principal payments | | 0 | 0 | 0 | 0 | 0 |
| Interest | | 29,895 | 29,895 | 29,895 | 29,895 | 29,895 |
| Expenses | | 5,592 | 5,760 | 5,933 | 6,294 | 7,297 |
| Pre-tax cash flow | \$-100,000 | \$-15,487 | \$-15,055 | \$-14,610 | \$-13,679 | \$-11,096 |

DEPRECIATION ON THE BUILDING

This represents the capital allowance on the construction costs.

| | |
|----------------------------------|----------------|
| Property value: | \$500,000 |
| Construction costs: | \$250,000 |
| Depreciation allowance rate (%): | 2.50 |
| Depreciation allowance: | \$6,250 |

DEPRECIATION OF FITTINGS (diminishing value method)

| Item | Value | Effective Life (yrs) | Depreciation |
|------------------|-----------------|-------------------------|----------------|
| General fittings | 15,000 | 15.00 | 2,000 |
| Low-value pool | 15,000 | 4.00 | 2,813 |
| Total | \$30,000 | | \$4,813 |

LOAN COSTS

In Australia, the loan costs are written off over the term of the loan (or five years, whichever is the lesser).

Total loan costs: \$0

TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

These include both "cash" (e.g. interest, rental expenses) and "non-cash" (e.g. depreciation) deductions.

| Year | 1yr | 2yr | 3yr | 5yr | 10yr |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest | 29,895 | 29,895 | 29,895 | 29,895 | 29,895 |
| Expenses | 5,592 | 5,760 | 5,933 | 6,294 | 7,297 |
| Deprec.-building | 6,250 | 6,250 | 6,250 | 6,250 | 6,250 |
| Deprec.-fittings | 4,813 | 6,304 | 4,359 | 2,244 | 658 |
| Loan costs | 0 | 0 | 0 | 0 | 0 |
| Total deductions | \$46,550 | \$48,209 | \$46,437 | \$44,683 | \$44,100 |

TAX CREDITS & AFTER-TAX CASH FLOW

The after-tax cash flows are all of the monies that flow in or out of your pocket AFTER tax is taken into account. They represent the PRE-tax cash flow LESS any tax credits (or tax refunds). In this analysis, it is assumed that the investor has obtained a tax variation from the Taxation Office and thus the tax refunds are credited for the same year in which they are based.

| Year | 2010 | 1yr | 2yr | 3yr | 5yr | 10yr |
|--------------------------------|------------|-------------|-------------|-------------|-------------|-------------|
| Pre-tax cash flow | -100,000 | -15,487 | -15,055 | -14,610 | -13,679 | -11,096 |
| Tax credits | | 10,487 | 10,905 | 9,962 | 8,758 | 7,112 |
| After-tax cash flow | \$-100,000 | \$-5,000 | \$-4,150 | \$-4,648 | \$-4,921 | \$-3,984 |
| Cost /(income) per week | | \$96 | \$80 | \$89 | \$95 | \$77 |

INTERNAL RATE OF RETURN

The internal rate of return (IRR) is the method of calculating the return on a series of cash flows where the time factor is taken into account. To understand it, think of the money you are outlaying on your investment property as being deposited in a bank account, with interest added each year. In this case the "deposits" are represented by the after-tax cash flows

| Year | 2010 | 1yr | 2yr | 3yr | 5yr | 10yr |
|---------------------|------------|----------|----------|----------|----------|-----------|
| After-tax cash flow | \$-100,000 | \$-5,000 | \$-4,150 | \$-4,648 | \$-4,921 | \$-3,984 |
| Equity | | | | | | \$387,377 |

The total amount in your "account" (including interest) at the end of the period is the equity (\$387,377) in the investment property. The IRR (11.61%) represents the effective "interest rate" that you have received, but with one important difference - because the interest remains in the property, it is not taxed. To receive an equivalent return from bank interest, you need to get 19.19% before tax.

