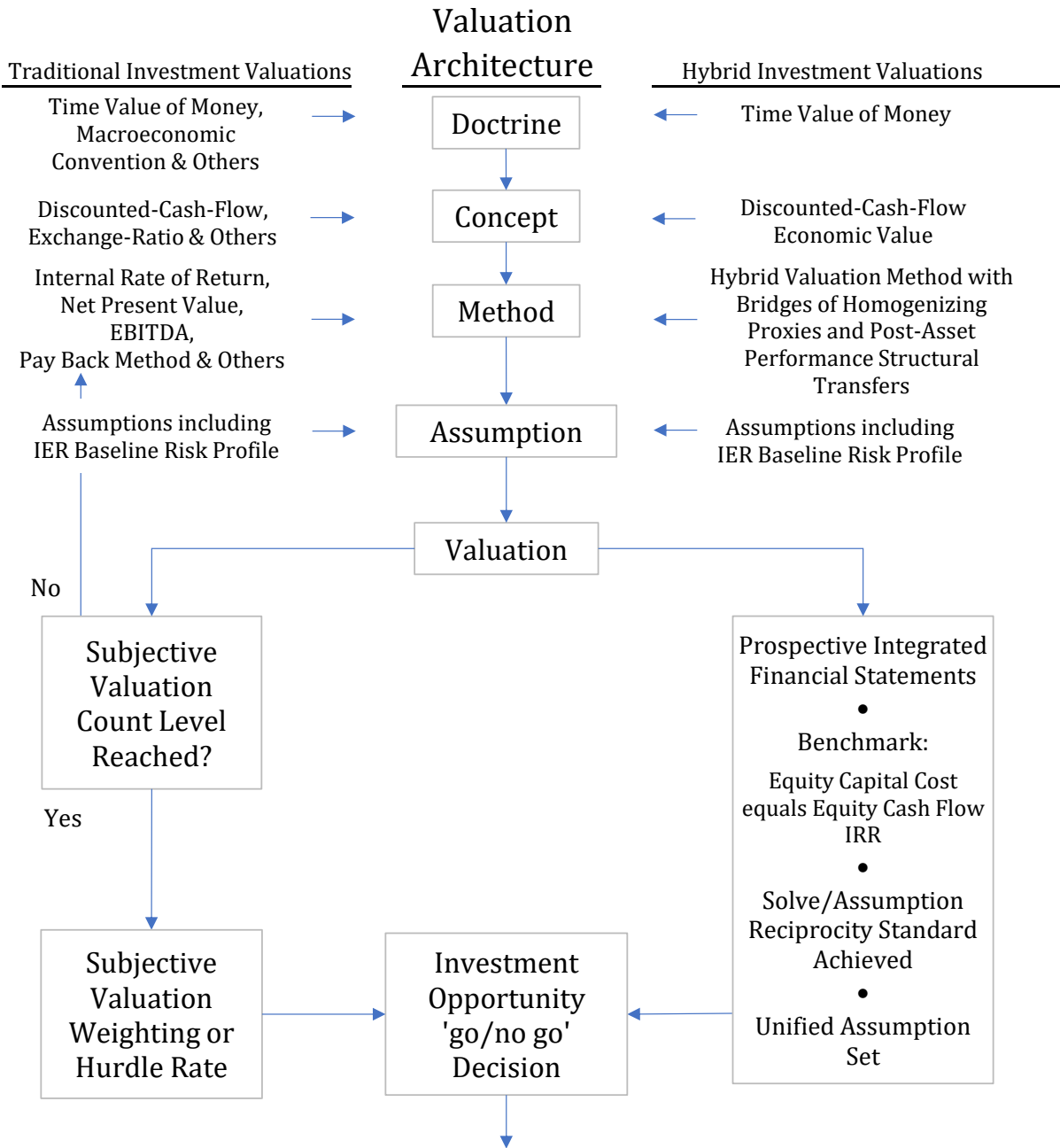


Valuation Architectures

Appendix A

Traditional Valuation versus new Hybrid Valuation Comparison



Hybrid Solve/Assumption Synchronicity Valuations

Appendix B – Traditional Valuations Not Matching Unified Assumption Set

Hybrid Valuations Removing Potential Conflicting IRR and NPV Valuations, Achieving Present and Future Valuation Reciprocity, and Matching Equity Return in a Financial Statement's Equity Cash Flow IRR

	Post 2000s dot.com	Pre 1980s LBO	Post LBO Pre dot.com
<i>Appendix E</i>			
<i>Non-Trivial</i>			
<i>Investment</i>			
<i>Unified</i>			
<i>Assumption</i>			
<i>Set Match?</i>			
Tradition Valuation Appendix:	B	C	D
Unified Assumption Set Match?	No	Yes	Yes
Debt's Leverage [21]	80%	0%	80%
Oper Perform Relative Slope [25]	+1.3	0.0	0.0
Secondary Rate [24] use Equity [1]	No	Yes	Yes

Hybrid Valuation Method

			reference Line [16]
[1] IRR Equity	Yes	30%	IRR({ -\$100, -\$210, -\$211, \$239, \$238, \$721})
[2] IRR Solved WACC	Yes	12%	[1]*(1-[21])/(1-[23])+[21]*[22]
[3] NPV (present value) Note a	Yes	\$500	NPV(30%, -\$210, -\$211, \$239, \$238, \$721) / (100% - 80%)
[4] FV (future value)	Yes	\$600	FV(30%, 5, 0, -\$100+NPV(30%, -\$210, -\$211, \$239, \$238, \$121))

Traditional Valuation Method

			reference Line [12]
[5] IRR Equity	No	64%	[(6)-[21]*[22]]/(1-[21])*(1-[23])
[6] IRR Primary Cash Flow "hurdle"	No	21%	IRR({ -\$500, -\$220, -\$225, \$370, \$365, \$1188})
[7] NPV (present value)	No	\$794	NPV(12%, -\$220, -\$225, \$370, \$365, \$1188)
[8] FV (future value)	No	\$82	FV(12%, 5, 0, -\$500+NPV(12%, -\$220, -\$225, \$370, \$365, \$588))

Primary to Equity Cash Flow

[9] Period	0	1	2	3	4	5
[10] Purchase/Sale	(\$500)					\$600
[11] Operating Performance		(\$220)	(\$225)	\$370	\$365	588
[12] Traditional Primary Cash Flow	(500)	(220)	(225)	370	365	1,188
[13] Secondary Flow		(40)	(20)	(6)	7	63
[14] Debt	400	(51)	(54)	(56)	(59)	(262)
[15] Income Taxes		102	89	(70)	(75)	(269)
[16] Equity Cash Flow	(\$100)	(\$210)	(\$211)	\$239	\$238	\$721

Unified Assumption Set Note b

[17] Equity Capital Cost	30%	
[18] Weight Average Capital Cost	12%	[17]*(1-[21])/(1-[23]) + [21]*[22]
[19] Asset Valuation (present value)	\$500	
[20] Sale Price (future value)	\$600	
[21] Debt Capital Structure	80%	
[22] Debt Rate	5%	
[23] Tax Rate	25%	
[24] User Secondary Cash Flow Rate	1.9%	
[25] Oper Perform Relative Slope	+1.3	SLOPE([11]:[11],[9]:[9])/AVERAGE([11]:[11])

Note a: The equity \$100 NPV (subsequently grossed-up to \$500, inclusive of debt financing) equals the \$100 initial equity cash flow, Line 16, used in the 30% IRR calculation, unifying IRR and NPV, as one valuation now uses the other as an

Note b: This is only a portion of the assumption set. See Appendix E, Page 1, for the complete Unified Assumption Set

Hybrid Solve/Assumption Synchronicity Valuations

Appendix C – Traditional Valuations Matching Unified Assumption Set

Removing Potential Conflicting IRR and NPV Valuations, Achieving Present and Future Valuation Reciprocity, and Matching Equity Return in a Financial Statement's Equity Cash Flow IRR

	Post 2000s dot.com	Pre 1980s LBO	Post LBO Pre dot.com
<i>Simplified Investment Unified Assumption Set Match?</i>	B	C	D
Tradition Valuation Appendix:			
Unified Assumption Set Match?	No	Yes	Yes
Debt's Leverage [21]	80%	0%	80%
Oper Perform Relative Slope [25]	+1.3	0.0	0.0
Secondary Rate [24] use Equity [1]	No	Yes	Yes

