



# ALGORITHMICALLY-BASED LIFE INSURANCE SOLUTIONS

*prepared for:*

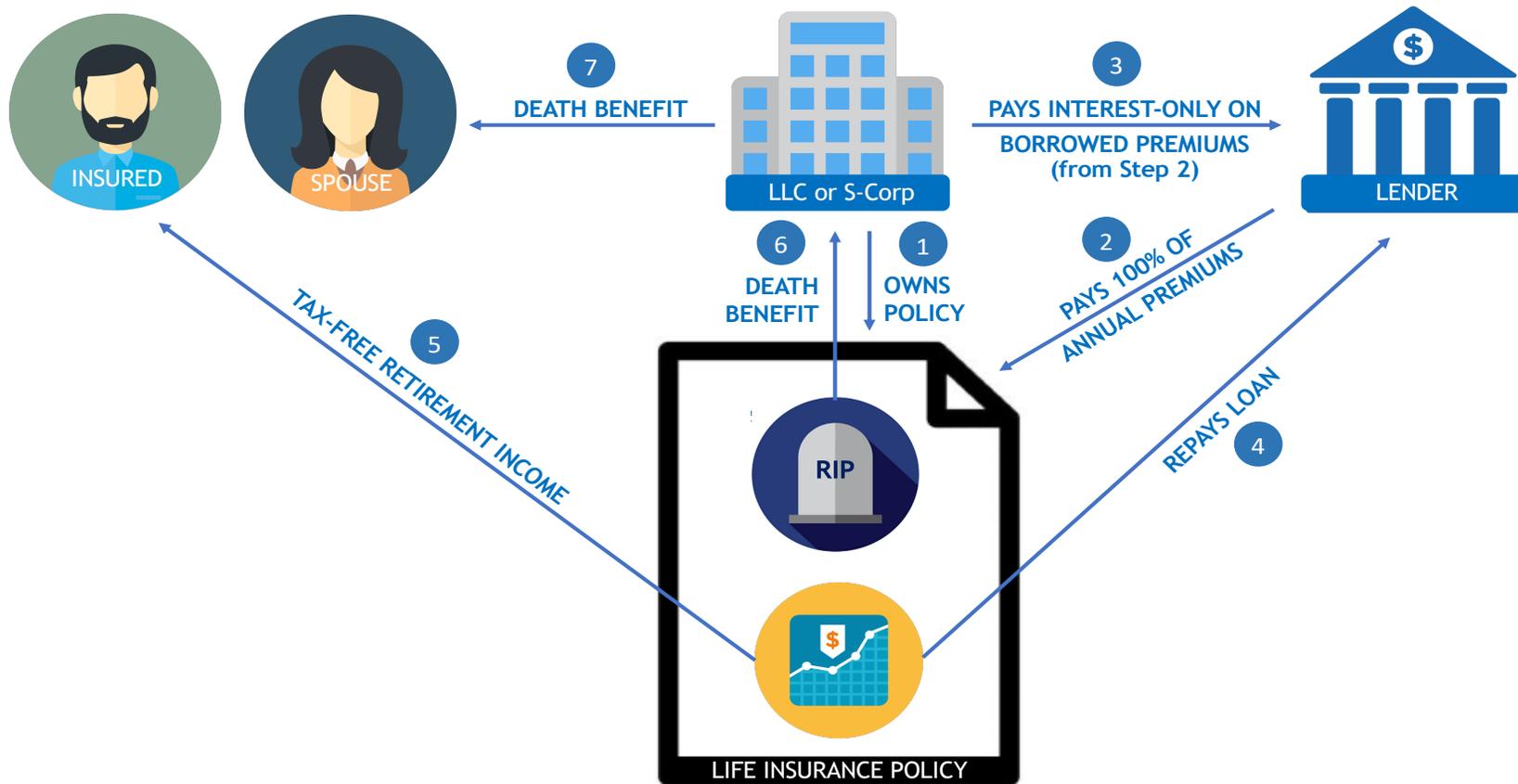
***Male A45 - Retirement Income***

OPTION 1: 0  
OPTION 2: FIRST-DOLLAR FINANCING  
MODELED BY: LIONSMARK CAPITAL

AGENT: Darren Sugiyama  
DATE CREATED: 04/06/22



# FIRST-DOLLAR FINANCING: TAX-FREE INCOME



## FIRST-DOLLAR PREMIUM FINANCING: TAX-FREE INCOME DRAWDOWN PLAN

1. The policy is owned by an entity (either an LLC or an S-corp). In some cases, certain lenders will allow the policy to be owned by an individual person.
2. The lender will pay the life insurance premiums directly to the life insurance carrier.
3. The entity will pay interest-only to the lender each year on the cumulative borrowed premiums and post the policy (and additional outside assets) as collateral.
4. The appreciated policy value will repay the loan balance to the lender.
5. The entity will take policy loans and pass them through to the insured person as tax-free retirement income. Such loans are netted out of the CSV and death benefit.
6. Upon the insured's death, the policy death benefit will pay to the entity.
7. The surviving spouse shall receive the unlimited step-up in basis, and enjoy the net death benefit on a tax-free basis.

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## FIRST-DOLLAR FINANCING

Health Rating: **PREFERRED**

Third Party Loan Payoff Type: **PAR LOAN**

PLR: **4.71%**

Initial Gross Policy Face Amount: **\$7,663,375**

04/06/22

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
YEAR	AGE	TOTAL POLICY PREMIUMS	PREMIUMS PAID BY CLIENT	PREMIUMS PAID BY LENDER	CUMULATIVE PF LOAN BALANCE	FINANCING INTEREST RATE	INTEREST DUE	INTEREST ACCRUED	CLIENT CONTRIBUTION	(Securites) GAP COLLATERAL	HYPOTHETICAL INDEX CREDIT	POLICY DRAWDOWNS	GROSS ACCUMULATED VALUE	POLICY CSV NET OF LOANS	DEATH BENEFIT NET OF LOANS	DEATH BENEFIT + YTY INCOME DRAWDOWN IRR
1	45	\$500,000	\$0	\$500,000	\$500,000	2.80%	\$14,000	\$0	\$14,000	\$292,021	5.21%	\$0	\$451,813	-\$150,079	\$7,615,188	54294.20%
2	46	\$500,000	\$0	\$500,000	\$1,000,000	2.86%	\$28,600	\$0	\$28,600	\$568,770	5.21%	\$0	\$926,279	-\$164,302	\$7,589,654	2128.44%
3	47	\$500,000	\$0	\$500,000	\$1,500,000	2.93%	\$43,980	\$0	\$43,980	\$796,143	5.21%	\$0	\$1,424,502	-\$154,768	\$7,587,877	640.84%
4	48	\$500,000	\$0	\$500,000	\$2,000,000	3.02%	\$60,368	\$0	\$60,368	\$824,876	5.21%	\$0	\$1,947,806	-\$120,107	\$7,611,181	321.74%
5	49	\$500,000	\$0	\$500,000	\$2,500,000	3.12%	\$78,052	\$0	\$78,052	\$818,657	5.21%	\$0	\$2,497,572	-\$59,029	\$7,660,947	199.78%
6	50	\$500,000	\$0	\$500,000	\$3,000,000	3.25%	\$97,395	\$0	\$97,395	\$775,460	5.21%	\$0	\$3,075,332	\$30,041	\$7,738,707	138.74%
7	51	\$500,000	\$0	\$500,000	\$3,500,000	3.40%	\$118,853	\$0	\$118,853	\$693,358	5.21%	\$0	\$3,682,552	\$148,619	\$7,845,927	103.09%
8	52	\$500,000	\$0	\$500,000	\$4,000,000	3.57%	\$142,998	\$0	\$142,998	\$570,288	5.21%	\$0	\$4,320,797	\$298,175	\$7,984,172	80.10%
9	53	\$500,000	\$0	\$500,000	\$4,500,000	3.79%	\$170,548	\$0	\$170,548	\$404,281	5.21%	\$0	\$4,991,569	\$480,258	\$8,154,944	64.20%
10	54	\$500,000	\$0	\$500,000	\$5,000,000	4.05%	\$202,397	\$0	\$202,397	\$193,304	5.21%	\$0	\$5,696,461	\$696,461	\$8,359,836	52.63%
11	55	\$0	\$0	\$0	\$5,000,000	4.36%	\$217,876	\$0	\$217,876	\$0	5.21%	\$0	\$5,981,027	\$981,027	\$8,359,836	43.36%
12	56	\$0	\$0	\$0	\$5,000,000	4.73%	\$236,451	\$0	\$236,451	\$0	5.21%	\$0	\$6,279,779	\$1,279,779	\$8,359,836	36.13%
13	57	\$0	\$0	\$0	\$5,000,000	5.17%	\$258,742	\$0	\$258,742	\$0	5.21%	\$0	\$6,593,462	\$1,593,462	\$8,359,836	30.34%
14	58	\$0	\$0	\$0	\$5,000,000	5.71%	\$285,490	\$0	\$285,490	\$0	5.21%	\$0	\$6,922,765	\$1,922,765	\$8,359,836	25.61%
15	59	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$5,000,000	\$7,268,461	\$2,032,961	\$8,124,336	21.94%
16	60	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	\$0	\$7,631,445	\$2,149,353	\$7,877,744	18.96%
17	61	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	\$0	\$8,012,712	\$2,272,414	\$7,619,537	16.52%
18	62	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	\$0	\$8,413,273	\$2,402,606	\$7,349,169	14.49%
19	63	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	\$0	\$8,834,131	\$2,540,362	\$7,066,067	12.77%
20	64	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	\$0	\$9,276,357	\$2,686,152	\$6,769,630	11.29%
21	65	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$242,151	\$9,741,305	\$2,840,701	\$6,459,231	10.30%
22	66	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$242,151	\$10,230,589	\$3,004,966	\$6,134,213	9.44%
23	67	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$242,151	\$10,746,099	\$3,180,150	\$5,793,886	8.68%
24	68	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$242,151	\$11,289,512	\$3,367,206	\$5,437,530	7.99%
25	69	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$242,151	\$11,862,961	\$3,567,515	\$5,465,589	7.76%
26	70	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$242,151	\$12,466,856	\$3,527,138	\$5,397,166	7.47%
27	71	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$242,151	\$13,102,002	\$3,487,667	\$5,190,927	7.09%
28	72	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$242,151	\$13,770,407	\$3,449,681	\$4,964,425	6.73%
29	73	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$242,151	\$14,474,210	\$3,413,821	\$4,716,500	6.39%
30	74	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$242,151	\$15,215,847	\$3,380,957	\$4,446,066	6.07%
31	75	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$242,151	\$15,998,172	\$3,352,303	\$4,152,212	5.76%
32	76	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$242,151	\$16,819,453	\$3,324,406	\$4,165,379	5.67%
33	77	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$242,151	\$17,681,434	\$3,297,214	\$4,181,286	5.59%
34	78	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$242,151	\$18,585,893	\$3,270,621	\$4,199,916	5.51%
35	79	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$242,151	\$19,534,664	\$3,244,486	\$4,221,219	5.43%
36	80	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$171,486	\$20,529,648	\$3,218,647	\$4,245,129	5.32%
37	81	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$171,486	\$21,572,440	\$3,192,534	\$4,271,156	5.22%
38	82	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$171,486	\$22,664,053	\$3,164,897	\$4,298,099	5.12%
39	83	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$171,486	\$23,806,043	\$3,134,921	\$4,325,223	5.03%
40	84	\$0	\$0	\$0	\$0	0.00%	\$0	\$0	\$0	\$0	5.21%	-\$171,486	\$24,999,946	\$3,101,657	\$4,351,654	4.94%