If the property were to be sold at the end of the period, the after-sale equity would be reduced to \$285,396 after taking account of selling costs and capital gains tax and the IRR after the sale would be 7.93%.



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Cash Flow Analysis Summary

Investment Cost

| | |
|------------------------------|----------------|
| Purchase price | 500,000 |
| Purchase costs | 27,070 |
| Total investment cost | 527,070 |

Loan Details

| | |
|--|---------------|
| Initial cash invested | 100,000 |
| Initial loan amount (total cost + any additional loan – cash invested) | 427,070 |
| Loan type | I/O (7.00%) |
| Interest payments | 29,895 |
| Total loan payments | 29,895 |
| Closing loan balance | 427,070 |

Property Income and Expenditure

| | |
|--|---------------|
| Rental income | 20,000 |
| Rental expenses | 5,592 |
| Net rental income (rent retained – expenses paid) | 14,408 |

Pre-Tax Cash Flow (net rent – loan payments)

-15,487

Tax Deductions

| | |
|---|---------------|
| Cash deductions | |
| Loan interest | 29,895 |
| Rental expenses | 5,592 |
| Non-Cash Deductions | |
| Depreciation – Building (\$250,000 @ 2.50%) | 6,250 |
| Depreciation – Furniture, fixtures & fittings | 4,813 |
| Loan cost write-off (\$0 over 5 yrs) | 0 |
| Total Tax Deductions | 46,550 |

Tax Credit Calculation

| | |
|-----------------------------|----------------|
| Present taxable income | 165,000 |
| Rental income | 20,000 |
| Total income | 185,000 |
| Rental deductions | 46,550 |
| New taxable income | 138,450 |
| Present tax | 42,125 |
| New tax | 31,638 |
| Tax credit or rebate | 10,487 |

Annual after-tax investment (pre-tax cash flow + tax credit)

\$5,000

Weekly after-tax investment

\$96

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CASH FLOW PROJECTIONS

To estimate future cash flows, assumptions have been made with regard to change over time in rental income, rental expenses and taxable income. Rental income is assumed to increase at 3.00% per year from year 1. Rental expenses are assumed to increase at 3.00% per year from year 1.

| Cash flow items | Initial | 1yr | 2yr | 3yr | 5yr | 10yr |
|--------------------------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| Rental income | | 20,000 | 20,600 | 21,218 | 22,510 | 26,095 |
| Cash invested | 100,000 | 0 | 0 | 0 | 0 | 0 |
| Principal payments | | 0 | 0 | 0 | 0 | 0 |
| Interest payments | | 29,895 | 29,895 | 29,895 | 29,895 | 29,895 |
| Rental expenses | | 5,592 | 5,760 | 5,933 | 6,294 | 7,297 |
| Pre-tax cash flow | -100,000 | -15,487 | -15,055 | -14,610 | -13,679 | -11,096 |
| Tax deductions | | 46,550 | 48,209 | 46,437 | 44,683 | 44,100 |
| Tax credits | | 10,487 | 10,905 | 9,962 | 8,758 | 7,112 |
| After-tax cash flow | -100,000 | -5,000 | -4,150 | -4,648 | -4,921 | -3,984 |
| Cost /(income) per week | | 96 | 80 | 89 | 95 | 77 |

CASH FLOW PROJECTIONS (40 years)