Hybrid Valuation Method

			reference Line [16]
[1] IRR Equity	Yes	30%	IRR({ -\$500, \$152, \$168, \$185, \$204, \$476})
[2] IRR Solved WACC	Yes	40%	[1]*(1-[21])/(1-[23])+[21]*[22]
[3] NPV (present value) Note a	Yes	\$500	NPV(30%, \$152, \$168, \$185, \$204, \$476) / (100% - 0%)
[4] FV (future value)	Yes	\$250	FV(30%, 5, 0, -\$500+NPV(30%, \$152, \$168, \$185, \$204, \$476))

Traditional Valuation Method

			reference Line [12]
[5] IRR Equity	Yes	30%	([(6)-[21]*[22])/(1-[21])*(1-[23])
[6] IRR Primary Cash Flow	Yes	40%	IRR({ -\$500, \$223, \$223, \$223, \$223, \$473})
[7] NPV (present value)	Yes	\$500	NPV(40%, \$223, \$223, \$223, \$223, \$473)
[8]	Yes	\$250	FV(40%, 5, 0, -\$500+NPV(40%, \$223, \$223, \$223, \$223, \$223))

Primary to Equity Cash Flow

[9] Period	0	1	2	3	4	5
[10] Purchase/Sale	(\$500)					\$250
[11] Operating Performance		\$223	\$223	\$223	\$223	\$223
[12] Traditional Primary Cash Flow	(500)	223	223	223	223	473
[13] Secondary Flow		(27)	(12)	5	24	46
[14] Debt	0	0	0	0	0	0
[15] Income Taxes		(43)	(43)	(43)	(43)	(43)
[16] Equity Cash Flow	(\$500)	\$152	\$168	\$185	\$204	\$476

Unified Assumption Set

[17] Equity Capital Cost	30%	
[18] Weight Average Capital Cost	40%	[17]*(1-[21])/(1-[23]) + [21]*[22]
[19] Asset Valuation (present value)	\$500	
[20] Sale Price (future value)	\$250	
[21] Debt Capital Structure	0%	
[22] Debt Rate	0%	
[23] Tax Rate	25%	
[24] User Secondary Cash Flow Rate	22.5%	[17]*(1-[23])
[25] Oper Perform Relative Slope	0.0	SLOPE([11]:[11],[9]:[9])/AVERAGE([11]:[11])

Note a: The equity \$500 NPV equals the \$500 initial equity cash flow, Line 16, used in the 21% IRR calculation, unifying IRR and NPV, as one valuation now uses the other as input.

Hybrid Solve/Assumption Synchronicity Valuations

Appendix D – Traditional Valuations Matching Unified Assumption Set

Removing Potential Conflicting IRR and NPV Valuations, Achieving Present and Future Valuation Reciprocity, and Matching Equity Return in a Financial Statement's Equity Cash Flow IRR

	Post 2000s dot.com	Pre 1980s LBO	Post LBO Pre dot.com
<i>Simplified Investment Unified Assumption Set Match?</i>	<u>B</u>	<u>C</u>	<u>D</u>
<u>Tradition Valuation Appendix:</u>			
Unified Assumption Set Match?	No	Yes	Yes
Debt's Leverage [21]	80%	0%	80%
Oper Perform Relative Slope [25]	+1.3	0.0	0.0
Secondary Rate [24] use Equity [1]	No	Yes	Yes

Hybrid Valuation Method

			reference Line [16]
[1] IRR Equity	Yes	30%	IRR({ -\$100, \$30, \$39, \$46, \$52, \$55})
[2] IRR Solved WACC	Yes	12%	[1]*(1-[21])/(1-[23])+[21]*[22]
[3] NPV (present value) Note a	Yes	\$500	NPV(30%, \$30, \$39, \$46, \$52, \$55) / (100% - 80%)
[4] FV (future value)	Yes	\$0	FV(30%, 5, 0, -\$100+NPV(30%, \$30, \$39, \$46, \$52, \$55))

Traditional Valuation Method

			reference Line [12]
[5] IRR Equity	Yes	30%	(((6)-[21]*[22])/((1-[21])*(1-[23])))
[6] IRR Primary Cash Flow	Yes	12%	IRR({ -\$500, \$139, \$139, \$139, \$139, \$139})
[7] NPV (present value)	Yes	\$500	NPV(12%, \$139, \$139, \$139, \$139, \$139)
[8] FV (future value)	Yes	\$0	FV(12%, 5, 0, -\$500+NPV(12%, \$139, \$139, \$139, \$139, \$139))

Primary to Equity Cash Flow

[9] Period	0	1	2	3	4	5
[10] Purchase/Salvage	(\$500)					\$0
[11] Operating Performance		\$139	\$139	\$139	\$139	139
[12] Traditional Primary Cash Flow	(500)	139	139	139	139	139
[13] Secondary Flow		(21)	(7)	6	18	29
[14] Debt	400	(83)	(87)	(92)	(98)	(104)
[15] Income Taxes		(5)	(5)	(6)	(7)	(8)
[16] Equity Cash Flow	(\$100)	\$30	\$39	\$46	\$52	\$55

Unified Assumption Set

[17] Equity Capital Cost	30%	
[18] Weight Average Capital Cost	12%	[17]*(1-[21])/(1-[23]) + [21]*[22]
[19] Asset Valuation (present value)	\$500	
[20] Salvage (future value)	\$0	
[21] Debt Capital Structure	80%	
[22] Debt Rate	5%	
[23] Tax Rate	25%	
[24] User Secondary Cash Flow Rate	22.5%	[17]*(1-[23])
[25] Oper Perform Relative Slope	0.0	SLOPE([11]:[11],[9]:[9])/AVERAGE([11]:[11])

Note a: The equity \$100 NPV (subsequently grossed-up to \$500, inclusive of debt financing) equals the \$100 initial equity cash flow, Line 16, used in the 30% IRR calculation, unifying IRR and NPV, as one valuation now uses the other as an

Financial Statement of the Discussion's On-Going Example

APPENDIX E

Solve Asset Valuation Purchase Price

Page 1 – Unified Assumption Set

Statement Status: Fully Integrated

Page	Contents
1	Unified Assumption Set
2	Financial Statements
3	Internal Equity Return Affirmation
5	Salvage (Disposal) Sale Price
6	Closing Trial Balance
7	Visualize Basic Investment Components (BIC)
9	Compare and Reconcile FPI versus Traditional NPV

SOLVE ASSET VALUATION ref
Page 7, Line [181] \$500

		1	2	3	4	5
UNIFIED ASSUMPTION SET						
[1]	Equity Return (Risk Profile and Internal)	[G]	30%			
[2]	Asset Valuation	[Solve]	\$500			
[3]	Pre-Asset Performance	[G]	(\$200)	(\$200)	\$400	\$400
[4]	Salvage (Disposal) percent Asset Valuation	[G]	0%			\$628.499
[5]	Sale Price percent Ending Book Value	[G]	240%			
[6]	Secondary Flow Return Rate after-tax	[G]	1.8773019544%			
[7]	Debt Capital Structure Weight	[G]	80%			
[8]	Debt Rate	[G]	5.0%			
[9]	Asset O&M Property Tax Rate	[G]	4.0%	5.0%	6.0%	7.0%
[10]	Depreciable Asset TRUE/FALSE switch	[G]	TRUE			8.0%
[11]	Pre-Asset Perf Profile with period 1	Solve [3] only	100%	100%	-200%	-200%
[12]	Asset Life periods	[G]	10			#####
[13]	Book Depreciation: Straight Line 0; DDB 2	[D]	0			
[14]	Income Tax Rate	[G]	25%			
[15]	Interest Expense percent Tax Deductible	[D]	100%			
[16]	Tax Depreciation Life periods	[G]	6			
[17]	Tax Depreciation: Straight 0; DDB 2	[G]	2			
[18]	... [30]	[Custom]				

[31] Investment period count COUNT([3]:[3]) 5
 reference [G] = Given; [D] = Default