**-\$5,000,000**      **\$0**      **-\$5,000,000**

**\$1,955,749**      **\$0**      **\$1,955,749**      **INCOME DRAWN DOWN: -\$4,489,695**

PREMIUM FINANCING INTEREST ASSUMPTIONS	
Date Base Rate Calculated:	4/6/2022
Base Rate:	# REF1
SOFR Rate:	0.30%
Lender Spread:	2.50%
Lender Spread:	2.50%
Total Rate Floor:	2.50%
Additional Origination Fee on New \$:	0.00%
UMPQ >\$500K Year-1 Rate:	2.80%
POLICY INDEX CREDIT ASSUMPTIONS	
AG-49 (Average of every 25-yr run over last 45 years):	5.21%
Reduced Assumed Index Credit:	5.21%

GAP COLLATERAL REQUIREMENTS	
Type Of Gap Collateral:	Securities
Collateral Valued:	65.00%
The Gap Collateral is calculated by the cumulative loan balance in a given year, minus 95% of (the EOY CSV two years prior, plus the sum of the premium paid in the previous year, plus the new premium entering the policy in the current year, minus all policy charges and surrender charges associated with the previous year's and current year's premium). This calculation is the equivalent of assuming a 0% index credit in the previous year (whose EOY index credit would not have credited at the time of the current year's loan anniversary). The current year's EOY index credit would not have credited yet either. This value is then multiplied by the % of "Collateral Valued" above, estimating the gap collateral required based on the type of collateral chosen. The collateral depicted is purely hypothetical and may vary.	

FINANCIAL BENEFIT SUMMARY	
1ST YEAR COLLATERAL REQUIREMENT:	\$292,021
PREMIUMS PAID BY CLIENT:	\$0
LOAN INTEREST & PROGRAM FEES PAID BY CLIENT:	\$1,955,749
TOTAL CLIENT OUTLAY:	-\$1,955,749
TOTAL DRAWDOWNS (excluding loan payoff):	\$4,489,695
40-YEAR PROGRAM NET CASH FLOW:	\$2,533,946
YEAR 40 NET CASH SURRENDER VALUE:	\$3,101,657
40-YEAR CASH GAIN (excluding death benefit):	\$5,635,603
40-YEAR NET CSV IRR:	5.99%

The rates and values shown above are not guaranteed and are subject to change by the insurer. Actual financial outcomes may be less favorable or more favorable than this hypothetical static depiction. For more information regarding Gap Collateral, see the section on the next page of this document titled "Collateral." This document is not valid or approved by Lionsmark Capital or any of its representatives unless accompanied by a complete insurance carrier illustration and signed by Darren Sugiyama. Please see the full illustration for guaranteed values and other important information. Premium finance arrangement is offered by Lionsmark Capital. The insurance carrier is bound only by the terms of the life insurance contracts it issues.



### Program Assumptions

I understand that all assumptions made in this document are hypothetical scenarios using hypothetically constructed assumptions of index returns, borrowing rates from a third party premium financing lender, carrier participating loan rates, and carrier policy charges. I understand that these assumptions are merely hypothetical and are not guaranteed by the carrier or the life insurance contract, and that such assumptions may vary based on market performance and a variety of financial variables. I attest that I have been given a copy of the full carrier illustration prior to making any decisions to purchase a life insurance policy. I also understand that this life insurance policy is not an “investment” or a “marketable securities product”; it is an insurance product.

### Financing Premiums

I understand that I am purchasing a life insurance policy. The premiums shown in this document are premiums that I agree to either pay or finance through a lender. My intention is to pay or finance such premiums in the arrangement and in the amounts as shown in this illustration. I understand that there are certain minimum premiums that will be required to keep the policy in force. I attest that the payments into the program are affordable to me and that the death benefit is appropriate and suitable based on what I have disclosed to Lionsmark Capital about my liquid net worth, my current and future cash flow situation, and aspirational personal financial plan. I acknowledge that I have been shown one or more premium financed options wherein a third party lender funds some or all of the premiums and interest on such third party loan is due each year (whether paid or accrued), as well as one or more non-financed options wherein I would be responsible for paying 100% of the policy premiums myself. I acknowledge that I have not been forced, coerced or incentivized to finance premiums through a lender or bank, however I understand that it is within my right as the policy owner to exercise this right, pending carrier approval and lender approval. I acknowledge that the decision to finance premiums, per carrier and lender approval, is my own decision based on my own discernment regarding the suitability and appropriateness of such arrangement due to my current financial situation and my own projected future financial situation.

### Collateral

I understand that the policy cash surrender value may be used as some or all of the collateral required in the premium financing loan, and that the third party lender will take a collateral assignment against the policy in such arrangement. The Loan-To-Value (LTV) requirement is typically 95% (cumulative loan to policy cash surrender value) in order for the policy to be the sole collateral on such loan unless otherwise stated in the lender’s fully executed loan document. In other words, the policy net cash surrender value must be approximately 105% of the outstanding loan balance in order for the policy to be the sole collateral with no additional outside gap collateral required. I understand that should a shortfall in LTV occur at any time during the loan period, I will be required to post additional outside collateral based on the lender’s requirements, or pay a portion or all of the premium out-of-pocket. I understand that such outside collateral amounts shall be determined by the lender prior to funding the loan in each policy year based on the type of collateral I am posting, as well as the results of lender underwriting me as a qualified borrower, and that such collateral requirement amounts shall be fully disclosed in the official loan document. I have been made aware that such collateral amounts depicted in this document are only hypothetical and may vary in real world situations based on lender requirements, actual cumulative loan balances, actual collateral type of funds, and actual policy cash surrender values, and that each lender has different terms and requirements. I acknowledge that I have been advised to analyze scenarios less favorable than the policy values that have been illustrated in this document to anticipate the potential of greater collateral amounts I may need to post in this premium financing arrangement. I also acknowledge that I have communicated to Lionsmark Capital, its representatives, and all agents of record of this policy that I have (or will have) at least 1.5 times the peak collateral (the maximum collateral in a given year depicted in this document) in the form of the type of collateral the lender has approved in the official loan document that I have signed (or have committed to sign in association with the arrangement articulated in this document).

## **Interest Due & Client Contributions**

I understand that should I elect to borrow some or all premiums in this design, interest due on such financed premiums shall be due each year, and I attest that I intend to either pay such interest payments to the lender each year in full, or pay some premium amounts myself and accrue some or all interest. Should I elect to accrue interest, I understand that this decision results in compounding debt, increasing my cumulative loan balance with the third party lender. I have been made aware by Lionsmark Capital the fundamental risks of interest accrual, and that should the compounding debt outpace the growth of the policy cash values, I may be required to either pay down the third party loan earlier than what is depicted in this document, or infuse more capital into the policy than what is depicted in this document to increase the policy cash value and/or pay for the cost of insurance in order to keep the policy in force. I acknowledge that any decision to accrue interest is my decision and my decision alone, that any such decision is NOT due to my inability to afford paying the interest, rather due to my preference of repositioning such capital in another asset that I feel would yield a higher return, and that I have not been encouraged to accrue interest as a way to reduce my financial contributions to this premium financing program. I acknowledge that Lionsmark Capital has offered me programs - both financed and non-financed life insurance solutions - wherein I would either pay all premiums or all interest due out-of-pocket. Should the carrier and lender allow me to accrue interest due to my liquidity and net worth, and should I elect to do so, I attest that Lionsmark Capital has advised me against any premium financed life insurance strategies wherein 100% of premiums are borrowed, 100% of interest is accrued, and outside collateral is merely posted (sometimes referred to as a "zero cash contribution strategy") because of the substantial risk incurred. I attest that any depiction and/or execution of this aforementioned high-risk premium financing arrangement illustrated was neither endorsed nor encouraged by Lionsmark Capital, and was designed per my specific request, and that Lionsmark Capital was merely taking direct orders from me per my specific request. Should I decide to execute such "zero cash contributions strategy" (or any strategy wherein I pay less than 10.00% of premium and I accrue 100.00% of the interest due), I acknowledge such risk and attest that I intimately understand the mathematical and financial risk associated with such financing design, and hold harmless Lionsmark Capital and the "Released Parties" mentioned later in this document.