| Year | Property value | Equity | Rent | Total deductions | Pre-tax cash flow | Tax credit | After-tax cash flow |
|-------------|-----------------------|---------------|-------------|-------------------------|--------------------------|-------------------|----------------------------|
| | \$500,000 | \$72,930 | | | \$-100,000 | | \$-100,000 |
| 1yr | \$525,000 | \$97,930 | \$20,000 | \$46,550 | \$-15,487 | \$10,487 | \$-5,000 |
| 2yr | \$551,250 | \$124,180 | \$20,600 | \$48,209 | \$-15,055 | \$10,905 | \$-4,150 |
| 3yr | \$578,813 | \$151,743 | \$21,218 | \$46,437 | \$-14,610 | \$9,962 | \$-4,648 |
| 4yr | \$607,753 | \$180,683 | \$21,855 | \$45,343 | \$-14,151 | \$9,278 | \$-4,873 |
| 5yr | \$638,141 | \$211,071 | \$22,510 | \$44,683 | \$-13,679 | \$8,758 | \$-4,921 |
| 6yr | \$670,048 | \$242,978 | \$23,185 | \$44,303 | \$-13,193 | \$8,342 | \$-4,851 |
| 7yr | \$703,550 | \$276,480 | \$23,881 | \$44,106 | \$-12,692 | \$7,989 | \$-4,703 |
| 8yr | \$738,728 | \$311,658 | \$24,597 | \$44,030 | \$-12,175 | \$7,676 | \$-4,499 |
| 9yr | \$775,664 | \$348,594 | \$25,335 | \$44,036 | \$-11,644 | \$7,387 | \$-4,257 |
| 10yr | \$814,447 | \$387,377 | \$26,095 | \$44,100 | \$-11,096 | \$7,112 | \$-3,984 |
| 11yr | \$855,170 | \$428,100 | \$26,878 | \$44,205 | \$-10,532 | \$6,844 | \$-3,688 |
| 12yr | \$897,928 | \$470,858 | \$27,685 | \$44,342 | \$-9,952 | \$6,580 | \$-3,372 |
| 13yr | \$942,825 | \$515,755 | \$28,515 | \$44,504 | \$-9,353 | \$6,315 | \$-3,038 |
| 14yr | \$989,966 | \$562,896 | \$29,371 | \$44,685 | \$-8,737 | \$6,049 | \$-2,688 |
| 15yr | \$1.039m | \$612,394 | \$30,252 | \$46,637 | \$-8,102 | \$6,578 | \$-1,524 |
| 16yr | \$1.091m | \$664,367 | \$31,159 | \$44,864 | \$-7,448 | \$5,901 | \$-1,547 |
| 17yr | \$1.146m | \$718,939 | \$32,094 | \$45,123 | \$-6,775 | \$6,026 | \$-749 |
| 18yr | \$1.203m | \$776,240 | \$33,057 | \$45,391 | \$-6,081 | \$5,735 | \$-346 |
| 19yr | \$1.263m | \$836,405 | \$34,049 | \$45,667 | \$-5,367 | \$5,403 | \$36 |
| 20yr | \$1.327m | \$899,579 | \$35,070 | \$45,952 | \$-4,631 | \$5,061 | \$430 |
| 21yr | \$1.393m | \$965,911 | \$36,122 | \$46,246 | \$-3,873 | \$4,708 | \$835 |
| 22yr | \$1.463m | \$1.036m | \$37,206 | \$46,549 | \$-3,093 | \$4,344 | \$1,251 |
| 23yr | \$1.536m | \$1.109m | \$38,322 | \$46,861 | \$-2,289 | \$3,970 | \$1,681 |
| 24yr | \$1.613m | \$1.185m | \$39,472 | \$47,182 | \$-1,460 | \$3,586 | \$2,126 |
| 25yr | \$1.693m | \$1.266m | \$40,656 | \$47,513 | \$-607 | \$3,189 | \$2,582 |
| 26yr | \$1.778m | \$1.351m | \$41,876 | \$47,854 | \$271 | \$2,780 | \$3,051 |
| 27yr | \$1.867m | \$1.440m | \$43,132 | \$48,206 | \$1,176 | \$2,359 | \$3,535 |
| 28yr | \$1.960m | \$1.533m | \$44,426 | \$48,567 | \$2,108 | \$1,926 | \$4,034 |
| 29yr | \$2.058m | \$1.631m | \$45,759 | \$48,940 | \$3,068 | \$1,479 | \$4,547 |
| 30yr | \$2.161m | \$1.734m | \$47,131 | \$49,324 | \$4,057 | \$1,019 | \$5,076 |
| 31yr | \$2.269m | \$1.842m | \$48,545 | \$49,719 | \$5,076 | \$546 | \$5,622 |
| 32yr | \$2.382m | \$1.955m | \$50,002 | \$50,127 | \$6,125 | \$58 | \$6,183 |
| 33yr | \$2.502m | \$2.075m | \$51,502 | \$50,546 | \$7,206 | \$-444 | \$6,762 |
| 34yr | \$2.627m | \$2.200m | \$53,047 | \$50,978 | \$8,319 | \$-962 | \$7,357 |
| 35yr | \$2.758m | \$2.331m | \$54,638 | \$51,423 | \$9,465 | \$-1,495 | \$7,970 |
| 36yr | \$2.896m | \$2.469m | \$56,277 | \$51,881 | \$10,646 | \$-2,044 | \$8,602 |
| 37yr | \$3.041m | \$2.614m | \$57,966 | \$52,353 | \$11,862 | \$-2,609 | \$9,253 |
| 38yr | \$3.193m | \$2.766m | \$59,705 | \$52,840 | \$13,115 | \$-3,192 | \$9,923 |
| 39yr | \$3.352m | \$2.925m | \$61,496 | \$53,341 | \$14,405 | \$-3,792 | \$10,613 |
| 40yr | \$3.520m | \$3.093m | \$63,341 | \$53,856 | \$15,734 | \$-4,410 | \$11,324 |

