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Summary of Commercial Investment Opportunity

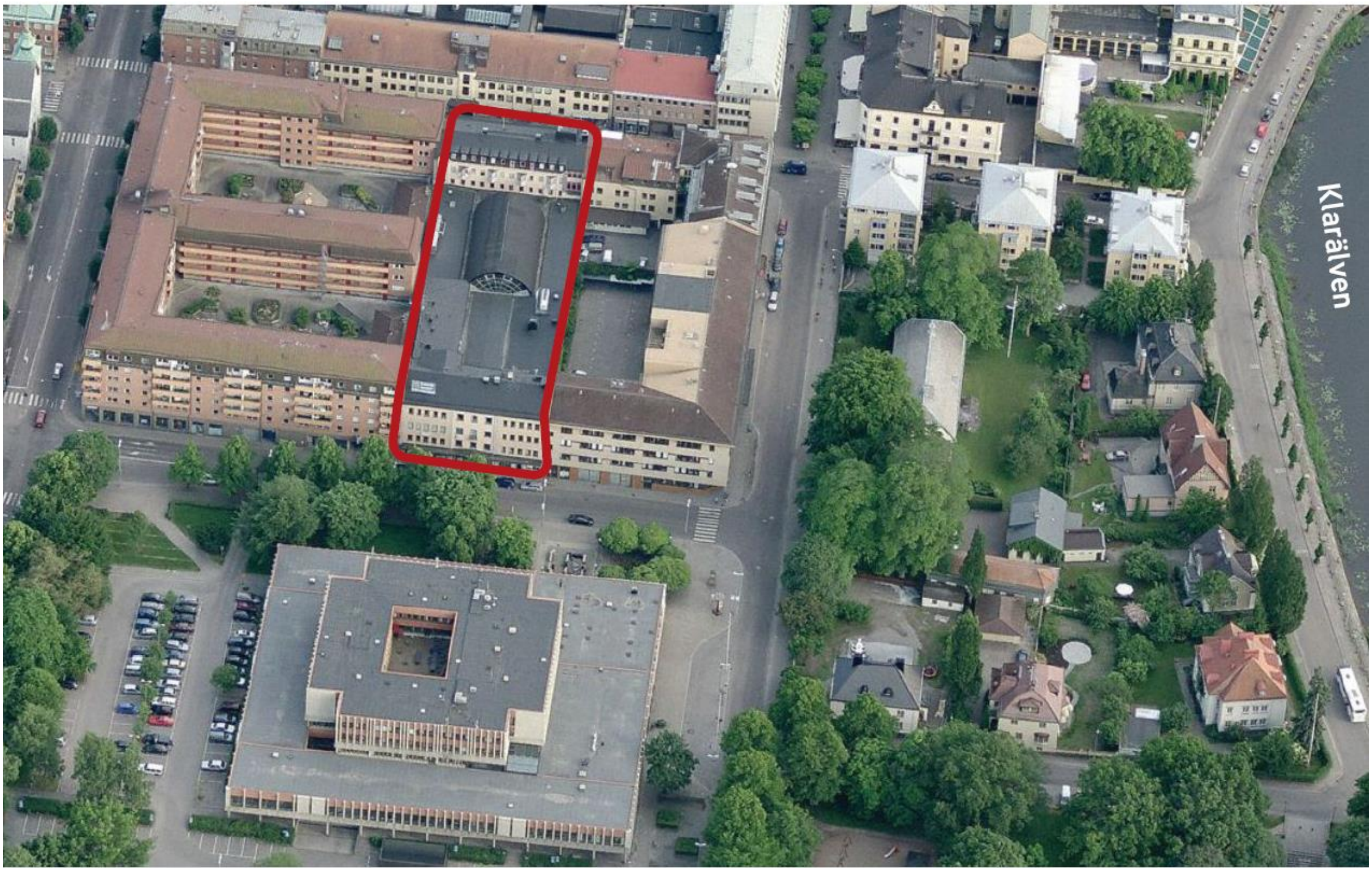
Project Gripen, Karlstad City Centre

Minimum Investment €100,000, with €10,000 increments thereafter

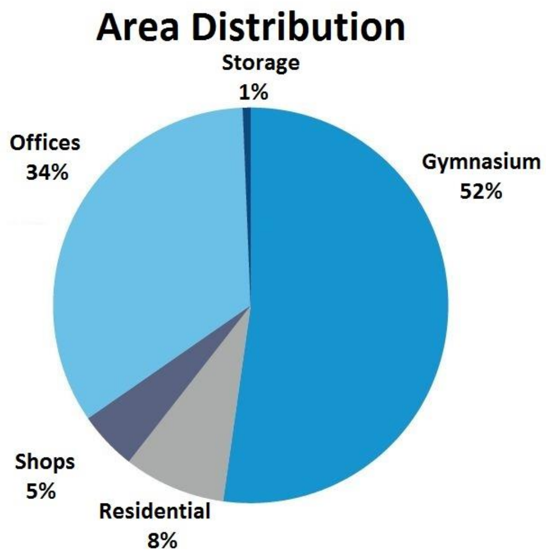
Property Description

Gripen 11 consists of 3 joined buildings with a total rentable area of 4,388 m^2, sitting on a land plot of 2,628 m^2. It has no garage or assigned parking, but parking is available either on the street or in the adjacent parking building. The property was built in 1962 with a concrete foundation and frame, while the facade is brick and plaster.The property was extensively renovated in about 1988, and thereafter, successive smaller renovations completed.

The property consists of two buildings facing Herrgårdsgaten and Norra Strandgaten. Each of these buildings contains four floors and are tied together by a single storey building covering the courtyard.



The property has a variety of tenants including a gymnasium, apartments, shops, offices and storage. The gym is a franchise of SATS, the second largest training company in Europe based on the number of training centres. Sports and Fitness in Karlstad AB had a turnover of 14.5 MSEK in 2011 (approx. €1.66 M). This lease runs until June 2021. The gym is fully subscribed. There are a number of offices from 75 m^2 to 326 m^2, which accommodate a variety of tenants. The shops consist of a long standing hairdresser as well as a health food restaurant at the entrance to the gym. There are 11 small apartments which are ideal for the large student population in the city.



Operational Income

Income	*SEK*
Gym	2,550,118
Office	1,699,453
Residential	403,117
Shops	218,078
Storage	1,236
Additional	330,960
Total Income	**5,202,962**
Costs	
Electricity & Cooling	-119,340
Heating	-433,500
Water	-96,900
Refuse Collection	-159,120
Communication	-22,440
Repairs	-219,400
Maintenance	-109,700
Janitorial	-87,760
Insurance	-21,940
Total Costs	**-1,270,100**
Net Operational Income	**3,932,862**

The rental income in the opposite table is based on a fully let property. The figures are based on 2012 actual amounts and adjusted for inflation for 2013. The income for the residential apartments is based on a warm rent, with heat and cable included, but the tenants have signed a personal contract for electricity and broadband. 80% of the total area is subject to VAT, but all numbers are net of VAT.

Based on the agreed purchase price of 50 MSEK, preliminary discussions with the bank would suggest the following terms (rate of 8.60 SEK to €uro for illustrative purposes only, as rate vary):