## **Interest Rates & Loan Fees**

I understand that there are loan fees associated with this program that may include loan origination and arrangement fees, loan document fees, and closing costs, and that such fees will be disclosed in the official loan document that shall be made available to me prior to accepting the third party loan. I understand that the borrowing rates shown in this document are purely hypothetical and do not represent any specific lender or loan agreement and do not guarantee any specific loan terms.

## **Loan Renewal**

I understand that at the end of each loan term, the lender will require me to produce the most recent tax return of the policy owner or proof of filing an extension, a copy of the life insurance policy in force illustration, a copy of the most recent life insurance policy statement, an updated personal financial statement signed by the insured person or an updated corporate financial statement (if owned by a company) signed by an authorized company officer.

## **Loan Payoff**

Should I use policy values to pay such loan off, I understand that I may elect to do so using either a withdrawal, a fixed policy loan, or a participating policy loan. I acknowledge that Lionsmark Capital explained the potential benefits and potential risks of each of these options regarding exiting the loan. I understand that the example illustrated in this document is a hypothetical example of using one of these loan exiting options, and that I may also elect to pay off the premium financing lender using outside funds instead of policy values. I understand that the year in which the loan is paid off using policy values as illustrated in this document is a hypothetical example, and that should policy values allow, I may exercise this method of loan payoff at an earlier year than as illustrated. I also understand that I may elect to pay off the loan at a later date than as illustrated in this

document. It has been communicated to me by Lionsmark Capital that exercising a loan exit strategy using policy values to payoff the third party lender is largely due to the policy value as such time, and that I should have an inforce policy illustration run by the carrier using a conservative index crediting assumption that depicts future hypothetical policy values based on this assumption, and also to analyze the sustainability of the policy staying in force longer than your life expectancy. I acknowledge that it is recommended by Lionsmark Capital that such illustration be run with the goal of keeping the policy in force until it ends with no policy lapse prior to endowment, typically until age 120 (policy endowment may vary from carrier to carrier and product to product), and that this inforce illustration should be done prior to any policy drawdown. I also acknowledge that such figures depicted in any illustration are hypothetical depictions based on certain assumptions that may or may not happen in a real world situation, similar to any hypothetical financial projection in any insurance policy or any non-insurance based investment product.

### **Policy Design - Death Benefit**

I understand that my policy allows for a face reduction, where the death benefit of the life insurance policy may be intentionally designed (or redesigned after the policy is in force) to decrease after a certain number of years in order to maximize the cash value accumulation potential by reducing the cost of insurance within the policy due to a lesser death benefit amount. I understand that although this life insurance policy may be used for cash value accumulation (as a separate asset class within my overall financial portfolio), there is a legitimate and definite insurable need for the death benefit of this policy. I acknowledge that it is both my personal desire and a quantifiable need to have such death benefit amount, and that such death benefit amount is suitable for me based on my income, net worth, earning potential, and the current and future economic value of my life as it pertains to the financial sustenance of my beneficiaries.

### **Policy Design - Crediting Methodology**

I understand that the crediting method used within this policy is dictated based on the returns of a particular index, fixed account, or dividend scale (depending on the product design election that I have made), and that such crediting occurs after all policy charges have been deducted. It has been disclosed to me that even in such cases wherein the credit the policy receives a 0.00% credit in a given year (e.g. IUL policies with a 0.00% floor), the policy net cash surrender value may decrease due to the policy charges, despite the "0.00% credit." I understand that the static annual crediting assumption as illustrated in this document is merely a hypothetical percentage, and that actual future annual returns will vary, resulting in greater or lesser policy cash value, and that should policy cash values be less than illustrated in this document, that I may need to contribute more capital towards this program. I understand that such crediting assumptions depicted in this document are not guaranteed and are merely hypothetical scenarios, and that the outcomes depicted in this document are merely hypothetical. I understand that the crediting method used in this design uses a 1-year annual point-to-point crediting method wherein all net premium values are applied to this 1-year bucket, and that should I elect to use a Dollar Cost Averaging method wherein not all net premium values go into the primary account receiving this credit, that at the policy/loan anniversary when lender calculates the collateral required, and the net policy value at such time will not reflect the annual credit on 100% of the policy gross accumulated value (typically only 1/12 of the value), hence the Lionsmark Capital design as depicted in this document does not illustrate a Dollar Cost Averaging method of funding. I understand that should I elect to use a Dollar Cost Averaging method to fund this policy, I will most likely have to post more outside collateral than as depicted in this document.

### **Policy Design - Charges Methodology**

I understand that there are policy charges, including but not limited to premium loads (taxes charged), cost of insurance charges, rider charges, administrative charges, and asset-based charges should I elect to purchase certain crediting enhancements/bonuses (if available). Such charges have been transparently articulated to me by Lionsmark Capital and I understand that some of these charges are fixed and some are variable, all of which are disclosed in the full carrier illustration, which I have received. In such cases wherein multiplier or high-cap options that may enhance the annual crediting are available, it has been disclosed to me how such associated asset-based charges may affect

outcomes, relative to the the crediting enhancements. I understand that should I elect to purchase such enhancement riders in the policy that in a given year wherein the policy receives a 0.00% index credit, that both the standard policy charges AND the additional asset-based charges would cause the net cash surrender value to decrease in such given year. Should I elect any such credit enhancement options, I acknowledge that I have been made aware of such scenarios wherein this may occur, and that I would be taking a over time, relative to the associated asset-based charges. I also attest that I have been provided with report that depicts a hypothetical scenario in which similar charges and credits are applied to a hypothetical synthetic asset during different periods wherein volatility exists. I understand that such report does NOT depict a recreation of this life insurance policy I am purchasing, but rather a proxy - a made up, fictitious asset whose crediting and charges methodology is similar to the crediting method used in this policy, and that such proxy/report is for educational purposes only, used to explain the methodology of how certain credits and charges are calculated, and NOT as a projection or assumption that the future outcomes of the life insurance policy I am purchasing will be similar to the outcomes depicted in the hypothetical synthetic asset (the proxy).

### **Crediting & Drawdown Assumptions**

I acknowledge that the policy values crediting assumption made in this document has been restricted to "AG 49-A" (Actuarial Guideline 49A) which is a guideline created by the National Association of Insurance Commissioners (NAIC), which limits the maximum allowable index credit to the average of every 25-year period over the last 65 years. It has been explained to me that any participating loan rate (PLR) depicted in the carrier illustration cannot be less than 0.50% less than the illustrated crediting assumption despite what the actual carrier participating loan rate actually is. I understand that in reality, the potential positive or negative arbitrage between the actual policy crediting rate in a given year and the participating loan rate in a given year may result in a more favorable result or a more less favorable result.

### **Election To Modify The Program**

I understand that there may be a cash surrender value within the policy during certain years, and that I may exercise my right to either make tax-free withdrawals up to basis and/or tax-free policy loans on my own volition (after the third party loan is paid off completely). I also understand that the policy - in general - is not designed to take significant withdrawals or policy loans within the first 1-10 years of the policy, regardless of the premiums being financed or not, and that doing so poses great risk to the sustainability of the policy, hence why the design as illustrated in this document does not show any such drawdowns. I understand that the scheduled premium payments as shown in the carrier illustration are one of many ways to fund this life insurance policy. I understand that I may exercise my right to decrease the face amount of the policy and decrease the annual premiums after a certain number of years should I choose to do so, but that by doing so, the cash value of the policy may be substantially less than the numbers as illustrated in this document. I also understand that I may exercise my right to skip premium payments and/or end annual premium payments earlier in the policy than the scheduled premium payments as shown in the carrier illustration, however if I choose to do so, the cash value accumulation and death benefit may not perform as shown in this document and may put the policy in jeopardy of lapsing. I understand that such benefits should be reevaluated at the time of such policy alteration, and I understand that it is advisable that I should consult my financial professionals including but not limited to my life insurance agent, my financial advisor, and my estate planning attorney when appropriate, prior to independently making such changes. I attest that should I make any modifications to the as-illustrated program that result in any adverse results, including but not limited to reducing or increasing premium amounts funded in any given year, type of collateral posted, dollar cost averaging premium contributions, a different crediting method, a different index or underlying account, accruing more interest than as depicted, or changing the loan terms with a lender, I hereby hold harmless Lionsmark Capital, DaVinci Financial & Insurance Associates, and Darren Sugiyama as an individual (hereinafter referred to as the "Released Parties") from any and all claims, causes of action, damages, demands, liens, rights, controversies, losses, costs and expenses (including without limitation attorneys' fees and costs) or charges of whatever nature. I also, on behalf of my agents, attorneys, executors, administrators, legal representative, successors, heirs, next of kin, assigns, and the like, agree to never institute any action or any suit at law or in equity against the Released Parties, or institute or prosecute, or in any way aid in the institution or prosecution of any claim arising from any unfavorable outcomes that may result from

any changes made to the policy design or the third party loan design as illustrated in this document. I also hold harmless the Released Parties for negative outcomes that may come from poor market performance; policy changes instituted by insurance carriers; any future financial hardships incurred by either my business, myself as an individual person or my estate; or any other unforeseen factors that my contribute to an outcome less desirable that what is depicted in this document.