TAX BENEFITS

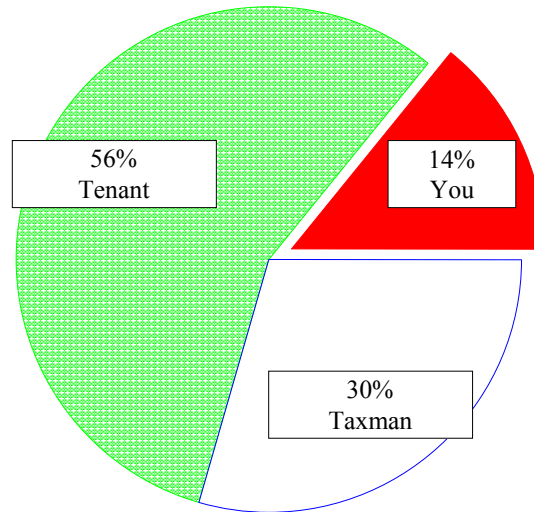
These are shown below for the given taxable incomes and are based on the specified tax scale.

Number of properties: 1

| | Investor | Partner | Total |
|-------------------------|-----------------|----------------|-----------------|
| Ownership: single name | 100.00% | 0.00% | 100% |
| Present taxable income: | 120,000 | 45,000 | 165,000 |
| Rental income: | 20,000 | 0 | 20,000 |
| | | | |
| Total income: | 140,000 | 45,000 | 185,000 |
| Rental deductions: | 46,550 | 0 | 46,550 |
| | | | |
| New taxable income: | 93,450 | 45,000 | 138,450 |
| | | | |
| Present tax: | 34,850 | 7,275 | 42,125 |
| New tax: | 24,363 | 7,275 | 31,638 |
| Tax saving: | \$10,487 | \$0 | \$10,487 |

Private and Confidential

Who pays the cost (1st year)?