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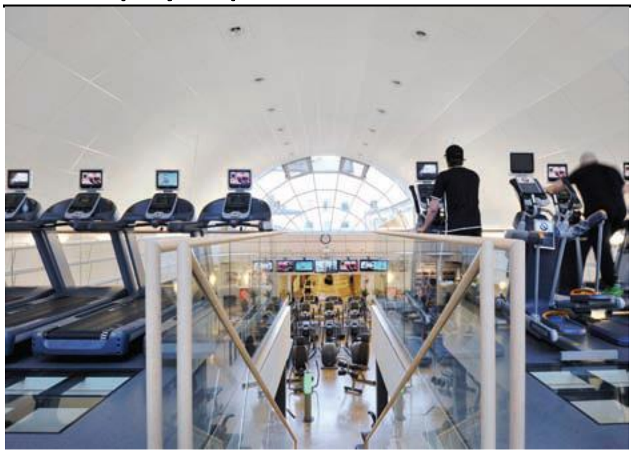
Description	**Amount (TSEK)**	**Amount (€uro)**
Purchase Price	50,000	€5,813,953
Stamp Duty at 4.25%	2,125	€247,093
Total Purchase Price for LTV calculation	**52,125**	**€6,061,046**
Proposed Bank Loan at 75% LTV	-39,250	€4,563,953
Purchase price element of equity requirement	**12,875**	**€1,497,093**
Plus Acquisition Fees	2,500	€290,698
Plus Working Capital	875	€101,744
Total Equity Required	16,250	€1,889,535



Using the above actual numbers from 2012 and our preliminary discussions with the bank, certain assumptions are made and inserted into a 7 year Profit and Loss/Cash Flow statement. We already have an offer of 50 MSEK accepted for this property and a provisional indication from the bank of 75% loan to value. An assumed interest rate of 4.2% is used for the calculations below, while amortisation is based on 4% of the loan amount. Depreciation is based on 3% of the property value and is a non-cash expense. Usually Swedish commercial rents and costs increase annually with inflation, rather than periodic reviews. We have assumed an inflation rate of 1.5% for both income and costs. Most of the above assumptions are typical of a Swedish property deal.

Assumed 7 Year Profit and Loss / Cash Flow for Project Gripen (all figures in SEK)

Description	2014	2015	2016	2017	2018	2019	2020
Income	5,203	5,281	5,360	5,441	5,522	5,605	5,689
Costs	-1,270	-1,289	-1,308	-1,328	-1,348	-1,368	-1,389
Vacancy Allowance [1]	-150	-152	-155	-157	-159	-162	-164
Auditor [1]	-50	-51	-52	-52	-53	-54	-55
Due Diligence [1]	-400	0	0	0	0	0	0
Management [1]	-394	-400	-406	-412	-419	-425	-431
Result before depreciation	**2,939**	**3,389**	**3,439**	**3,492**	**3,543**	**3,596**	**3,650**
Depreciation (non-cash cost)	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500
Interest on bank loans [1]	-1,649	-1,583	-1,517	-1,451	-1,385	-1,319	-1,253
Taxation 22%	0	-67	-93	-119	-145	-171	-198
Result before tax	**-210**	**239**	**329**	**422**	**513**	**606**	**699**
Loan Amount	39,250	37,680	36,110	34,540	32,970	31,400	29,830
Loan repayment	-1,570	-1,570	-1,570	-1,570	-1,570	-1,570	-1,570
Liquidity	-280	169	259	352	443	536	629
Working Capital Invested	875	0	0	0	0	0	0
Accumulated Liquidity	**595**	**764**	**1023**	**1,375**	**1,818**	**2,354**	**2,983**

[1] Estimated cost

Exit Strategy

Based on the projected numbers in the above table, it is possible to calculate a potential capital value for the property after holding it for 6 to 7 years. If we take 2019 for example, the Net Revenue, excluding management, is 4,021 TSEK. If sold at a yield of 6.75%, i.e. the same as we propose buying it for, the capital value will be approx. 60 MSEK. In a company structure, allowing for the cash in bank, the reduced loans and a 50% latent tax allowance, this provides a compounded return of just over 10% per annum. While there are no guarantees regarding these numbers, they are not factoring in increases in rent (above inflation) or yield compression – they are simply based on the property doing what it is doing today, which is generating cash to pay down debt, while the yield remains constant.

Summary

This property is in an excellent city centre location in an expanding city. It comes with a solid rent roll, backed by a strong indicative loan to value from our Swedish Bankers (which is an indication of their belief in the investment). Without increasing the rents above inflation or factoring in yield compression, this property has the potential to provide an IRR of 10%, and it is for these reasons we feel it is a solid investment opportunity.