**Acknowledgement Of Suitability**

I attest that the Released Parties have not attempted to influence my decision regarding the size of this policy, the death benefit amount, nor the decision to finance premiums versus paying premiums out-of-pocket. I also attest that the overall program depicted in this document, including but not limited to the death benefit amount, the annual program contribution amounts (the premium paid out-of-pocket requirements and/or the interest paid out-of-pocket), the risk of any future borrowing rate increases at the end of each loan term, the risk of interest accrual (should I elect to accrue any interest), the type of life insurance product and its chassis design, the way in which the policy's crediting and charges methods are designed, the third party lender loan terms which I have read in the term sheet and the entire loan document provided to me by the third party lender, and any other assumptions made in this document were designed based on my own requests, my own sound mind and judgement, as well as any outside counsel I may have received from my attorney, CPA, and/or trusted advisors, and not by the Released Parties. Lionsmark Capital, DaVinci Financial & Insurance Associates, and Darren T. Sugiyama as an individual, have merely designed and modeled this program based on my own personal requests and I am purchasing this life insurance policy using the knowledge I have personally procured through my own independent research and due diligence. I attest that have been given ample time to consult my attorney, CPA and/or my trusted advisors that manage and/or advise me on my estate and financial matters prior to making any decision to purchase this life insurance policy.

**PROPOSED INSURED:**

**Male A45 - Retirement Income**



**X**

\_\_\_\_\_  
Signature Date Signed

**ADDITIONAL INSURED (if applicable):**

**N/A**



**X**

\_\_\_\_\_  
Signature Date Signed

**POLICY OWNER(s):**

,



**X**

\_\_\_\_\_  
Signature Date Signed

As the soliciting, I acknowledge that I am not an employee, contractor, partner, representative, nor agent of Lionsmark Capital, and that I am acting on behalf of myself as an independent, licensed insurance agent with my own E&O coverage. I irrevocably and unconditionally release and discharge the Released Parties from all liabilities described in this document that may result from my independent actions.

This document is only valid if it bears the signature of Darren Sugiyama. Any and all other versions of life insurance designs modeled for or discussed with the proposed insured before the date signed below are not valid and are not approved Lionsmark Capital documents. Lionsmark Capital and the Released Parties shall not be held liable for any representations made or data illustrated in such invalid documents.

**SOLICITING AGENT:**

**Darren Sugiyama**



**X**

\_\_\_\_\_  
Signature Date Signed

**LIONSMARK CAPITAL:**

**Darren Sugiyama**



**X**

\_\_\_\_\_  
Signature Date Signed

# HYPOTHETICAL SYNTHETIC ASSETS

A COMPARISON OF LEVERAGED vs. NON-LEVERAGED HYPOTHETICAL ASSETS

**BACKTESTING MODELS FOR:**  
FIRST-DOLLAR FINANCING

**SYNTHETICALLY MODELED FOR:** Male A45 - Retirement Incr  
**ADVISOR:** Darren Sugiyama  
**DATE CREATED:** 4/6/2022

## PURPOSE OF THIS DOCUMENT

The purpose of this document is to illustrate a Synthetic Hypothetical Index Account modeling different portfolio features. All contents and outcomes modeled in this document are purely hypothetical and do not represent any particular investment, index, life insurance policy, annuity, or any other or financial instrument or product whatsoever.

### FIRST-DOLLAR FINANCING

The *Leveraged Hypothetical Index Account* utilizes third-party lender capital. In some cases, 100% of the infused capital will be funded by the lender, and in some cases, the account will be funded by some lender capital and some client capital. In some cases the client will pay the lender the interest due each year, and in other cases, the interest due may be accrued. This report is one of several platform designs that could be modeled in theory. This hypothetical account's returns are correlated with the S&P 500 and models actual historical returns of the S&P 500 (not including dividends) using these parameters:

0.00% Protective Floor  
10.00% Cap

The *Protective Floor* is the minimum gross return in a given year, excluding any additional bonuses that may exist. The *cap* is the maximum return allowable in a given year, excluding any additional bonuses that may exist.

In some cases, there may be a multiplier bonus factor applied to the after-floor/cap return explained above, depending on the hypothetical charges and crediting design of this fictitious account. For example, if the multiplier bonus factor was 2.00x and the S&P 500 produced a 5.00% return in a given year, the after-floor/cap/multiplier index credit would be 10.00% (5.00% multiplied by 2.00x equals 10.00%).

There are also account charges applied to this hypothetical model as well. Some charges are applied in full at BOY, and some charges are applied monthly. Some charges are static charges, while others may be asset-based charges (a percentage charged to the monthly value of the account). Not all models will include asset-based charges and not all models will include a multiplier bonus credit either. For more information about these variables, go to the Account Charges+Credits+Bonuses section of this document.

The *Partially-Leveraged Hypothetical Synthetic Account* also allows the client to take loans from the institution holding the account. This borrowed amount is moved into a separate index account and earns a return that is also correlated with the S&P 500, using the same floor/cap/multiplier crediting method used in the primary index account. The borrowed amount is charged an interest rate (referred to as the Participating Loan Rate) and is explained in the Account Loans section of this document.

### INTEREST ACCRUAL

Interest accrual is the act of not paying the interest due and capitalizing (rolling) such amount into the cumulative loan balance. Should the client exercise any sort of interest accrual in a real world situation, they should be aware that the element of compound debt - as a result of accruing any interest due - introduces an additional variable of risk that should be considered relative to their net worth, liquidity, and risk tolerance. It is recommended that all clients should consult their financial professional(s) on such risk factor to determine whether or not interest accrual is appropriate and suitable for their unique situation. Lionsmark Capital may model the concept and hypothetical outcomes of doing so upon the client's request, however should the client decide to accrue interest in their own financial strategy, they do so on their own volition at their own risk and hold harmless Lionsmark Capital and all of its principals from any unfavorable outcomes that may come.

### WHAT THIS DOCUMENT IS NOT

This document is not intended to model any specific investment fund, index fund, life insurance policy, annuity policy, or financial instrument/product. This is merely a tool to teach users how different account constructions work and allows the user to change the variables and features in regards to crediting methods, account charges, and taxable applications for the purposes of better understanding how these features may affect future financial outcomes. This is not a projection tool for any specific product. This is not intended to be a "sales tool" to

## BACKTESTING

In many hypothetical projections of accumulation/investment/retirement accounts, an average rate of return is assumed and applied to every year. This assumption of a static (and perpetually positive) annual return is not realistic, for volatility is everpresent in most index accounts. Historically speaking, any index, bond fund, and virtually any other type of underlying investment/index/bond portfolio will experience volatility and negative return years. Our proprietary software models such volatility throughout several different 40-year periods of historical market performance.

In order to illustrate outcomes that may exist in these different market scenarios, we have analyzed 121 different 40-year scenarios using historical returns of a particular index. Such backtested models in the following pages are hypothetical index accounts with various charges and crediting methods that may be similar to some indexed universal life insurance products, but these projections are meant to be used as a proxy and do not represent any specific product from any specific carrier. In addition, these models do not represent any real or actual investment products/funds whatsoever. These models are merely constructed to analyze the general concept of how volatility may positively or negatively affect accumulation values over time using hypothetical crediting methods and account charges in these hypothetically constructed accounts.

We have backtested 121 different 40-year historical periods in various annual point-to-point segments using different monthly starting and ending points.

The Compounded Annual Growth Rates (CAGR) has been calculated during each of these 121 different 40-year periods analyzed. This report highlights two of these 40-year periods: The 40-year period with the best CAGR, and the 40-year period with the worst CAGR.

### **1 BEST CAGR 40-YEAR PERIOD OUT OF 121 DIFFERENT INDEX PERIODS ANALYZED (STARTING 2/1/1978)**

Out of every 121 different 40-year period of S&P 500 performance we analyzed, this 40-year period had the best compounded annual growth rate.

**9.02%** Compounded Annual Growth Rate (CAGR) of the raw S&P 500 during this 40-year annual point-to-point period

### **2 WORST CAGR 40-YEAR PERIOD OUT OF 121 DIFFERENT INDEX PERIODS ANALYZED (STARTING 10/1/1971)**

Out of every 121 different 40-year period of S&P 500 performance we analyzed, this 40-year period had the worst compounded annual growth rate.

**6.30%** Compounded Annual Growth Rate (CAGR) of the raw S&P 500 during this 40-year annual point-to-point period

It is important to note that the "Worst 40" only depicts the 40-year period with the worst CAGR of the 121 periods analyzed. It is possible that future 40-year periods could in fact produce an even worse outcome than this period analyzed, and that this period analyzed is not the "absolute worse case scenario that could ever happen. It is only the "worst" 40-year period analyzed in this particular report.

It is also possible that future 40-year periods could in fact produce an even better outcome than the "Best 40-Year Period" analyzed, in which case an even better outcome could be feasible.

Neither the "Best 40" nor the "Worst 40" are meant to be benchmarks, expectations, or guarantees of future outcomes, rather they are meant to demonstrate a range of hypothetical outcomes for the purposes of educating interested parties.

In both 40-year scenarios modeled, all interested parties should be aware that in any hypothetical year wherein the EOY INDEX VALUE NET OF INT & EXT LOANS displays a negative balance, in a real world scenario, the client may be required to post additional collateral or pay down certain loan balances to cover the shortfall between the EOY GROSS INDEX ACCUMULATED VALUE minus any early termination fees or charges.