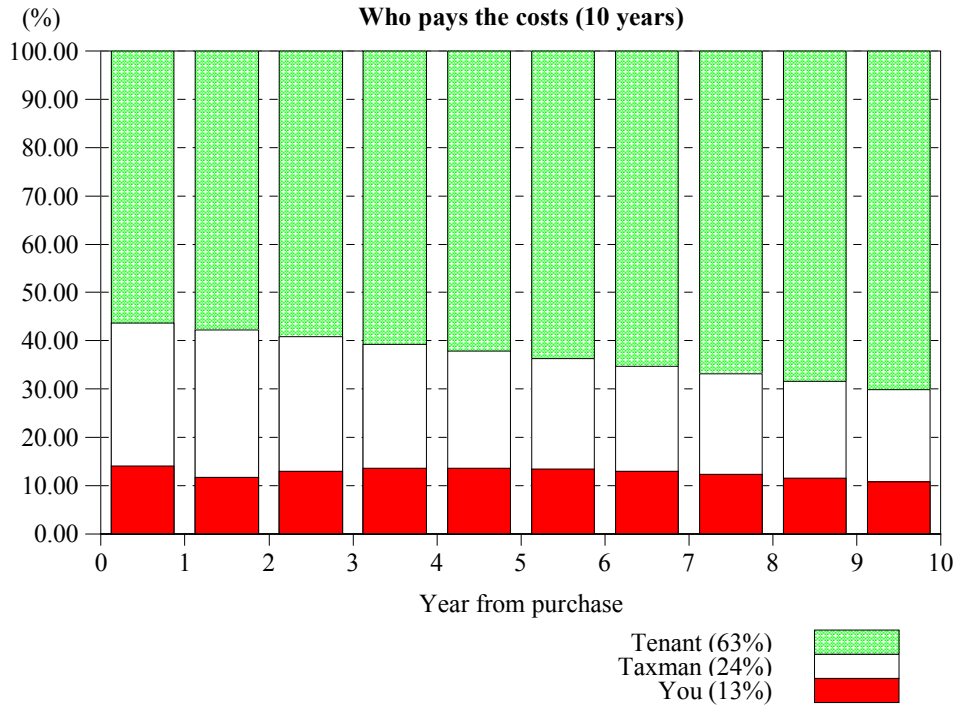


Projections over 25 years

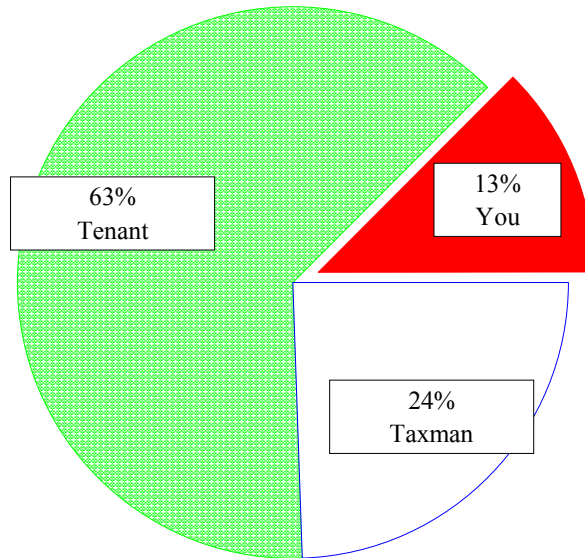
| Year | Interest costs | Rental expenses | Total cost | Rent (tenant) | Tax credit (taxman) | Cash (you) |
|-------------|-----------------------|------------------------|-------------------|----------------------|----------------------------|-------------------|
| 1yr | \$29,895 | \$5,592 | \$35,487 | \$20,000 | \$10,487 | \$5,000 |
| 2yr | \$29,895 | \$5,760 | \$35,655 | \$20,600 | \$10,905 | \$4,150 |
| 3yr | \$29,895 | \$5,933 | \$35,828 | \$21,218 | \$9,962 | \$4,648 |
| 4yr | \$29,895 | \$6,111 | \$36,006 | \$21,855 | \$9,278 | \$4,873 |
| 5yr | \$29,895 | \$6,294 | \$36,189 | \$22,510 | \$8,758 | \$4,921 |
| 6yr | \$29,895 | \$6,483 | \$36,378 | \$23,185 | \$8,342 | \$4,851 |
| 7yr | \$29,895 | \$6,678 | \$36,573 | \$23,881 | \$7,989 | \$4,703 |
| 8yr | \$29,895 | \$6,878 | \$36,773 | \$24,597 | \$7,676 | \$4,499 |
| 9yr | \$29,895 | \$7,084 | \$36,979 | \$25,335 | \$7,387 | \$4,257 |
| 10yr | \$29,895 | \$7,297 | \$37,192 | \$26,095 | \$7,112 | \$3,984 |
| 11yr | \$29,895 | \$7,516 | \$37,411 | \$26,878 | \$6,844 | \$3,688 |
| 12yr | \$29,895 | \$7,741 | \$37,636 | \$27,685 | \$6,580 | \$3,372 |
| 13yr | \$29,895 | \$7,974 | \$37,868 | \$28,515 | \$6,315 | \$3,038 |
| 14yr | \$29,895 | \$8,213 | \$38,108 | \$29,371 | \$6,049 | \$2,688 |
| 15yr | \$29,895 | \$8,459 | \$38,354 | \$30,252 | \$6,578 | \$1,524 |
| 16yr | \$29,895 | \$8,713 | \$38,608 | \$31,159 | \$5,901 | \$1,547 |
| 17yr | \$29,895 | \$8,974 | \$38,869 | \$32,094 | \$6,026 | \$749 |
| 18yr | \$29,895 | \$9,243 | \$39,138 | \$33,057 | \$5,735 | \$346 |
| 19yr | \$29,895 | \$9,521 | \$39,416 | \$34,049 | \$5,403 | \$-36 |
| 20yr | \$29,895 | \$9,806 | \$39,701 | \$35,070 | \$5,061 | \$-430 |