Financial Statement of the Discussion's On-Going Example

APPENDIX E

Solve Asset Valuation Purchase Price

Page 2 – Financial Statements

Statement Status: Fully Integrated

FINANCIAL STATEMENTS

[32]	ref	0	1	2	3	4	5
BALANCE SHEET							
[33] Asset	[2]	500	500	500	500	500	0
[34] Depreciation	[121]	0	50	100	150	200	0
[35] Net	[33]-[34]	500	450	400	350	300	0
[36] Secondary Flow	[40]-[35]	0	40	61	68	62	0
[37] Assets	SUM([35]:[36])	500	490	461	418	362	0
[38] Deferred Income Tax	[124]	0	29	44	50	50	0
[39] Equity & Debt Financing	[72]	500	461	417	367	312	0
[40] Equity & Liabilities	SUM([38]:[39])	500	490	461	418	362	0
INCOME STATEMENT							
[41] Pre-Asset Performance	[3]		(200)	(200)	400	400	628
[42] Depreciation	[121]-[121]		(50)	(50)	(50)	(50)	(50)
[43] Asset O&M Property Tax	-[2]*[9]		(20)	(25)	(30)	(35)	(40)
[44] Sale Gain (Loss)	[140]-[138]						350
[45] Income Tax current	-[118]		102	89	(70)	(75)	(269)
[46] Income Tax deferred	-[126] & [125]		(29)	(15)	(6)	0	50
[47] Interest Expense	-[39]*[7]*[8]		(20)	(18)	(17)	(15)	(12)
[48] Secondary Flow Return	[129]		0	1	1	1	1
[49] Net Income	SUM([41]:[48])		(218)	(219)	229	227	658
EQUITY CASH FLOW STATEMENT							
[50] Net Income	[49]		(218)	(219)	229	227	658
[51] Add-back Depreciation	-[42]		50	50	50	50	50
[52] Add-back Deferred Income Tax	[38]-[38]		29	15	6	(0)	(50)
[53] Secondary Flow	[36]-[36]		(40)	(21)	(7)	5	62
[54] Debt Issuance (Repurchase)	[85]	400	(31)	(35)	(39)	(44)	(250)
[55] Salvage (Disposal)	[136]						0
[56] Sale Ending Book Value	[138]						250
[57] Asset Valuation purchase	-[2]	(500)					
[58] Equity Cash Flow	SUM([53]:[57])	(100)	(210)	(211)	239	238	721

Financial Statement of the Discussion's On-Going Example

APPENDIX E

Solve Asset Valuation Purchase Price

Page 3 – Financial Statements

Statement Status: Fully Integrated

FINANCIAL STATEMENTS (continued)

[59]	ref	0	1	2	3	4	5	
OWNER'S EQUITY STATEMENT								
[60]	Beginning Owner's Equity	[63]	100	92	83	73	62	
[61]	Net Income	[49]	(218)	(219)	229	227	658	
[62]	Equity Cash Flow	[-58]	100	210	211	(239)	(721)	
[63]	Ending Owner's Equity	SUM([60]:[62])	<u>100</u>	<u>92</u>	<u>83</u>	<u>73</u>	<u>0</u>	
INTERNAL EQUITY RETURN								
[64]	Net Income	NPV([1],[61]:[61])	64					
[65]	Outstanding Equity	NPV([1],[60]:[60])	212					
[66]	Internal Equity Return	[64]/[65]		<u>30%</u>				
[67]	INTERNAL RATE of RETURN	IRR([62]:[62])		<u>30%</u>				
SYSTEMATIC EXTERNAL FINANCING EXTINGUISHMENT (SEFE) (i) - (iv)								
EQUITY & DEBT ENDING BALANCE (i)								
[68]	Equity & Debt Beginning Balance	[72]	500	461	417	367	312	
[69]	Financing Return Of	[-78]	(39)	(44)	(49)	(55)	(62)	
[70]	Sale Ending Book Value	[-138]					(250)	
[71]	Initial Equity Debt Purchase Price	[2]	500					
[72]	Equity & Debt Ending Balance	SUM([68]:[71])	<u>500</u>	<u>461</u>	<u>417</u>	<u>367</u>	<u>0</u>	
[73]		FPI descending periods [31]		5	4	3	2	1
EQUITY & DEBT FINANCING RETURN OF (ii)								
[74]	Equity & Debt outstanding	[68]	500	461	417	367	312	
[75]	Capital Cost	[100]	12.0%	12.0%	12.0%	12.0%	12.0%	
[76]	Pretax Equity & Debt Return On	[74]*[75]	60	55	50	44	37	
[77]	Equity & Debt Return On & Of	[Note 1]	99	99	99	99	99	
[78]	Equity & Debt Financing Return Of	[77]-[76]	39	44	49	55	62	
Note 1: -PMT([100],[73],[74],[70])								
DEBT ISSUANCE (REPURCHASE) (iii)								
[79]	Beginning Equity and Debt Balance	[82]	500	461	417	367	312	
[80]	Begin Debt Capital Structure Weight	[7]	80%	80%	80%	80%	80%	
[81]	Beginning Debt Balance	[79]*[80]	400	369	333	294	250	
[82]	Ending Equity and Debt Balance	[72]	500	461	417	367	312	
[83]	End Debt Capital Structure Weight	[7]	80%	80%	80%	80%	80%	
[84]	Ending Debt Balance	[82]*[83]	400	369	333	294	250	
[85]	Debt Issuance (Repurchase)	-[81]+[84]	<u>400</u>	<u>(31)</u>	<u>(35)</u>	<u>(39)</u>	<u>(44)</u>	<u>(250)</u>

Financial Statement of the Discussion's On-Going Example

APPENDIX E

Solve Asset Valuation Purchase Price

Page 4 – Financial Statements

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FINANCIAL STATEMENTS (continued)

EQUITY & DEBT FINANCING (continued)

CAPITAL COST (iv)		ref				
[86]	Equity Return (Risk Profile and Internal)	[1]		30%		
[87]	One minus Debt Capital Structure	1-[7]		<u>20%</u>		
[88]	IER times Equity Weight	[86]*[87]			6.0%	
[89]	One minus Income Tax Rate	1-[14]			<u>75%</u>	
[90]	Pretax Weighted IER	[88]/[89]				8.0%
[91]	Debt Capital Structure Weight	[7]		80%		
[92]	Debt Rate	[8]		<u>5.0%</u>		
[93]	Weighted Debt Rate	[91]*[92]			4.0%	
[94]	One minus Interest Tax Deductible	1-[15]	0%			
[95]	One minus Income Tax Rate	1-[14]	<u>75%</u>			
[96]	One minus Deduct divided minus Tax	[94]/[95]		0%		
[97]	Interest Exp percent Tax Deductible	[15]		<u>100%</u>		
[98]	Interest Deduct Gross Up factor	SUM([96]:[97])			<u>100%</u>	
[99]	Pretax Weighted Debt Rate	[93]*[98]				4.0%
[100]	Capital Cost	SUM([90]:[99])				<u>12%</u>

[101]		0	1	2	3	4	5
ASSET O&M PROPERTY TAX							
[102]	Asset Valuation	[2]	500	500	500	500	500
[103]	Asset O&M Property Tax Rate	[9]	<u>4.0%</u>	<u>5.0%</u>	<u>6.0%</u>	<u>7.0%</u>	<u>8.0%</u>
[104]	Asset O&M Property Tax	[102]*[103]	<u>20</u>	<u>25</u>	<u>30</u>	<u>35</u>	<u>40</u>

INTEREST EXPENSE

[105]	Debt outstanding	[81]	400	369	333	294	250
[106]	Debt Rate	[8]	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>
[107]	Interest Expense	[105]*[106]	<u>20</u>	<u>18</u>	<u>17</u>	<u>15</u>	<u>12</u>
[108]	Interest Expense percent Tax Deduct	[15]	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
[109]	Deductible Interest Expense	[107]*[108]	<u>20</u>	<u>18</u>	<u>17</u>	<u>15</u>	<u>12</u>

INCOME TAX CURRENT

[110]	Pre-Asset Performance	[41]	(200)	(200)	400	400	628
[111]	Tax Depreciation	[120]-[120]	(167)	(111)	(74)	(49)	(49)
[112]	Asset O&M Property Tax	-[104]	(20)	(25)	(30)	(35)	(40)
[113]	Deductible Interest Expense	-[109]	(20)	(18)	(17)	(15)	(12)
[114]	Sale Gain (Loss)	[44]					350
[115]	Accum Book vs Tax Depre reversal	[122]					201
[116]	Taxable Income	SUM([110]:[115])	<u>(407)</u>	<u>(355)</u>	<u>279</u>	<u>301</u>	<u>1,077</u>
[117]	Income Tax Rate	[14]	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
[118]	Income Tax current	[116]*[117]	<u>(102)</u>	<u>(89)</u>	<u>70</u>	<u>75</u>	<u>269</u>