**BEST CAGR 40-YEAR PERIOD OUT OF 121 DIFFERENT INDEX PERIODS ANALYZED (STARTING 2/1/1978)**  
FIRST-DOLLAR FINANCING

**HYPOTHETICAL SYNTHETIC ASSET**

**FIRST-DOLLAR FINANCING**

**BEST CAGR 40-YEAR PERIOD OUT OF 121 DIFFERENT INDEX PERIODS ANALYZED (STARTING 2/1/1978)**

Current Pre-Bonus Cap: **10.50%**

Current Post-Bonus Max Cap: **20.90%**

**PAGE 5**

Participation Rate: **100.00%**

Floor Modeled: **0.00%**

Upside Design: **CAPPED**

Pre-Bonus Cap Modeled: **10.00%**

Post-Bonus Max Cap Modeled: **19.90%**

4/6/2022

#	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
YEAR	AGE	TOTAL INDEX CONTRIBUTION	CLIENT INDEX CONTRIBUTIONS	LENDER INDEX CONTRIBUTIONS	CUMULATIVE LOAN BALANCE	THIRD PARTY LOAN PAYOFF	FINANCING INTEREST RATE	INTEREST DUE	INTEREST ACCRUED	TOTAL CLIENT CONTRIBUTION	(Securitized) GAP COLLATERAL	CALENDAR YEAR	INDEX RETURN (GROSS)	INDEX RETURN (FLOOR & CAP)	INDEX RETURN (EFFECTIVE)	ANNUAL INCOME DRAWDOWNS	EOY GROSS INDEX ACCUMULATED VALUE	EOY INDEX VALUE NET OF INT & EXT. LOANS
1	45	\$500,000	\$0	\$500,000	\$500,000		2.80%	\$14,000	\$0	\$14,000	\$292,021	1978	11.97%	10.00%	10.00%	\$0	\$466,931	-\$134,961
2	46	\$500,000	\$0	\$500,000	\$1,000,000		2.86%	\$28,600	\$0	\$28,600	\$425,583	1979	14.24%	10.00%	12.00%	\$0	\$983,571	-\$107,010
3	47	\$500,000	\$0	\$500,000	\$1,500,000		2.93%	\$43,980	\$0	\$43,980	\$516,542	1980	13.48%	10.00%	13.00%	\$0	\$1,556,571	-\$22,699
4	48	\$500,000	\$0	\$500,000	\$2,000,000		3.02%	\$60,368	\$0	\$60,368	\$540,662	1981	-7.06%	0.00%	0.00%	\$0	\$1,926,507	-\$141,406
5	49	\$500,000	\$0	\$500,000	\$2,500,000		3.12%	\$78,052	\$0	\$78,052	\$492,098	1982	20.68%	10.00%	15.00%	\$0	\$2,614,528	\$57,927
6	50	\$500,000	\$0	\$500,000	\$3,000,000		3.25%	\$97,395	\$0	\$97,395	\$738,575	1983	12.46%	10.00%	16.00%	\$0	\$3,390,968	\$345,677
7	51	\$500,000	\$0	\$500,000	\$3,500,000		3.40%	\$118,853	\$0	\$118,853	\$542,488	1984	9.93%	9.93%	16.87%	\$0	\$4,266,062	\$732,129
8	52	\$500,000	\$0	\$500,000	\$4,000,000		3.57%	\$142,998	\$0	\$142,998	\$233,686	1985	17.90%	10.00%	17.90%	\$0	\$5,263,030	\$1,240,408
9	53	\$500,000	\$0	\$500,000	\$4,500,000		3.79%	\$170,548	\$0	\$170,548	\$0	1986	29.42%	10.00%	18.90%	\$0	\$6,401,590	\$1,890,279
10	54	\$500,000	\$0	\$500,000	\$5,000,000		4.05%	\$202,397	\$0	\$202,397	\$0	1987	-6.21%	0.00%	0.00%	\$0	\$6,428,061	\$1,428,061
11	55	\$0	\$0	\$0	\$5,000,000		4.36%	\$217,876	\$0	\$217,876	\$0	1988	15.72%	10.00%	19.90%	\$0	\$7,247,929	\$2,247,929
12	56	\$0	\$0	\$0	\$5,000,000		4.73%	\$236,451	\$0	\$236,451	\$0	1989	10.63%	10.00%	19.90%	\$0	\$8,173,407	\$3,173,407
13	57	\$0	\$0	\$0	\$5,000,000		5.17%	\$258,742	\$0	\$258,742	\$0	1990	4.51%	4.51%	8.98%	\$0	\$8,378,647	\$3,378,647
14	58	\$0	\$0	\$0	\$5,000,000		5.71%	\$285,490	\$0	\$285,490	\$0	1991	18.86%	10.00%	19.90%	\$0	\$9,449,240	\$4,449,240
15	59	\$0	\$0	\$0	\$0	-\$5,000,000	0.00%	\$0	\$0	\$0	\$0	1992	7.34%	7.34%	14.60%	\$0	\$10,187,103	\$4,967,103
16	60	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1993	9.76%	9.76%	19.42%	\$0	\$11,445,015	\$5,995,335
17	61	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1994	-2.32%	0.00%	0.00%	\$0	\$10,768,069	\$5,078,603
18	62	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1995	35.20%	10.00%	19.90%	\$0	\$12,145,524	\$6,205,722
19	63	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1996	23.61%	10.00%	19.90%	\$0	\$13,700,985	\$7,499,832
20	64	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1997	24.69%	10.00%	19.90%	\$0	\$15,457,554	\$8,983,549
21	65	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1998	30.54%	10.00%	18.70%	-\$718,684	\$17,377,048	\$9,867,882
22	66	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1999	8.97%	8.97%	15.70%	-\$789,431	\$19,164,778	\$10,501,043
23	67	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2000	-2.04%	0.00%	0.00%	-\$840,083	\$18,385,336	\$8,463,349
24	68	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2001	-17.26%	0.00%	0.00%	-\$677,068	\$17,748,175	\$6,682,762
25	69	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2002	-24.29%	0.00%	0.00%	-\$534,621	\$17,240,644	\$5,130,208
26	70	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2003	32.19%	10.00%	14.00%	-\$410,417	\$19,092,456	\$6,020,686
27	71	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2004	4.43%	4.43%	6.21%	-\$481,655	\$19,698,950	\$5,549,174
28	72	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2005	8.36%	8.36%	11.71%	-\$443,934	\$21,378,832	\$6,142,999
29	73	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2006	12.36%	10.00%	14.00%	-\$491,440	\$23,679,423	\$7,260,151
30	74	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2007	-4.15%	0.00%	0.00%	-\$580,812	\$23,009,177	\$5,261,089
31	75	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2008	-40.09%	0.00%	0.00%	-\$420,887	\$22,359,529	\$3,391,118
32	76	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2009	30.03%	10.00%	14.00%	-\$271,289	\$24,767,879	\$4,681,633
33	77	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2010	19.76%	10.00%	14.00%	-\$374,531	\$27,434,791	\$6,073,739
34	78	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2011	2.04%	2.04%	2.86%	-\$485,899	\$27,418,887	\$4,610,670
35	79	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2012	14.15%	10.00%	14.00%	-\$368,854	\$30,367,194	\$6,170,333
36	80	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2013	18.99%	10.00%	14.00%	-\$493,627	\$33,631,307	\$7,854,438
37	81	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2014	11.92%	10.00%	14.00%	-\$628,355	\$37,244,543	\$9,677,489
38	82	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2015	-2.74%	0.00%	0.00%	-\$774,199	\$36,178,157	\$6,589,888
39	83	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2016	17.45%	10.00%	14.00%	-\$527,191	\$40,054,114	\$8,613,574
40	84	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2017	23.91%	10.00%	14.00%	-\$689,086	\$44,341,574	\$10,798,245
		\$0	\$0	\$0	\$5,000,000			\$1,955,749	\$0	\$1,955,749	\$0					AVERAGE ANNUAL INCOME DRAWDOWN: \$550,103		BEST 40

BORROWING INTEREST ASSUMPTIONS	
UMPQ >\$500K	SOFr Rate: 0.30%
	Lender Spread: 2.50%
Starting Borrowing Rate:	2.80%
Compounded Annual Base Rate Increase:	20.00%
Total Rate Floor:	2.50%
RETIREMENT INCOME DRAWDOWN ASSUMPTIONS	
Drawdown Type:	PARTICIPATING
PLR:	4.40%
% of Previous Year's EOY Value Drawdown:	8.00%
THIRD PARTY LENDER PAYOFF ASSUMPTIONS	
Payoff Loan In Full In Year:	15
Payoff Amount:	\$5,000,000
Third Party Loan Paid Off With:	PAR LOAN

GAP COLLATERAL REQUIREMENTS	
Type Of Gap Collateral:	Securities
Collateral Valued At:	65.00%
The Gap Collateral amount is only an estimation and is calculated by the cumulative loan balance in a given year, minus 95% of (the EOY value in the previous year after charges and before such previous year's EOY index credit, plus the new Total Index Contribution in the current year, minus all charges and early termination fees associated with current year's Total Index Contribution). This calculation is the equivalent of assuming a 0% index credit in the previous year (since the EOY index credit in the previous year would not have credited at the time of the current year's loan anniversary. The current year's EOY index credit would obviously not have credited yet either. This value is then multiplied by the % of "Collateral Valued At" above, estimating the gap collateral required based on the "Type Of Gap Collateral" assumed. This is just a hypothetical calculation. Each lender has different collateral requirements and terms.	