| | | | | | | |
|------|----------|----------|----------|----------|---------|----------|
| 21yr | \$29,895 | \$10,101 | \$39,996 | \$36,122 | \$4,708 | \$-835 |
| 22yr | \$29,895 | \$10,404 | \$40,299 | \$37,206 | \$4,344 | \$-1,251 |
| 23yr | \$29,895 | \$10,716 | \$40,611 | \$38,322 | \$3,970 | \$-1,681 |
| 24yr | \$29,895 | \$11,037 | \$40,932 | \$39,472 | \$3,586 | \$-2,126 |
| 25yr | \$29,895 | \$11,368 | \$41,263 | \$40,656 | \$3,189 | \$-2,582 |

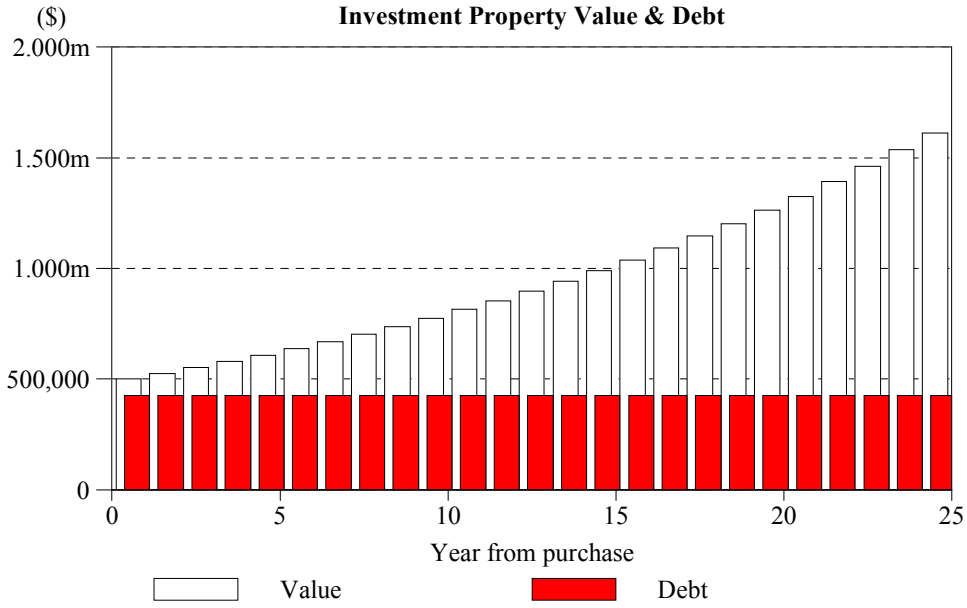
Private and Confidential



Average contribution (10 years)