Financial Statement of the Discussion's On-Going Example

APPENDIX E

Solve Asset Valuation Purchase Price

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FINANCIAL STATEMENTS (continued)

[119]	ref	0	1	2	3	4	5	
INCOME TAX DEFERRED								
[120]	Accum Tax Depreciation	IF([10],[204] * [2],0)	0	167	278	352	401	451
[121]	Accum Book Depreciation	IF([10],[205] * [2],0)	0	50	100	150	200	250
[122]	Difference	[120]-[121]	0	117	178	202	201	201
[123]	Income Tax Rate	[14]	25%	25%	25%	25%	25%	25%
[124]	Accumulated Defer Income Tax	[122]*[123]	0	29	44	50	50	50
[125]	Previous Period Deferred Balance	[124]	0	0	29	44	50	50
[126]	Income Tax deferred	[124]-[125]	0	29	15	6	(0)	(0)
SECONDARY FLOW RETURN								
[127]	Secondary Flow Balance outstanding	[36]	0	40	61	68	62	
[128]	Secondary Flow Return Rate aftertax	[6]	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
[129]	Secondary Flow Return	[127]*[128]	0	1	1	1	1	1
SALVAGE (DISPOSAL) SALE PRICE (i) - (ii)								
SALVAGE (DISPOSAL) SALE PRICE (i)								
[130]	Asset Valuation	[2]		500				
[131]	Accum Asset Val Depreciation	[121]/(1-[4])	250					
[132]	Acc Salvage (Disp)	IF([141],[121]*(1-1/(1-[4])),0)	0					
[133]	Accum Book Depreciation	SUM([131];[132])		250				
[134]	Asset Valuation	[2]	500					
[135]	Salvage (Disposal) percent	IF([141],[4],0)	0%					
[136]	Salvage (Disposal)	[134]*[135]	0					
[137]	Acc Depreciation & Salvage	SUM([133];[136])		250				
[138]	Asset Sale Ending Book Value	[130]-[137]			250			
[139]	Sale percent End Book Value	IF([141],0,[5])			240%			
[140]	Asset Sale Price	[138]*[139]				600		

SALVAGE (DISPOSAL) SALE FLAG (ii)

[141] TRUE: Salvage (Disp)/FALSE: Sale [Note 2] FALSE

Note 2: IF([10],IF([12]=[31],TRUE,FALSE),FALSE)

Financial Statement of the Discussion's On-Going Example

APPENDIX E

Solve Asset Valuation Purchase Price

Page 6 – Financial Statements

Statement Status: Fully Integrated

FINANCIAL STATEMENTS (continued)

CLOSING TRIAL BALANCE

				Operation	Close	Close			
				Begin	Dep, Tax	Assets &	Net	Post	
[142]	Last period	5	ref	Balances	& Other	Liability	Income	Dividend	Closing
[143]	Asset Valuation		[33]	500		(500)			0
[144]	Accum Asset Val Depreciation		-[121]/(1-[4])	(200)	(50)	250			0
[145]	Acc Salvage Depreciation		-[121]*(1-1/(1-[4]))	0	0	0			0
[146]	Secondary Flow		[Note 3]	62	396	262		(721)	0
[147]	Accum Deferred Income Tax		-[38] & -[126]	(50)	0	50			0
[148]	Debt		-[81] & [78]*[80]	(250)	50	200			0
[149]	Owner's Equity		-[60] & -SUM([150];[157])	(62)			(658)	721	0
[150]	Pre-Asset Performance		-[41]		(628)		628		0
[151]	Book Depreciation		-[42]		50		(50)		0
[152]	Asset O&M Property Tax		-[43]		40		(40)		0
[153]	Sale Gain (Loss)		-[44]			(350)	350		0
[154]	Income Tax current		[166]		132	138	(269)		0
[155]	Income Tax deferred		-[147]		(0)	(50)	50		0
[156]	Interest Expense		-[47]		12		(12)		0
[157]	Secondary Flow Return aftertax		-[48]		(1)		1		0
[158]	Total		SUM([143];[157])	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Note 3: -SUM([143];[145])-SUM([147];[157])

INCOME TAX CURRENT

				Operation	Close
[159]	Pre-Asset Performance		-[150]	628	
[160]	Tax Depreciation		[120]-[120]	(49)	201
[161]	Asset O&M Property Tax		-[152]	(40)	
[162]	Sale Gain (Loss)		[44]		350
[163]	Deductible Interest Expense		[113]	(12)	
[164]	Taxable Income		SUM([159];[163])	<u>527</u>	<u>551</u>
[165]	Tax Rate		[14]	<u>25%</u>	<u>25%</u>
[166]	Income Tax current		[164]*[165]	<u>132</u>	<u>138</u>

all transactions occur at period-end

Decompose Internal Rate of Return

Appendix F, using Appendix B Assumptions

Weighted Average Capital Cost Versus Internal Rate of Return

<u>Capital Cost Comparison</u>			Hybrid Capital Cost	Traditional IRR	
[1]	Pre Tax	$[2]*[21] + [3]*[22] + [4]*[23]$	<u>12%</u>	<u>21%</u>	$[2]*[21] + [3]*[22] + [4]*[23] \text{ \& } [20]$
<u>Capital Cost Component Weighting</u>			WACC Structure	IRR Inherent	
[2]	Equity	$-[18]/[19]$	20%	46%	$([12]-[13])/([21]-[13])$
[3]	Secondary	$[15]/[19]$	0%	5%	$[8]/([8]+[9])*(1-[2])$
[4]	Debt	$[16]/[19]$	80%	49%	$[9]/([8]+[9])*(1-[2])$
[5]	Total	$SUM([2]:[4])$	<u>100%</u>	<u>100%</u>	$SUM([2]:[4])$
<u>Decompose Internal Rate of Return</u>			Homogenizing IRR Factors		
[6]	Equity			70	$-PMT([20],5,NPV([20],[18]:[18]))$
[7]	Income Taxes			11	$PMT([20],5,NPV([20],[17]:[17]))$
[8]	Secondary Cash Flow			8	$PMT([20],5,NPV([20],[15]:[15]))$
[9]	Debt			82	$PMT([20],5,NPV([20],[16]:[16]))$
[10]	Periodic Non-Varying Return 'On' and 'Of'			171	$SUM([8]:[6])$
[11]	Return 'On' Rate Function			Rate()	
[12]	Internal Rate of Return (Hurdle Rate Comparison)			<u>21%</u>	$RATE(5,-[10],[19]) \text{ \& } [20]$
[13]	Combined Secondary and Debt Component			<u>0.047</u>	$([8]*[22]+[9]*[23])/([8]+[9])$

Traditional Primary Cash Flow to Financial Statement

<u>Equity Cash Flow (Appendix E)</u>		0	1	2	3	4	5
[14]	Combined Primary Cash Flow	(500)	(220)	(225)	370	365	1,188
[15]	Secondary Cash Flow	0	(40)	(20)	(6)	7	63
[16]	Debt	400	(51)	(54)	(56)	(59)	(262)
[17]	Income Taxes - Current		102	89	(70)	(75)	(269)
[18]	Equity Cash Flow $SUM([14]:[17])$	<u>(100)</u>	<u>(210)</u>	<u>(211)</u>	<u>239</u>	<u>238</u>	<u>721</u>
[19]	Initial Cash Outflow	$-[14]$	<u>\$500</u>				
[20]	Internal Rate of Return $IRR([14]:[14])$		<u>21%</u>				
[21]	Pre Tax Equity $IRR([18]:[18])/(1-[24])$		<u>40%</u>				
[22]	Secondary Flow $IRR([15]:[15])$		<u>1.9%</u>				
[23]	Debt Rate $IRR([16]:[16])$		<u>5%</u>				
[24]	Income Tax Rate	[G]	<u>25%</u>				