CASH FLOW SUMMARY	
1ST YEAR COLLATERAL REQUIREMENT:	\$292,021
TOTAL CLIENT OUTLAY:	-\$1,955,749
AVERAGE ANNUAL INCOME DRAWDOWN:	\$550,103
TOTAL INCOME DRAWDOWN:	\$11,002,062
40-YEAR ACCOUNT BALANCE (NET OF LOAN):	\$10,798,245
INCOME + 40-YEAR ACCOUNT BALANCE (NET OF LOAN):	\$21,800,307
RAW S&P 500 CAGR:	9.02%
40-YEAR NET ACCOUNT IRR:	10.98%

**BEST 40-YEAR S&P CAGR PERIOD (OF 121 PERIODS ANALYZED)**

The hypothetical models in this document assume certain crediting methods and index account charges that are purely hypothetical and do not represent any particular investment, life insurance policy or index fund. Hypothetical crediting methods, charges, values and returns are not guaranteed. Hypothetical returns used in this document are based on historical index returns that do not include dividends and are purely modeled as a hypothetical example of index volatility over a period of time for educational purposes and are not intended to convince someone to purchase any particular product.



**WORST CAGR 40-YEAR PERIOD OUT OF 121 DIFFERENT INDEX PERIODS ANALYZED (STARTING 10/1/1971)**

FIRST-DOLLAR FINANCING

**HYPOTHETICAL SYNTHETIC ASSET**

**FIRST-DOLLAR FINANCING**

**WORST CAGR 40-YEAR PERIOD OUT OF 121 DIFFERENT INDEX PERIODS ANALYZED (STARTING 10/1/1971)**

Current Pre-Bonus Cap: **10.50%**

Current Post-Bonus Max Cap: **20.90%**

**PAGE 7**

Participation Rate: **100.00%**

Floor Modeled: **0.00%**

Upside Design: **CAPPED**

Pre-Bonus Cap Modeled: **10.00%**

Post-Bonus Max Cap Modeled: **19.90%**

4/6/2022

#	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
YEAR	AGE	TOTAL INDEX CONTRIBUTION	CLIENT INDEX CONTRIBUTIONS	LENDER INDEX CONTRIBUTIONS	CUMULATIVE LOAN BALANCE	THIRD PARTY LOAN PAYOFF	FINANCING INTEREST RATE	INTEREST DUE	INTEREST ACCRUED	TOTAL CLIENT CONTRIBUTION	(Securitized) GAP COLLATERAL	CALENDAR YEAR	INDEX RETURN (GROSS)	INDEX RETURN (FLOOR & CAP)	INDEX RETURN (EFFECTIVE)	ANNUAL INCOME DRAWDOWNS	EOY GROSS INDEX ACCUMULATED VALUE	EOY INDEX VALUE NET OF INT & EXT. LOANS
1	45	\$500,000	\$0	\$500,000	\$500,000		2.80%	\$14,000	\$0	\$14,000	\$292,021	1971	12.42%	10.00%	10.00%	\$0	\$466,931	-\$134,961
2	46	\$500,000	\$0	\$500,000	\$1,000,000		2.86%	\$28,600	\$0	\$28,600	\$425,583	1972	-1.92%	0.00%	0.00%	\$0	\$878,188	-\$212,393
3	47	\$500,000	\$0	\$500,000	\$1,500,000		2.93%	\$43,980	\$0	\$43,980	\$516,542	1973	-41.40%	0.00%	0.00%	\$0	\$1,274,538	-\$304,732
4	48	\$500,000	\$0	\$500,000	\$2,000,000		3.02%	\$60,368	\$0	\$60,368	\$691,140	1974	32.00%	10.00%	14.00%	\$0	\$1,883,703	-\$184,210
5	49	\$500,000	\$0	\$500,000	\$2,500,000		3.12%	\$78,052	\$0	\$78,052	\$892,759	1975	25.48%	10.00%	15.00%	\$0	\$2,566,927	\$10,326
6	50	\$500,000	\$0	\$500,000	\$3,000,000		3.25%	\$97,395	\$0	\$97,395	\$799,071	1976	-8.28%	0.00%	0.00%	\$0	\$2,877,452	-\$167,839
7	51	\$500,000	\$0	\$500,000	\$3,500,000		3.40%	\$118,853	\$0	\$118,853	\$609,421	1977	6.23%	6.23%	10.58%	\$0	\$3,493,024	-\$40,909
8	52	\$500,000	\$0	\$500,000	\$4,000,000		3.57%	\$142,998	\$0	\$142,998	\$951,938	1978	6.61%	6.61%	11.84%	\$0	\$4,169,195	\$146,573
9	53	\$500,000	\$0	\$500,000	\$4,500,000		3.79%	\$170,548	\$0	\$170,548	\$873,657	1979	14.76%	10.00%	18.90%	\$0	\$5,169,821	\$658,510
10	54	\$500,000	\$0	\$500,000	\$5,000,000		4.05%	\$202,397	\$0	\$202,397	\$721,273	1980	-7.40%	0.00%	0.00%	\$0	\$5,267,488	\$267,488
11	55	\$0	\$0	\$0	\$5,000,000		4.36%	\$217,876	\$0	\$217,876	\$11,041	1981	3.65%	3.65%	7.26%	\$0	\$5,311,089	\$311,089
12	56	\$0	\$0	\$0	\$5,000,000		4.73%	\$236,451	\$0	\$236,451	\$473,800	1982	37.91%	10.00%	19.90%	\$0	\$5,985,363	\$985,363
13	57	\$0	\$0	\$0	\$5,000,000		5.17%	\$258,742	\$0	\$258,742	\$415,542	1983	0.02%	0.02%	0.04%	\$0	\$5,628,688	\$628,688
14	58	\$0	\$0	\$0	\$5,000,000		5.71%	\$285,490	\$0	\$285,490	\$0	1984	9.62%	9.62%	19.15%	\$0	\$6,302,689	\$1,302,689
15	59	\$0	\$0	\$0	\$0	-\$5,000,000	0.00%	\$0	\$0	\$0	\$0	1985	27.04%	10.00%	19.90%	\$0	\$7,103,170	\$1,883,170
16	60	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1986	39.13%	10.00%	19.90%	\$0	\$8,006,654	\$2,556,974
17	61	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1987	-15.51%	0.00%	0.00%	\$0	\$7,528,445	\$1,838,980
18	62	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1988	28.41%	10.00%	19.90%	\$0	\$8,485,926	\$2,545,926
19	63	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1989	-12.34%	0.00%	0.00%	\$0	\$7,978,751	\$1,777,597
20	64	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1990	26.73%	10.00%	19.90%	\$0	\$8,993,158	\$2,519,153
21	65	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1991	7.72%	7.72%	14.44%	-\$201,532	\$9,738,340	\$2,769,080
22	66	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1992	9.84%	9.84%	17.23%	-\$221,526	\$10,872,865	\$3,365,683
23	67	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1993	0.82%	0.82%	1.34%	-\$269,255	\$10,563,381	\$2,444,782
24	68	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1994	26.30%	10.00%	15.20%	-\$195,583	\$11,739,574	\$3,059,568
25	69	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1995	17.61%	10.00%	14.00%	-\$244,765	\$12,994,953	\$3,677,492
26	70	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1996	37.82%	10.00%	14.00%	-\$294,199	\$14,386,923	\$4,352,350
27	71	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1997	7.36%	7.36%	10.31%	-\$348,188	\$15,413,185	\$4,573,582
28	72	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1998	26.13%	10.00%	14.00%	-\$365,887	\$17,067,022	\$5,368,491
29	73	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	1999	11.99%	10.00%	14.00%	-\$429,479	\$18,900,610	\$6,238,967
30	74	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2000	-27.54%	0.00%	0.00%	-\$499,117	\$18,363,214	\$4,623,381
31	75	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2001	-21.68%	0.00%	0.00%	-\$369,870	\$17,842,724	\$3,112,193
32	76	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2002	22.16%	10.00%	14.00%	-\$248,975	\$19,761,868	\$4,123,264
33	77	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2003	11.91%	10.00%	14.00%	-\$329,861	\$21,886,589	\$5,215,510
34	78	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2004	10.25%	10.00%	14.00%	-\$417,241	\$24,238,777	\$6,398,571
35	79	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2005	8.71%	8.71%	12.20%	-\$511,886	\$26,417,691	\$7,258,108
36	80	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2006	14.29%	10.00%	14.00%	-\$580,649	\$29,254,042	\$8,645,240
37	81	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2007	-23.61%	0.00%	0.00%	-\$691,619	\$28,415,075	\$6,177,435
38	82	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2008	-9.37%	0.00%	0.00%	-\$494,195	\$27,594,148	\$3,862,113
39	83	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2009	7.96%	7.96%	11.14%	-\$308,969	\$29,774,435	\$4,675,626
40	84	\$0	\$0	\$0	\$0		0.00%	\$0	\$0	\$0	\$0	2010	-0.86%	0.00%	0.00%	-\$374,050	\$28,902,213	\$2,308,549
		\$0		\$5,000,000				\$1,955,749	\$0	\$1,955,749		<b>AVERAGE ANNUAL INCOME DRAWDOWN:</b>			\$369,842	<b>WORST 40</b>		

BORROWING INTEREST ASSUMPTIONS	
UMPQ >\$500K	SOFR Rate: 0.30%
	Lender Spread: 2.50%
<b>Starting Borrowing Rate: 2.80%</b>	
Compounded Annual Base Rate Increase:	20.00%
Total Rate Floor:	2.50%
RETIREMENT INCOME DRAWDOWN ASSUMPTIONS	
Drawdown Type:	<b>PARTICIPATING</b>
PLR:	4.40%
% of Previous Year's EOY Value Drawdown:	8.00%
THIRD PARTY LENDER PAYOFF ASSUMPTIONS	
Payoff Loan In Full In Year:	15
Payoff Amount:	\$5,000,000
Third Party Loan Paid Off With:	PAR LOAN