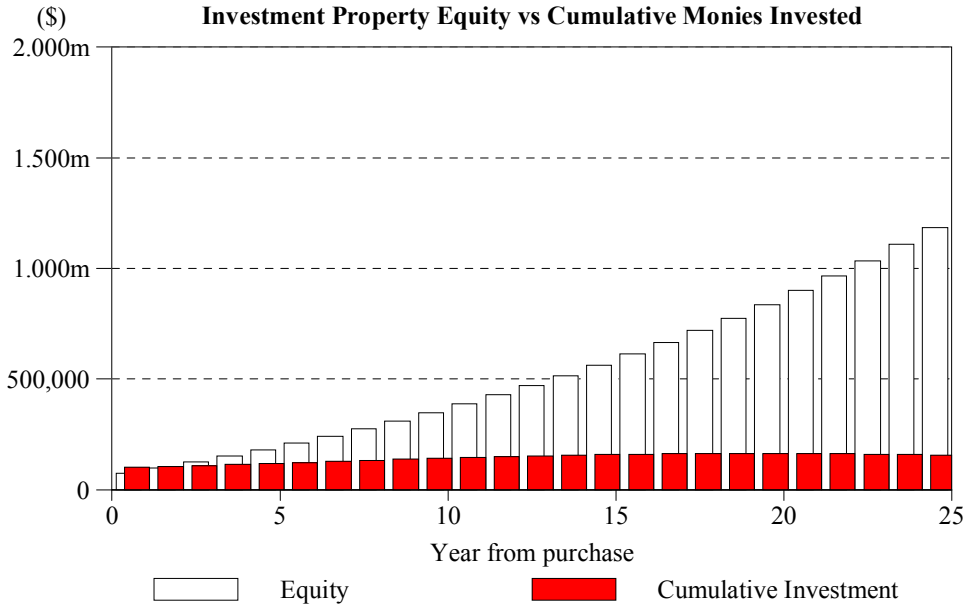
Private and Confidential



Property value & debt projections over 25 years

| Year | Growth rate | Property value | Amount owing | Equity |
|------|-------------|----------------|--------------|-----------|
| | | \$500,000 | \$427,070 | \$72,930 |
| 1yr | 5.00% | \$525,000 | \$427,070 | \$97,930 |
| 2yr | 5.00% | \$551,250 | \$427,070 | \$124,180 |
| 3yr | 5.00% | \$578,813 | \$427,070 | \$151,743 |
| 4yr | 5.00% | \$607,753 | \$427,070 | \$180,683 |
| 5yr | 5.00% | \$638,141 | \$427,070 | \$211,071 |
| 6yr | 5.00% | \$670,048 | \$427,070 | \$242,978 |
| 7yr | 5.00% | \$703,550 | \$427,070 | \$276,480 |
| 8yr | 5.00% | \$738,728 | \$427,070 | \$311,658 |
| 9yr | 5.00% | \$775,664 | \$427,070 | \$348,594 |
| 10yr | 5.00% | \$814,447 | \$427,070 | \$387,377 |
| 11yr | 5.00% | \$855,170 | \$427,070 | \$428,100 |
| 12yr | 5.00% | \$897,928 | \$427,070 | \$470,858 |
| 13yr | 5.00% | \$942,825 | \$427,070 | \$515,755 |
| 14yr | 5.00% | \$989,966 | \$427,070 | \$562,896 |
| 15yr | 5.00% | \$1,039m | \$427,070 | \$612,394 |
| 16yr | 5.00% | \$1,091m | \$427,070 | \$664,367 |
| 17yr | 5.00% | \$1,146m | \$427,070 | \$718,939 |
| 18yr | 5.00% | \$1,203m | \$427,070 | \$776,240 |
| 19yr | 5.00% | \$1,263m | \$427,070 | \$836,405 |
| 20yr | 5.00% | \$1,327m | \$427,070 | \$899,579 |
| 21yr | 5.00% | \$1,393m | \$427,070 | \$965,911 |
| 22yr | 5.00% | \$1,463m | \$427,070 | \$1,036m |
| 23yr | 5.00% | \$1,536m | \$427,070 | \$1,109m |
| 24yr | 5.00% | \$1,613m | \$427,070 | \$1,185m |
| 25yr | 5.00% | \$1,693m | \$427,070 | \$1,266m |