Hybrid Valuation Method's Wealth Measurement
 APPENDIX G - Table 20
 First and Second Series, Expected Scenario A 1 of 2
 Page 1
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FULL PICTURE FINANCIAL STATEMENTS

	ref	Investment periods	0	1	2	3	4	5
BALANCE SHEET								
[11]	Asset 'what you have invested'	[-17]	100	100	100	100	100	0
[12]	Depreciation	-[18]+[12]		20	40	60	80	0
[13]	Net	[11]-[12]	100	80	60	40	20	0
[14]	Secondary Flow	[16]-[13]	0	8	13	14	10	0
[15]	Assets	SUM([13]-[14])	100	88	73	54	30	0
[16]	Equity Financing	[40]	100	88	73	54	30	0
INCOME STATEMENT								
[17]	Oper Perform 'what you receive'	[G]	(100)	60	40	30	20	10
[18]	Depreciation	-[11]/[10]		(20)	(20)	(20)	(20)	(20)
[19]	Secondary Flow Return aftertax	[14]*[62]		0.0	2.0	3.2	3.5	2.5
[20]	Net Income Oper Perform	SUM([17]-[19])		40	22	13	3	(8)
CASH CHANGE IN OWNER'S EQUITY								
[21]	Net Income Operating Performance	[20]		40	22	13	3	(8)
[22]	Add-back Depreciation	-[18]		20	20	20	20	20
[23]	Secondary Flow	[14]-[14]		(8)	(5)	(1)	4	10
[24]	Asset Valuation	[17]	(100)					
[25]	Change in Owner's Equity	SUM([21]-[24])	(100)	52	37	32	27	22
OWNER'S EQUITY STATEMENT								
[26]	Beginning Owner's Equity	[29]	100	88	73	54	30	
[27]	Net Income Operating Performance	[20]		40	22	13	3	(8)
[28]	Issuance (Dividend)	-[25]	100	(52)	(37)	(32)	(27)	(22)
[29]	Ending Owner's Equity	SUM([26]-[28])	100	88	73	54	30	0
INTERNAL EQUITY RETURN								
[30]	Net Income (NINPV)	NPV([62],[27]-[27])	52					
[31]	Outstanding Equity	NPV([62],[26]-[26])	204					
[32]	Internal Equity Return	[30]/[31]						25%
[33]	Traditional IRR Valuation	IRR([17]-[17])						25%
[34]	Traditional NPV ₀ Valuation	NPV(6%, [17]-[17])	\$38					First Series, Scenario A, Baseline Risk 6%
[35]	Traditional NPV ₀ Valuation	NPV(8%, [17]-[17])	\$33					Second Series, Scenario A, Baseline Risk 4%

Hybrid Valuation Method's Wealth Measurement
 APPENDIX G - Table 20
 First and Second Series, Expected Scenario A 2 of 2
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FULL PICTURE INVESTMENT

[36]	Investment periods	0	1	2	3	4	5
SYSTEMATIC EXTERNAL FINANCING EXTINGUISHMENT (SEFE) (i) - (ii)							
EQUITY ENDING BALANCE (i)							
[37]	Equity Beginning Balance	[40]	100	88	73	54	30
[38]	Financing Return Of	[-46]	(12)	(15)	(19)	(24)	(30)
[39]	Initial Equity Purchase Price	[11]	100				
[40]	Equity Ending Balance	SUM([37]:[39])	<u>100</u>	<u>88</u>	<u>73</u>	<u>54</u>	<u>30</u>
[41]	Descending periods		5	4	3	2	1
EQUITY FINANCING RETURN OF (ii)							
[42]	Equity outstanding	[37]	100	88	73	54	30
[43]	Capital Cost 'return'	[62]	25%	25%	25%	25%	25%
[44]	Equity Return On	[42]*[43]	25	22	18	14	8
[45]	Equity Return On & Of	-PMT([43],[41],[42])	37	37	37	37	37
[46]	Equity Financing Return Of	[45]-[44]	<u>12</u>	<u>15</u>	<u>19</u>	<u>24</u>	<u>30</u>

ENDING TRIAL BALANCE

[47]	FPI last period	5	Operation Begin Balances & Other	Close Dep, TaxAssets & Liability	Close Net Income	Post Dividend	Closing
[48]	Asset Valuation	[11]	100	(100)			0
[49]	Accum Asset Val Depreciation	[-12]	(80)	(20)	100		0
[50]	Secondary Flow	SUM([48]:[49]) - SUM([51]:[54])	10	12	0	(22)	0
[51]	Owner's Equity	[-26]	(30)		8	22	0
[52]	Pre-Asset Operating Performance	[-17]		(10)	10		0
[53]	Book Depreciation	[-18]		20	(20)		0
[54]	Secondary Flow Return aftertax	[-19]		(2.5)	2.5		0
[55]	Total	SUM([48]:[54])	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

[56] Operating Perform Relative Slope -0.4 SLOPE([17]:[17],[10]:[10])/AVERAGE([17]:[17])

VISUALIZE BASIC INVESTMENT COMPONENTS (BIC)

[57]	Pre-Asset Oper Perform period one	[17]	60				
[58]	Pre Oper Perf Bridge	PMT([62], 5, -NPV([62],[63]:[63]))	<u>0.623</u>				
[59]	Pre-Asset Oper Perform abridged	[57]*[58]		37			
[60]	Asset Valuation	[28]		<u>100</u>			
[61]	PMT factor abridged	[59]/[60]			0.374		
[62]	Capital Cost	RATE(5, [61], -1)			<u>25%</u>		
[63]	Pre-Asset Oper Perf profile period 1	[17]/[17]	<u>100%</u>	<u>67%</u>	<u>50%</u>	<u>33%</u>	<u>17%</u>

[64] ... [69] [Blanks] All transactions occur at period end

FULL PICTURE FINANCIAL STATEMENTS

	ref	Investment periods	0	1	2	3	4	5
BALANCE SHEET								
[71]	Asset 'what you have invested'	-[77]	100	100	100	100	100	0
[72]	Depreciation	-[78]+[72]		20	40	60	80	0
[73]	Net	[71]-[72]	100	80	60	40	20	0
[74]	Secondary Flow	[76]-[73]	0	7	11	12	8	0
[75]	Assets	SUM([73]-[74])	100	87	71	52	28	0
[76]	Equity Financing	[100]	100	87	71	52	28	0
INCOME STATEMENT								
[77]	Oper Perform 'what you receive'	[G]	(100)	(10)	30	40	70	90
[78]	Depreciation	-[71]/[70]		(20)	(20)	(20)	(20)	(20)
[79]	Secondary Flow Return aftertax	[74]*[122]		0.0	1.5	2.4	2.6	1.8
[80]	Net Income Oper Perform	SUM([77]-[79])		(30)	12	22	53	72
CASH CHANGE IN OWNER'S EQUITY								
[81]	Net Income Operating Performance	[80]		(30)	12	22	53	72
[82]	Add-back Depreciation	-[78]		20	20	20	20	20
[83]	Secondary Flow	[74]-[74]		(7)	(4)	(1)	3	8
[84]	Asset Valuation	[77]	(100)					
[85]	Change in Owner's Equity	SUM([81]-[84])	(100)	(17)	27	42	76	100
OWNER'S EQUITY STATEMENT								
[86]	Beginning Owner's Equity	[89]	100	87	71	52	28	
[87]	Net Income Operating Performance	[80]		(30)	12	22	53	72
[88]	Issuance (Dividend)	-[85]	100	17	(27)	(42)	(76)	(100)
[89]	Ending Owner's Equity	SUM([86]-[88])	100	87	71	52	28	0
INTERNAL EQUITY RETURN								
[90]	Net Income (NINPV)	NPV([122],[87]-[87])	47					
[91]	Outstanding Equity	NPV([122],[86]-[86])	215					
[92]	Internal Equity Return	[90]/[91]						22%
[93]	Traditional IRR Valuation	IRR([77]-[77])						22%
[94]	Traditional NPV ₀ Valuation	NPV(6%, [77]-[77])						\$69
[95]	Traditional NPV ₀ Valuation	NPV(4%, [77]-[77])						\$84

Hybrid Valuation Method's Wealth Measurement
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FULL PICTURE INVESTMENT

