

Leverage Analysis Summary: Term Loan

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Assumptions

- \$50,000 loan paid off over 10 years, interest rate of 9.0%
- \$7,791 annual payments, after-tax amount is less and changes every year
- 40.0% average marginal tax rate, 100.0% of loan interest is tax deductible, 21.0% dividend tax rate
- Projected returns are 70.0% deferred capital gains, 25.0% realized taxable capital gains, 5.0% dividends, 0.0% interest; 100.0% of distributions reinvested
- 50.0% of capital gains are taxable, when realized
- Sufficient ongoing cashflow and discipline to complete this strategy

Net Before-Tax Value After 10 Years

| Return | No Leverage | Leverage | \$ Increase | % Increase |
|--------|-------------|----------|-------------|------------|
| 0.0% | 66,746 | 50,000 | -16,746 | -25% |
| 3.0% | 75,439 | 66,021 | -9,418 | -12% |
| 5.7% | 84,601 | 84,601 | 0 | 0% |
| 9.0% | 97,158 | 112,586 | 15,428 | 16% |
| 12.0% | 110,638 | 145,515 | 34,877 | 32% |

Notes

- Based on the above assumptions, the minimum before-tax return for leveraging to be better than not leveraging is 5.7%
- Leverage column shows net amount after paying off loan and taxes on triggered capital gains after 10 years
- Averaging 12.0% returns and 9.0% interest expense, leverage increases your investments by \$34,877 after 10 years, per \$50,000 borrowed
- All returns and interest expenses are effective compounded annual before-tax rates
- Projections are NOT GUARANTEED. Actual results will vary, perhaps significantly.

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We, the undersigned, have reviewed and confirmed that these assumptions reflect the client's situation. We understand that these projections are NOT GUARANTEED, and that borrowing to invest can help or hurt investors, depending on the actual returns interest costs, time invested, client behaviour during the down markets, etc.

Client's signature

Spouse's signature

Date

Advisor's signature

Manager's signature

Date