

Leverage Projection, Term Loan 9.0% Interest, 9.0% Returns

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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

Annual Projections for Returns of 9.0%

End of Year	Leverage						After-Tax Cashflow	No Leverage		Comparison	
	Before-Tax Balance	Balance After Loan	ACB After Pay Loan	Loan Balance	Int. Part of Pmt	Loan Paydown		Before-Tax Balance	Adjusted Cost Base	Net Balance \$ Increase	% Increase
1	54,228	6,970	6,565	46,709	4,500	3,291	5,991	5,991	5,991	979	16%
2	58,813	14,706	13,064	43,122	4,204	3,587	6,109	12,607	12,230	2,099	17%
3	63,786	23,269	19,522	39,212	3,881	3,910	6,239	19,912	18,740	3,358	17%
4	69,179	32,723	25,964	34,950	3,529	4,262	6,379	27,975	25,549	4,749	17%
5	75,029	43,139	32,417	30,304	3,145	4,646	6,533	36,873	32,684	6,266	17%
6	81,373	54,594	38,911	25,241	2,727	5,064	6,700	46,691	40,179	7,903	17%
7	88,253	67,170	45,477	19,721	2,272	5,519	6,882	57,521	48,068	9,649	17%
8	95,716	80,960	52,149	13,705	1,775	6,016	7,081	69,466	56,389	11,494	17%
9	103,809	96,063	58,963	7,148	1,233	6,558	7,298	82,637	65,184	13,426	16%
10	112,586	112,586	65,955	0	643	7,148	7,534	97,158	74,499	15,428	16%

Notes

- 'Balance After Loan' shows net amount after paying off loan and taxes on triggered capital gains
- All returns and interest expenses are effective compounded annual before-tax rates
- Projections are NOT GUARANTEED. Actual results will vary, perhaps significantly.