[96]	Investment periods	0	1	2	3	4	5
SYSTEMATIC EXTERNAL FINANCING EXTINGUISHMENT (SEFE) (i) - (ii)							
EQUITY ENDING BALANCE (i)							
[97]	Equity Beginning Balance	[100]	100	87	71	52	28
[98]	Financing Return Of	-[106]	(13)	(16)	(19)	(23)	(28)
[99]	Initial Equity Purchase Price	[71]	100				
[100]	Equity Ending Balance	SUM([97]:[99])	100	87	71	52	28
<hr/>							
[101]	Descending periods		5	4	3	2	1
EQUITY FINANCING RETURN OF (ii)							
[102]	Equity outstanding	[97]	100	87	71	52	28
[103]	Capital Cost 'return'	[122]	22%	22%	22%	22%	22%
[104]	Equity Return On	[102]*[103]	22	19	15	11	6
[105]	Equity Return On & Of	PMT([103],[101],[102])	35	35	35	35	35
[106]	Equity Financing Return Of	[105]-[104]	13	16	19	23	28

ENDING TRIAL BALANCE

		Operation	Close	Close		
		Begin	Dep, Tax	Assets &	Net	Post
		Balances &	Other	Liability	Income	Dividend
						Closing
[107]	FPI last period	5				
[108]	Asset Valuation	[71]	100	(100)		0
[109]	Accum Asset Val Depreciation	-[72]	(80)	(20)	100	0
[110]	Secondary -SUM([108]:[109])		8	92	0	(100)
[111]	Owner's Equity	-[86]	(28)		(72)	100
[112]	Pre-Asset Operating Performance	-[77]		(90)	90	0
[113]	Book Depreciation	-[78]		20	(20)	0
[114]	Secondary Flow Return aftertax	-[79]		(1.8)	1.8	0
[115]	Total	SUM([108]:[114])	0	0	0	0

[116] Operating Perform Relative Slope ### SLOPE([77]:[77],[70]:[70])/AVERAGE([77]:[77])

VISUALIZE BASIC INVESTMENT COMPONENTS (BIC)

[117]	Pre-Asset Oper Perform period one	[77]	(10)			
[118]	Pre Oper Perf Bridg	PMT([122],5,-NPV([122],[123]:[123]))	(3.466)			
[119]	Pre-Asset Oper Perform abridged	[117]*[118]		35		
[120]	Asset Valuation	[88]		100		
[121]	PMT factor abridged	[119]/[120]			0.347	
[122]	Capital Cost	RATE(5,[121],-1)				22%
[123]	Pre-Asset Oper Perf profile period 1	[77]/[77]	100%	-300%	-400%	-700%
[124]	...	[129]	[Blanks]	All transactions occur at period end		

Hybrid Valuation Method's Wealth Measurement

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First Series, Scenario A, Baseline 6% 1 of 2

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Statement Status: Fully Integrated

FULL PICTURE FINANCIAL STATEMENTS

	ref	Investment periods	0	1	2	3	4	5
BALANCE SHEET								
[131] Asset 'what you have invested'	[G]		100	100	100	100	100	0
[132] Depreciation	-[138]+[132]			20	40	60	80	0
[133] Net	[131]-[132]		100	80	60	40	20	0
[134] Secondary Flow	[136]-[133]		0	2	3	4	2	0
[135] Assets	SUM([133]:[134])		<u>100</u>	<u>82</u>	<u>63</u>	<u>44</u>	<u>22</u>	<u>0</u>
[136] Equity Financing	[160]		<u>100</u>	<u>82</u>	<u>63</u>	<u>44</u>	<u>22</u>	<u>0</u>
INCOME STATEMENT								
[137] Oper Perform 'what you receive'	[181]*[183]	(100)	43	28	21	14	7	
[138] Depreciation	-[131]/[130]		(20)	(20)	(20)	(20)	(20)	
[139] Secondary Flow Return aftertax	[134]*[181]		0.0	0.1	0.2	0.2	0.1	
[140] Net Income Oper Perform	SUM([137]:[139])		<u>23</u>	<u>9</u>	<u>2</u>	<u>(6)</u>	<u>(13)</u>	
CASH CHANGE IN OWNER'S EQUITY								
[141] Net Income Operating Performance	[140]		23	9	2	(6)	(13)	
[142] Add-back Depreciation	-[138]		20	20	20	20	20	
[143] Secondary Flow	[134]-[134]		(2)	(1)	(0)	1	2	
[144] Asset Valuation	-[131]	(100)						
[145] Change in Owner's Equity	SUM([141]:[144])		<u>(100)</u>	<u>40</u>	<u>27</u>	<u>21</u>	<u>16</u>	<u>10</u>
OWNER'S EQUITY STATEMENT								
[146] Beginning Owner's Equity	[149]		100	82	63	44	22	
[147] Net Income Operating Performance	[140]		23	9	2	(6)	(13)	
[148] Issuance (Dividend)	-[145]	100	(40)	(27)	(21)	(16)	(10)	
[149] Ending Owner's Equity	SUM([146]:[148])		<u>100</u>	<u>82</u>	<u>63</u>	<u>44</u>	<u>22</u>	<u>0</u>
INTERNAL EQUITY RETURN								
[150] Net Income (NINPV)	NPV([181],[147]:[147])	16						
[151] Outstanding Equity	NPV([181],[146]:[146])	272						
[152] Internal Equity Return	[150]/[151]				<u>6%</u>			
[153] Traditional IRR Valuation	IRR([137]:[137])				<u>6%</u>			
[154] Blank								
[155] Blank								

Hybrid Valuation Method's Wealth Measurement

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First Series, Scenario A, Baseline 6% 2 of 2

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Statement Status: Fully Integrated

FULL PICTURE INVESTMENT

[156]	Investment periods	0	1	2	3	4	5
SYSTEMATIC EXTERNAL FINANCING EXTINGUISHMENT (SEFE) (i) - (ii)							
EQUITY ENDING BALANCE (i)							
[157]	Equity Beginning Balance	[160]	100	82	63	44	22
[158]	Financing Return Of	-[166]	(18)	(19)	(20)	(21)	(22)
[159]	Initial Equity Purchase Price	[131]	100				
[160]	Equity Ending Balance	SUM([157]:[159])	<u>100</u>	<u>82</u>	<u>63</u>	<u>44</u>	<u>22</u>
[161]	Descending periods		5	4	3	2	1
EQUITY FINANCING RETURN OF (ii)							
[162]	Equity outstanding	[157]	100	82	63	44	22
[163]	Capital Cost 'return'	[G]	6%	6%	6%	6%	6%
[164]	Equity Return On	[162]*[163]	6	5	4	3	1
[165]	Equity Return On & Of	PMT([163],[161],[162])	24	24	24	24	24
[166]	Equity Financing Return Of	[165]-[164]	<u>18</u>	<u>19</u>	<u>20</u>	<u>21</u>	<u>22</u>

ENDING TRIAL BALANCE

		Operation	Close	Close		
		Begin	Dep, Tax	Assets &	Net	Post
		Balances &	Other	Liability	Income	Dividend
						Closing
[167]	FPI last period	5				
[168]	Asset Valuation	[131]	100	(100)		0
[169]	Accum Asset Val Depreciation	-[132]	(80)	(20)	100	0
[170]	Secondary -SUM([168]:[169])	-SUM([171]:[174])	2	7	0	(10)
[171]	Owner's Equity	-[146]	(22)		13	10
[172]	Pre-Asset Operating Performance	-[137]		(7)	7	0
[173]	Book Depreciation	-[138]		20	(20)	0
[174]	Secondary Flow Return aftertax	-[139]		(0.1)	0.1	0
[175]	Total	SUM([168]:[174])	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

[176] Operating Perform Relative Slope -0.4 SLOPE([137]:[137],[130]:[130])/AVERAGE([137]:[137])

VISUALIZE BASIC INVESTMENT COMPONENTS (BIC)

[177]	PMT factor abridged	PMT([163], 5, -1)	0.237
[178]	Asset Valuation	[148]	<u>100</u>
[179]	Pre-Asset Oper Perform abridged	[177]*[178]	24
[180]	PreAOP Bridge	PMT([163], 5, -NPV([163],[183]:[183]))	<u>0.557</u>
[181]	Pre-Asset Oper Perform period one	[179]/[180]	<u>\$43</u>
[182]	Blank		
[183]	Pre-Asset Oper Perf profile period 1	[63]	<u>100%</u> <u>67%</u> <u>50%</u> <u>33%</u> <u>17%</u>

[184] ... [189] [Blanks] All transactions occur at period end

Hybrid Valuation Method's Wealth Measurement

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First Series, Scenario B - Baseline 6% 1 of 2

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Statement Status: Fully Integrated