Private and Confidential



Projected total investment and equity over 25 years

| Year | After-tax cash flow | Cumulative investment | Property value | Amount owing | Equity |
|------|---------------------|-----------------------|----------------|--------------|-----------|
| | \$-100,000 | \$100,000 | \$500,000 | \$427,070 | \$72,930 |
| 1yr | \$-5,000 | \$105,000 | \$525,000 | \$427,070 | \$97,930 |
| 2yr | \$-4,150 | \$109,151 | \$551,250 | \$427,070 | \$124,180 |
| 3yr | \$-4,648 | \$113,798 | \$578,813 | \$427,070 | \$151,743 |
| 4yr | \$-4,873 | \$118,672 | \$607,753 | \$427,070 | \$180,683 |
| 5yr | \$-4,921 | \$123,593 | \$638,141 | \$427,070 | \$211,071 |
| 6yr | \$-4,851 | \$128,444 | \$670,048 | \$427,070 | \$242,978 |
| 7yr | \$-4,703 | \$133,146 | \$703,550 | \$427,070 | \$276,480 |
| 8yr | \$-4,499 | \$137,646 | \$738,728 | \$427,070 | \$311,658 |
| 9yr | \$-4,257 | \$141,902 | \$775,664 | \$427,070 | \$348,594 |
| 10yr | \$-3,984 | \$145,887 | \$814,447 | \$427,070 | \$387,377 |
| 11yr | \$-3,688 | \$149,575 | \$855,170 | \$427,070 | \$428,100 |
| 12yr | \$-3,372 | \$152,947 | \$897,928 | \$427,070 | \$470,858 |
| 13yr | \$-3,038 | \$155,985 | \$942,825 | \$427,070 | \$515,755 |
| 14yr | \$-2,688 | \$158,673 | \$989,966 | \$427,070 | \$562,896 |
| 15yr | \$-1,524 | \$160,197 | \$1.039m | \$427,070 | \$612,394 |
| 16yr | \$-1,547 | \$161,744 | \$1.091m | \$427,070 | \$664,367 |
| 17yr | \$-749 | \$162,493 | \$1.146m | \$427,070 | \$718,939 |
| 18yr | \$-346 | \$162,840 | \$1.203m | \$427,070 | \$776,240 |
| 19yr | \$36 | \$162,804 | \$1.263m | \$427,070 | \$836,405 |
| 20yr | \$430 | \$162,374 | \$1.327m | \$427,070 | \$899,579 |
| 21yr | \$835 | \$161,539 | \$1.393m | \$427,070 | \$965,911 |
| 22yr | \$1,251 | \$160,288 | \$1.463m | \$427,070 | \$1.036m |
| 23yr | \$1,681 | \$158,607 | \$1.536m | \$427,070 | \$1.109m |
| 24yr | \$2,126 | \$156,481 | \$1.613m | \$427,070 | \$1.185m |
| 25yr | \$2,582 | \$153,899 | \$1.693m | \$427,070 | \$1.266m |