

June 2, 2011

RE: CHURCH OF ...
Perpetual Withdrawal Rates
Consulting Report

Attention: Mr. XYZ

Dear Mr. XYZ,

Thank you for the opportunity to work on your project. This report summarizes my findings.

Input Data:

Current Total Assets: \$14,157,791 (as of December 31st, 2010)

Current Asset Mix: (approximate) 55% equity, 35% fixed income, 10% Cash or Cash equivalents

Annual fixed administrative costs: \$20,000, indexed to CPI

Current Annual Distributions: \$570,379

Donations, Additions, Contributions expected over the next 5 years: assume none, calculate net difference

Return basis: assume 0% alpha, adjusted for 0.52% management fees (S&P500 used as equity benchmark)

Your Objectives:

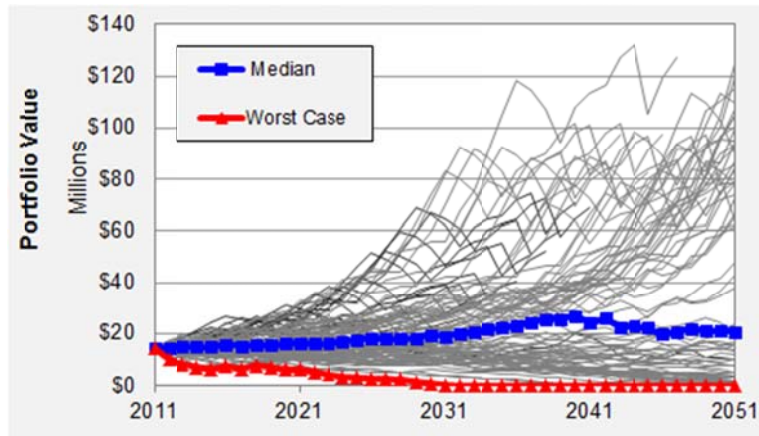
- a) Inter-generational Equity: Capital grows to keep pace with CPI over the 40-year time horizon for the worst case scenario; distributions are not indexed to CPI
- b) Maximize non-fluctuating perpetual distributions

1. Your Current Situation / Long-Term Outcome:

If you continue to use your current asset values, asset allocation, distribution rates, your plan does not meet your objectives. Not only the asset balance is not intergenerational, it might just deplete if unlucky market events continue. In the worst case, it might deplete in 2031, only 20 years from now.

The chart below shows the aftcast of your current situation:

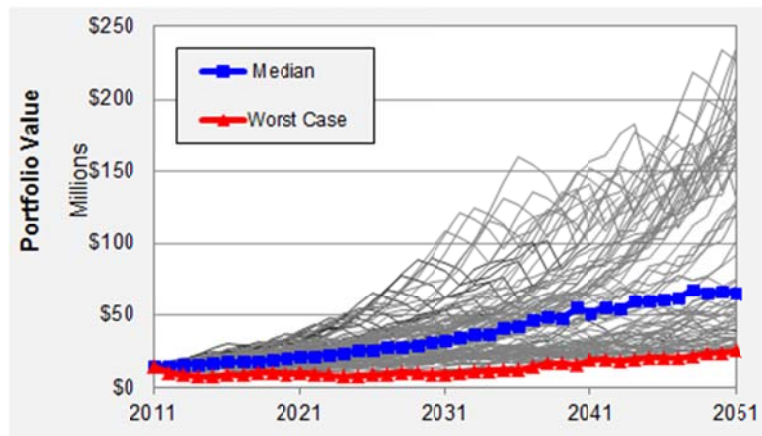
Figure 1: The Aftcast of Your Current Situation:



2. Calculated Perpetual Distribution Rate To Meet Your Objectives:

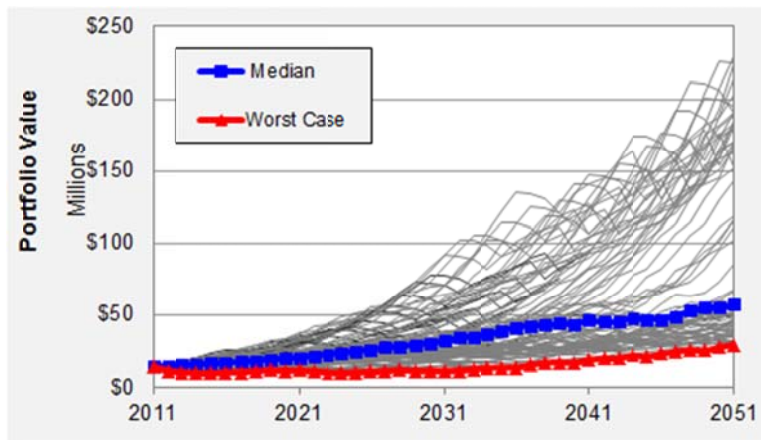
Based on your desired objective, your annual distributions cannot be more than \$201,000 over the next 5 years – until the next periodic review. Your aftcast would then look like in Figure 2.

Figure 2: The Aftcast of with Perpetual Distribution Rate of \$201,000 / year:



- 3. Calculated Perpetual Distribution Rate To Meet Your Objectives – Optimized Asset Mix:**
We calculated your optimum asset allocation that maximizes the perpetual distributions while still being “inter-generational” is 38% equity, 49% fixed income and 13% cash and cash equivalents. In that case, your annual distributions cannot be more than \$226,000 until next review.

Figure 2: The Aftcast of with Perpetual Distribution Rate of \$226,000 / year, optimized asset mix:



Distribution Reviews:

All distribution amounts indicated in this letter are valid until the next review. The next review and recalculation of distributions should occur as soon as any one the following events happen:

- Five years from the implementation of this distribution strategy (in 2016).
- When and if total assets decline to below \$11,300,000 (20% below its 2010 yearend value)
- When and if there is a cash inflow (new donations) of more than \$1.4 million since last review
- When and if there are unexpected expenses/distributions of more than \$1.4 million since last review

I am enclosing my white paper about this topic. You can use it as reference to calculate future distribution amounts after a review.

Otar & Associates

Financial Consulting

Jim C. Otar, BAsC, MEng, CFP, CMT

Phone: (905) 889-7170

e-mail: cotar@rogers.com

The Bottom Line:

- Your perpetual distribution rate is \$201,000 / year with your current asset mix.
- Your perpetual distribution rate is \$226,000 / year with our suggested optimized asset mix.

If you have any further questions about this report or if you need my services in future reviews, please contact me at your convenience.

Regards,

Jim C. Otar
BAsC, MEng, CMT, CFP