FULL PICTURE FINANCIAL STATEMENTS

	ref	Investment periods	0	1	2	3	4	5
BALANCE SHEET								
[191] Asset 'what you have invested'	[G]		100	100	100	100	100	0
[192] Depreciation	-[198]/[192]			20	40	60	80	0
[193] Net	[191]-[192]		100	80	60	40	20	0
[194] Secondary Flow	[196]-[193]		0	2	3	4	2	0
[195] Assets	SUM([193]:[194])		<u>100</u>	<u>82</u>	<u>63</u>	<u>44</u>	<u>22</u>	<u>0</u>
[196] Equity Financing	[220]		<u>100</u>	<u>82</u>	<u>63</u>	<u>44</u>	<u>22</u>	<u>0</u>
INCOME STATEMENT								
[197] Oper Perform 'what you receive'	[241]*[243]	(100)	(6)	17	23	40	52	
[198] Depreciation	-[191]/[190]		(20)	(20)	(20)	(20)	(20)	
[199] Secondary Flow Return aftertax	[194]*[241]		0.0	0.1	0.2	0.2	0.1	
[200] Net Income Oper Perform	SUM([197]:[199])		<u>(26)</u>	<u>(3)</u>	<u>3</u>	<u>21</u>	<u>32</u>	
CASH CHANGE IN OWNER'S EQUITY								
[201] Net Income Operating Performance	[200]		(26)	(3)	3	21	32	
[202] Add-back Depreciation	-[198]		20	20	20	20	20	
[203] Secondary Flow	[194]-[194]		(2)	(1)	(0)	1	2	
[204] Asset Valuation	-[191]	(100)						
[205] Change in Owner's Equity	SUM([201]:[204])		<u>(100)</u>	<u>(8)</u>	<u>16</u>	<u>23</u>	<u>42</u>	<u>54</u>
OWNER'S EQUITY STATEMENT								
[206] Beginning Owner's Equity	[209]		100	82	63	44	22	
[207] Net Income Operating Performance	[200]		(26)	(3)	3	21	32	
[208] Issuance (Dividend)	-[205]	100	8	(16)	(23)	(42)	(54)	
[209] Ending Owner's Equity	SUM([206]:[208])		<u>100</u>	<u>82</u>	<u>63</u>	<u>44</u>	<u>22</u>	<u>0</u>
INTERNAL EQUITY RETURN								
[210] Net Income (NINPV)	NPV([241],[207]:[207])	16						
[211] Outstanding Equity	NPV([241],[206]:[206])	272						
[212] Internal Equity Return	[210]/[211]				<u>6%</u>			
[213] Traditional IRR Valuation	IRR([197]:[197])				<u>6%</u>			
[214] Blank								
[215] Blank								

Hybrid Valuation Method's Wealth Measurement

APPENDIX G - Table 20

First Series, Scenario B - Baseline 6% 2 of 2

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Statement Status: Fully Integrated

FULL PICTURE INVESTMENT

[216]	Investment periods	0	1	2	3	4	5
SYSTEMATIC EXTERNAL FINANCING EXTINGUISHMENT (SEFE) (i) - (ii)							
EQUITY ENDING BALANCE (i)							
[217]	Equity Beginning Balance	[220]	100	82	63	44	22
[218]	Financing Return Of	-[226]	(18)	(19)	(20)	(21)	(22)
[219]	Initial Equity Purchase Price	[191]	100				
[220]	Equity Ending Balance	SUM([217]:[219])	100	82	63	44	22
[221]	Descending periods		5	4	3	2	1
EQUITY FINANCING RETURN OF (ii)							
[222]	Equity outstanding	[217]	100	82	63	44	22
[223]	Capital Cost 'return'	[G]	6%	6%	6%	6%	6%
[224]	Equity Return On	[222]*[223]	6	5	4	3	1
[225]	Equity Return On & Off	MT([223],[221],[222])	24	24	24	24	24
[226]	Equity Financing Return Of	[225]-[224]	18	19	20	21	22

ENDING TRIAL BALANCE

		Operation	Close	Close		Post
		Begin	Dep, Tax	Assets &	Net	Closing
		Balances &	Other	Liability	Income	Dividend
[227]	FPI last period	5				
[228]	Asset Valuation	[191]	100	(100)		0
[229]	Accum Asset Val Depreciation	-[192]	(80)	(20)	100	0
[230]	Secondary -SUM([228]:[229])-SUM([231]:[234])		2	52	0	(54)
[231]	Owner's Equity	-[206]	(22)		(32)	54
[232]	Pre-Asset Operating Performance	-[197]		(52)	52	0
[233]	Book Depreciation	-[198]		20	(20)	0
[234]	Secondary Flow Return aftertax	-[199]		(0.1)	0.1	0
[235]	Total	SUM([228]:[234])	0	0	0	0

[236] Operating Perform Relative Slope ### $SLOPE([197]:[197],[190]:[190])/AVERAGE([197]:[197])$

VISUALIZE BASIC INVESTMENT COMPONENTS (BIC)

[237]	PMT factor abridged	PMT([223], 5, -1)	0.237			
[238]	Asset Valuation	[208]	100			
[239]	Pre-Asset Oper Perform abridged	[237]*[238]		24		
[240]	PreAOP Bridge	PMT([223], 5, -NPV([223],[243]:[243]))		(4.120)		
[241]	Pre-Asset Oper Perform period one	[239]/[240]			<u><u>-\$6</u></u>	
[242]	Blank					
[243]	Pre-Asset Oper Perf profile period 1	[G]	<u>100%</u>	<u>-300%</u>	<u>-400%</u>	<u>-700%</u>
						<u>-900%</u>

[244] ... [249] [Blanks] All transactions occur at period end

FULL PICTURE FINANCIAL STATEMENTS

	ref	Investment periods	0	1	2	3	4	5
BALANCE SHEET								
[251] Asset 'what you have invested'	[G]		100	100	100	100	100	0
[252] Depreciation	-[258]/[252]			20	40	60	80	0
[253] Net	[251]-[252]		100	80	60	40	20	0
[254] Secondary Flow	[256]-[253]		0	3	5	5	3	0
[255] Assets	SUM([253]:[254])		<u>100</u>	<u>83</u>	<u>65</u>	<u>45</u>	<u>23</u>	<u>0</u>
[256] Equity Financing	[280]		<u>100</u>	<u>83</u>	<u>65</u>	<u>45</u>	<u>23</u>	<u>0</u>

INCOME STATEMENT								
[257] Oper Perform 'what you receive'	[301]*[303]	(100)	44	30	22	15	7	
[258] Depreciation	-[251]/[250]		(20)	(20)	(20)	(20)	(20)	
[259] Secondary Flow Return aftertax	[254]*[301]		0.0	0.2	0.4	0.4	0.3	
[260] Net Income Oper Perform	SUM([257]:[259])		<u>24</u>	<u>10</u>	<u>3</u>	<u>(5)</u>	<u>(12)</u>	

CASH CHANGE IN OWNER'S EQUITY								
[261] Net Income Operating Performance	[260]		24	10	3	(5)	(12)	
[262] Add-back Depreciation	-[258]		20	20	20	20	20	
[263] Secondary Flow	[254]-[254]		(3)	(2)	(0)	1	3	
[264] Asset Valuation	-[251]	(100)						
[265] Change in Owner's Equity	SUM([261]:[264])		<u>(100)</u>	<u>41</u>	<u>28</u>	<u>22</u>	<u>17</u>	<u>11</u>

OWNER'S EQUITY STATEMENT								
[266] Beginning Owner's Equity	[269]		100	83	65	45	23	
[267] Net Income Operating Performance	[260]		24	10	3	(5)	(12)	
[268] Issuance (Dividend)	-[265]	100	(41)	(28)	(22)	(17)	(11)	
[269] Ending Owner's Equity	SUM([266]:[268])		<u>100</u>	<u>83</u>	<u>65</u>	<u>45</u>	<u>23</u>	<u>0</u>

INTERNAL EQUITY RETURN								
[270] Net Income (NINPV)	NPV([301],[267]:[267])	21						
[271] Outstanding Equity	NPV([301],[266]:[266])	264						
[272] Internal Equity Return	[270]/[271]							<u>8%</u>

[273] Traditional IRR Valuation IRR([257]:[257]) 8%
 [274] Blank
 [275] Blank

Hybrid Valuation Method's Wealth Measurement
 APPENDIX G - Table 20
 Second Series, Scenario A - Baseline Risk 8% 2 of 2
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 Statement Status: Fully Integrated