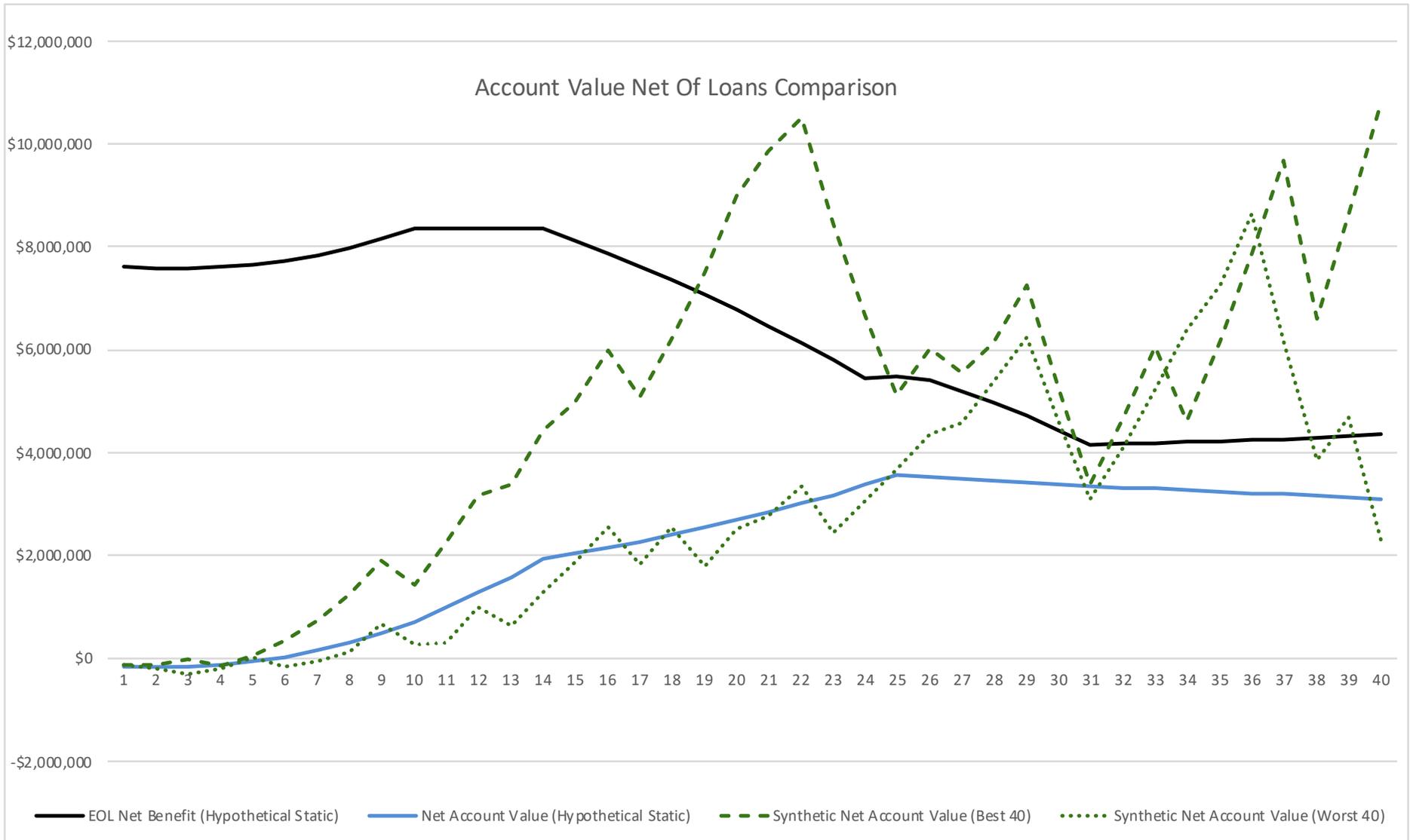
GAP COLLATERAL REQUIREMENTS	
Type Of Gap Collateral:	<b>Securities</b>
Collateral Valued At:	<b>65.00%</b>
The Gap Collateral amount is only an estimation and is calculated by the cumulative loan balance in a given year, minus 95% of (the EOY value in the previous year after charges and before such previous year's EOY index credit, plus the new Total Index Contribution in the current year, minus all charges and early termination fees associated with current year's Total Index Contribution). This calculation is the equivalent of assuming a 0% index credit in the previous year (since the EOY index credit in the previous year would not have credited at the time of the current year's loan anniversary. The current year's EOY index credit would obviously not have credited yet either. This value is then multiplied by the % of Collateral Valued At above, estimating the gap collateral required based on the "Type Of Gap Collateral" assumed. This is just a hypothetical calculation. Each lender has different collateral requirements and terms.	

<b>1ST YEAR COLLATERAL REQUIREMENT:</b>	<b>\$292,021</b>
<b>TOTAL CLIENT OUTLAY:</b>	<b>-\$1,955,749</b>
<b>AVERAGE ANNUAL INCOME DRAWDOWN:</b>	<b>\$369,842</b>
<b>TOTAL INCOME DRAWDOWN:</b>	<b>\$7,396,847</b>
<b>40-YEAR ACCOUNT BALANCE (NET OF LOAN):</b>	<b>\$2,308,549</b>
<b>INCOME + 40-YEAR ACCOUNT BALANCE (NET OF LOAN):</b>	<b>\$9,705,396</b>
<b>RAW S&amp;P 500 CAGR: 6.30%</b>	<b>40-YEAR NET ACCOUNT IRR: 7.20%</b>

The hypothetical models in this document assume certain crediting methods and index account charges that are purely hypothetical and do not represent any particular investment, life insurance policy or index fund. Hypothetical crediting methods, charges, values and returns are not guaranteed. Hypothetical returns used in this document are based on historical index returns that do not include dividends and are purely modeled as a hypothetical example of index volatility over a period of time for educational purposes and are not intended to convince someone to purchase any particular product.

**WORST 40-YEAR S&P CAGR PERIOD (OF 121 PERIODS ANALYZED)**





SCENARIO MODELED	PAYOFF YEAR	TOTAL OUTLAY	TOTAL INCOME DRAWDOWN	NET ACCOUNT VALUE IN YEAR 40	RETURNS DEPICTED	VOLATILITY MODELED	CAGR	PAR LOAN RATE
— Hypothetical Static:	15	-\$1,955,749	\$4,489,695	\$3,101,657	hypothetical static	no	5.21%	4.71%
- - - Synthetic Best 40*:	15	-\$1,955,749	\$11,002,062	\$10,798,245	actual historical*	yes	9.02%	4.40%
..... Synthetic Worst 40*:	15	-\$1,955,749	\$7,396,847	\$2,308,549	actual historical*	yes	6.30%	4.40%

\*In modeling every 40-year annual point-to-point period between 1/1/1970 and 12/31/2019, there were 121 different 40-year periods. Each of these 121 different 40-year periods have been analyzed and ranked based on their Compounded Annual Growth Rate (CAGR). This report highlights the Best and Worst 40-year periods limited to this sampling of 121 different 40-year periods. In real-world scenarios, it is possible for a 40-year period to produce a worse CAGR than the Worst 40 in this report. In such case, outcomes could be significantly worse than as depicted in this hypothetical report.