FULL PICTURE INVESTMENT

[276]	Investment periods	0	1	2	3	4	5
SYSTEMATIC EXTERNAL FINANCING EXTINGUISHMENT (SEFE) (i) - (ii)							
EQUITY ENDING BALANCE (i)							
[277]	Equity Beginning Balance	[280]	100	83	65	45	23
[278]	Financing Return Of	-[286]	(17)	(18)	(20)	(21)	(23)
[279]	Initial Equity Purchase Price	[251]	100				
[280]	Equity Ending Balance	SUM([277]:[279])	100	83	65	45	23
[281]	Descending periods		5	4	3	2	1
EQUITY FINANCING RETURN OF (ii)							
[282]	Equity outstanding	[277]	100	83	65	45	23
[283]	Capital Cost 'return'	[G]	8%	8%	8%	8%	8%
[284]	Equity Return On	[282]*[283]	8	7	5	4	2
[285]	Equity Return On & Off	MT([283], [281], [282])	25	25	25	25	25
[286]	Equity Financing Return Of	[285]-[284]	17	18	20	21	23

ENDING TRIAL BALANCE

		Operation	Close	Close		Post
		Begin	Dep, Tax	Assets &	Net	Closing
		Balances &	Other	Liability	Income	Dividend
[287]	FPI last period	5				
[288]	Asset Valuation	[251]	100	(100)		0
[289]	Accum Asset Val Depreciation	-[252]	(80)	(20)	100	0
[290]	Secondary -SUM([288]:[289])	-SUM([291]:[294])	3	8	0	(11)
[291]	Owner's Equity	-[266]	(23)		12	11
[292]	Pre-Asset Operating Performance	-[257]		(7)	7	0
[293]	Book Depreciation	-[258]		20	(20)	0
[294]	Secondary Flow Return aftertax	-[259]		(0.3)	0.3	0
[295]	Total	SUM([288]:[294])	0	0	0	0

[296] Operating Perform Relative Slope -0.4 SLOPE([257]:[257],[250]:[250])/AVERAGE([257]:[257])

VISUALIZE BASIC INVESTMENT COMPONENTS (BIC)

[297]	PMT factor abridged	PMT([283], 5, -1)	0.250			
[298]	Asset Valuation	[268]	100			
[299]	Pre-Asset Oper Perform abridged	[297]*[298]		25		
[300]	PreAOP Bridge	PMT([283], 5, -NPV([283],[303]:[303]))		0.564		
[301]	Pre-Asset Oper Perform period one	[299]/[300]			\$44	
[302]	Blank					
[303]	Pre-Asset Oper Perf profile period 1	[G]	100%	67%	50%	33%
[304]	...	[309] [Blanks]				17%

[304] ... [309] [Blanks] All transactions occur at period end

FULL PICTURE FINANCIAL STATEMENTS

	ref	Investment periods	0	1	2	3	4	5
BALANCE SHEET								
[311] Asset 'what you have invested'	[G]		100	100	100	100	100	0
[312] Depreciation	-[318]+[312]			20	40	60	80	0
[313] Net	[311]-[312]		100	80	60	40	20	0
[314] Secondary Flow	[316]-[313]		0	2	2	2	2	0
[315] Assets	SUM([313]:[314])		<u>100</u>	<u>82</u>	<u>62</u>	<u>42</u>	<u>22</u>	<u>0</u>
[316] Equity Financing	[340]		<u>100</u>	<u>82</u>	<u>62</u>	<u>42</u>	<u>22</u>	<u>0</u>

INCOME STATEMENT								
[317] Oper Perform 'what you receive'	[361]*[363]	(100)	(5)	16	21	37	48	
[318] Depreciation	-[311]/[310]		(20)	(20)	(20)	(20)	(20)	
[319] Secondary Flow Return aftertax	[314]*[361]		0.0	0.1	0.1	0.1	0.1	
[320] Net Income Oper Perform	SUM([317]:[319])		<u>(25)</u>	<u>(4)</u>	<u>1</u>	<u>17</u>	<u>28</u>	

CASH CHANGE IN OWNER'S EQUITY								
[321] Net Income Operating Performance	[320]		(25)	(4)	1	17	28	
[322] Add-back Depreciation	-[318]		20	20	20	20	20	
[323] Secondary Flow	[314]-[314]		(2)	(1)	(0)	1	2	
[324] Asset Valuation	-[311]	(100)						
[325] Change in Owner's Equity	SUM([321]:[324])		<u>(100)</u>	<u>(7)</u>	<u>15</u>	<u>21</u>	<u>38</u>	<u>50</u>

OWNER'S EQUITY STATEMENT								
[326] Beginning Owner's Equity	[329]		100	82	62	42	22	
[327] Net Income Operating Performance	[320]		(25)	(4)	1	17	28	
[328] Issuance (Dividend)	-[325]	100	7	(15)	(21)	(38)	(50)	
[329] Ending Owner's Equity	SUM([326]:[328])		<u>100</u>	<u>82</u>	<u>62</u>	<u>42</u>	<u>22</u>	<u>0</u>

INTERNAL EQUITY RETURN								
[330] Net Income (NINPV)	NPV([361],[327]:[327])	11						
[331] Outstanding Equity	NPV([361],[326]:[326])	281						
[332] Internal Equity Return	[330]/[331]							<u>4%</u>

[333] Traditional IRR Valuation IRR([317]:[317]) 4%

[334] Blank

[335] Blank

Hybrid Valuation Method's Wealth Measurement
 APPENDIX G - Table 20
 Second Series, Scenario B - Baseline Risk 4% 2 of 2
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 Statement Status: Fully Integrated

FULL PICTURE INVESTMENT

[336]	Investment periods	0	1	2	3	4	5
SYSTEMATIC EXTERNAL FINANCING EXTINGUISHMENT (SEFE) (i) - (ii)							
EQUITY ENDING BALANCE (i)							
[337]	Equity Beginning Balance	[340]	100	82	62	42	22
[338]	Financing Return Of	-[346]	(18)	(19)	(20)	(21)	(22)
[339]	Initial Equity Purchase Price	[311]	100				
[340]	Equity Ending Balance	SUM([337]:[339])	100	82	62	42	22
[341]	Descending periods		5	4	3	2	1
EQUITY FINANCING RETURN OF (ii)							
[342]	Equity outstanding	[337]	100	82	62	42	22
[343]	Capital Cost 'return'	[G]	4%	4%	4%	4%	4%
[344]	Equity Return On	[342]*[343]	4	3	2	2	1
[345]	Equity Return On & Off	PMT([343],[341],[342])	22	22	22	22	22
[346]	Equity Financing Return Of	[345]-[344]	18	19	20	21	22

ENDING TRIAL BALANCE

		Operation	Close	Close		Post
		Begin	Dep, Tax	Assets &	Net	Closing
		Balances &	Other	Liability	Income	Dividend
[347]	FPI last period	5				
[348]	Asset Valuation	[311]	100	(100)		0
[349]	Accum Asset Val Depreciation	-[312]	(80)	(20)	100	0
[350]	Secondary -SUM([348]:[349])	-SUM([351]:[354])	2	48	0	(50)
[351]	Owner's Equity	-[326]	(22)		(28)	50
[352]	Pre-Asset Operating Performance	-[317]	(48)		48	0
[353]	Book Depreciation	-[318]	20		(20)	0
[354]	Secondary Flow Return aftertax	-[319]	(0.1)		0.1	0
[355]	Total	SUM([348]:[354])	0	0	0	0

[356] Operating Perform Relative Slope ### SLOPE([317]:[317],[310]:[310])/AVERAGE([317]:[317])

VISUALIZE BASIC INVESTMENT COMPONENTS (BIC)

[357]	PMT factor abridged	PMT([343], 5, -1)	0.225			
[358]	Asset Valuation	[328]	100			
[359]	Pre-Asset Oper Perform abridged	[357]*[358]		22		
[360]	PreAOP Bridge	PMT([343], 5, -NPV([343],[363]:[363]))		(4,212)		
[361]	Pre-Asset Oper Perform period one	[359]/[360]			-5	
[362]	Blank					
[363]	Pre-Asset Oper Perf profile period 1	[G]	100%	-300%	-400%	-700%
[364]	... [369]	[Blanks]				-900%

[364] ... [369] [Blanks] All transactions occur at period end