**ACCOUNT CHARGES + INDEX CREDITS + BONUSES**

AN ANNUAL EXPLANATION OF POSITIVE & NEGATIVE ARBITRAGE

**HYPOTHETICAL SYNTHETIC ASSET**

**BEST CAGR 40-YEAR PERIOD OUT OF 121 DIFFERENT INDEX PERIODS ANALYZED (STARTING 2/1/1978)**

**CHARGES & CREDITS**

#	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
YEAR	ASSET-BASED CHARGES (%)	ASSET-BASED CHARGES (\$)	FIXED CHARGES (\$)	BACKTESTED YEAR	INDEX GROSS RETURN	INDEX CREDIT	MULTIPLIER BONUS (x)	INDEX CREDIT w/ MULTIPLIER	PERSISTENCY BONUS (+)	TOTAL INDEX CREDIT (%)	TOTAL INDEX CREDITS (\$)	TOTAL CHARGES (\$)	YEAR-END GAIN/LOSS (\$)	EOY VALUE AFTER CHARGES B4 CREDIT	EOY GROSS INDEX ACCUMULATED VALUE	EOY INDEX VALUE NET OF INT & EXT LOANS
1	0.80%	-\$3,922	-\$71,596	1978	11.97%	10.00%	1.00	10.00%	0.00%	10.00%	\$42,448	-\$75,518	-\$33,069	\$424,482	\$466,931	-\$134,961
2	1.80%	-\$16,285	-\$72,458	1979	14.24%	10.00%	1.20	12.00%	0.00%	12.00%	\$105,383	-\$88,743	\$16,640	\$878,188	\$983,571	-\$107,010
3	2.30%	-\$32,680	-\$73,394	1980	13.48%	10.00%	1.30	13.00%	0.00%	13.00%	\$179,075	-\$106,074	\$73,000	\$1,377,496	\$1,556,571	-\$22,699
4	2.80%	-\$55,817	-\$74,247	1981	-7.06%	0.00%	1.40	0.00%	0.00%	0.00%	\$0	-\$130,064	-\$130,064	\$1,926,507	\$1,926,507	-\$141,406
5	3.30%	-\$77,979	-\$75,026	1982	20.68%	10.00%	1.50	15.00%	0.00%	15.00%	\$341,025	-\$153,005	\$188,021	\$2,273,503	\$2,614,528	\$57,927
6	3.79%	-\$115,621	-\$75,658	1983	12.46%	10.00%	1.60	16.00%	0.00%	16.00%	\$467,720	-\$191,279	\$276,440	\$2,923,249	\$3,390,968	\$345,677
7	4.30%	-\$164,554	-\$76,281	1984	9.93%	9.93%	1.70	16.87%	0.00%	16.87%	\$615,928	-\$240,835	\$375,093	\$3,650,134	\$4,266,062	\$732,129
8	4.79%	-\$225,208	-\$76,876	1985	17.90%	10.00%	1.79	17.90%	0.00%	17.90%	\$799,052	-\$302,084	\$496,968	\$4,463,978	\$5,263,030	\$1,240,408
9	5.29%	-\$301,437	-\$77,581	1986	29.42%	10.00%	1.89	18.90%	0.00%	18.90%	\$1,017,578	-\$379,018	\$638,560	\$5,384,012	\$6,401,590	\$1,890,279
10	5.78%	-\$395,144	-\$78,386	1987	-6.21%	0.00%	1.99	0.00%	0.00%	0.00%	\$0	-\$473,530	-\$473,530	\$6,428,061	\$6,428,061	\$1,428,061
11	5.78%	-\$371,198	-\$11,884	1988	15.72%	10.00%	1.99	19.90%	0.00%	19.90%	\$1,202,951	-\$383,082	\$819,868	\$6,044,978	\$7,247,929	\$2,247,929
12	5.78%	-\$418,569	-\$12,507	1989	10.63%	10.00%	1.99	19.90%	0.00%	19.90%	\$1,356,554	-\$331,076	\$925,478	\$6,816,853	\$8,173,407	\$3,173,407
13	5.78%	-\$472,044	-\$13,123	1990	4.51%	4.51%	1.99	8.98%	0.00%	8.98%	\$690,407	-\$485,167	\$205,240	\$7,688,240	\$8,378,647	\$3,378,647
14	5.78%	-\$483,886	-\$13,827	1991	18.86%	10.00%	1.99	19.90%	0.00%	19.90%	\$1,568,306	-\$497,713	\$1,070,593	\$7,880,934	\$9,449,240	\$4,449,240
15	5.78%	-\$545,745	-\$14,569	1992	7.34%	7.34%	1.99	14.60%	0.00%	14.60%	\$1,298,177	-\$560,314	\$737,863	\$8,888,926	\$10,187,103	\$4,967,103
16	5.78%	-\$588,373	-\$15,272	1993	9.76%	9.76%	1.99	19.42%	0.00%	19.42%	\$1,861,557	-\$603,645	\$1,257,912	\$9,583,458	\$11,445,015	\$5,995,335
17	5.78%	-\$661,063	-\$15,883	1994	-2.32%	0.00%	1.99	0.00%	0.00%	0.00%	\$0	-\$676,946	-\$676,946	\$10,768,069	\$10,768,069	\$5,078,603
18	5.78%	-\$621,919	-\$16,438	1995	35.20%	10.00%	1.99	19.90%	0.00%	19.90%	\$2,015,813	-\$638,357	\$1,377,455	\$10,129,712	\$12,145,524	\$6,205,722
19	5.78%	-\$701,520	-\$16,994	1996	23.61%	10.00%	1.99	19.90%	0.00%	19.90%	\$2,273,975	-\$718,514	\$1,555,461	\$11,427,010	\$13,700,985	\$7,499,832
20	5.78%	-\$791,410	-\$17,537	1997	24.69%	10.00%	1.99	19.90%	0.00%	19.90%	\$2,565,516	-\$808,947	\$1,756,568	\$12,892,038	\$15,457,554	\$8,983,549
21	5.18%	-\$800,239	-\$17,847	1998	30.54%	10.00%	1.87	18.70%	0.00%	18.70%	\$2,737,580	-\$818,086	\$1,919,494	\$14,639,468	\$17,377,048	\$9,867,882
22	4.58%	-\$795,463	-\$17,738	1999	8.97%	8.97%	1.75	15.70%	0.00%	15.70%	\$2,600,931	-\$813,201	\$1,787,730	\$16,563,848	\$19,164,778	\$10,501,043
23	3.98%	-\$762,419	-\$17,023	2000	-2.04%	0.00%	1.63	0.00%	0.00%	0.00%	\$0	-\$779,442	-\$779,442	\$18,385,336	\$18,385,336	\$8,463,349
24	3.38%	-\$621,154	-\$16,007	2001	-17.26%	0.00%	1.52	0.00%	0.00%	0.00%	\$0	-\$637,161	-\$637,161	\$17,748,175	\$17,748,175	\$6,682,762
25	2.78%	-\$493,200	-\$14,331	2002	-24.29%	0.00%	1.40	0.00%	0.00%	0.00%	\$0	-\$507,531	-\$507,531	\$17,240,644	\$17,240,644	\$5,130,208
26	2.78%	-\$479,098	-\$13,777	2003	32.19%	10.00%	1.40	14.00%	0.00%	14.00%	\$2,344,688	-\$492,875	\$1,851,812	\$16,747,769	\$19,092,456	\$6,020,686
27	2.78%	-\$530,576	-\$13,982	2004	4.43%	4.43%	1.40	6.21%	0.00%	6.21%	\$1,151,051	-\$544,558	\$606,493	\$18,547,898	\$19,698,950	\$5,549,174
28	2.78%	-\$547,439	-\$13,819	2005	8.36%	8.36%	1.40	11.71%	0.00%	11.71%	\$2,241,140	-\$561,258	\$1,679,883	\$19,137,692	\$21,378,832	\$6,142,999
29	2.78%	-\$594,147	-\$13,261	2006	12.36%	10.00%	1.40	14.00%	0.00%	14.00%	\$2,907,999	-\$607,408	\$2,300,591	\$20,771,424	\$23,679,423	\$7,260,151
30	2.78%	-\$658,119	-\$12,127	2007	-4.15%	0.00%	1.40	0.00%	0.00%	0.00%	\$0	-\$670,246	-\$670,246	\$23,009,177	\$23,009,177	\$5,261,089
31	2.78%	-\$639,514	-\$10,134	2008	-40.09%	0.00%	1.40	0.00%	0.00%	0.00%	\$0	-\$649,648	-\$649,648	\$22,359,529	\$22,359,529	\$3,391,118
32	2.78%	-\$621,430	-\$11,889	2009	30.03%	10.00%	1.40	14.00%	0.00%	14.00%	\$3,041,669	-\$633,319	\$2,408,351	\$21,726,210	\$24,767,879	\$4,681,633
33	2.78%	-\$688,354	-\$13,920	2010	19.76%	10.00%	1.40	14.00%	0.00%	14.00%	\$3,369,185	-\$702,274	\$2,666,911	\$24,065,606	\$27,434,791	\$6,073,739
34	2.78%	-\$762,461	-\$16,283	2011	2.04%	2.04%	1.40	2.86%	0.00%	2.86%	\$762,840	-\$778,744	-\$15,904	\$26,656,047	\$27,418,887	\$4,610,670
35	2.78%	-\$761,981	-\$19,017	2012	14.15%	10.00%	1.40	14.00%	0.00%	14.00%	\$3,729,304	-\$780,998	\$2,948,307	\$26,637,889	\$30,367,194	\$6,170,333
36	2.78%	-\$843,900	-\$22,147	2013	18.99%	10.00%	1.40	14.00%	0.00%	14.00%	\$4,130,161	-\$866,047	\$3,264,113	\$29,501,147	\$33,631,307	\$7,854,438
37	2.78%	-\$934,588	-\$26,067	2014	11.92%	10.00%	1.40	14.00%	0.00%	14.00%	\$4,573,891	-\$960,655	\$3,613,236	\$32,670,652	\$37,244,543	\$9,677,489
38	2.78%	-\$1,034,962	-\$31,425	2015	-2.74%	0.00%	1.40	0.00%	0.00%	0.00%	\$0	-\$1,066,387	-\$1,066,387	\$36,178,157	\$36,178,157	\$6,589,888
39	2.78%	-\$1,005,228	-\$37,741	2016	17.45%	10.00%	1.40	14.00%	0.00%	14.00%	\$4,918,926	-\$1,042,969	\$3,875,957	\$35,135,188	\$40,054,114	\$8,613,574
40	2.78%	-\$1,112,877	-\$45,119	2017	23.91%	10.00%	1.40	14.00%	0.00%	14.00%	\$5,445,456	-\$1,157,996	\$4,287,460	\$38,896,118	\$44,341,574	\$10,798,245

**BEST CAGR 40-YEAR PERIOD OUT OF 121 DIFFERENT INDEX PERIODS ANALYZED (STARTING 2/1/1978)**

**ASSET-BASED CHARGES (%)** Account charges as a percentage of gross account value, after new TOTAL INDEX CONTRIBUTION and 100% BOY charges and 50% of remaining FIXED CHARGES (\$) are deducted.

**ASSET-BASED CHARGES (\$)** The previous year's EOY GROSS INDEX ACCUMULATED VALUE minus 100% BOY charges, minus 50% of remaining FIXED CHARGES (\$) multiplied by the ASSET-BASED CHARGES (%).

**FIXED CHARGES (\$)** Amounts taken from a real life product. These charges in a real life product would most likely not be fixed, as there would be some variable charges. This is merely a proxy for this category of charges.

**INDEX CREDIT** The after-floor after-cap index return, before any bonuses or participation rates are applied or credited.

**MULTIPLIER BONUS (x)** A numerical number determined by a particular bonus schedule, multiplied by the basic after-floor, after-cap, INDEX CREDIT.

**INDEX CREDIT w/ MULTIPLIER** The INDEX CREDIT multiplied by the MULTIPLIER BONUS (x). (e.g. If the MULTIPLIER BONUS (x) was 2.00, and the INDEX CREDIT was 10.00%, the INDEX CREDIT w/ MULTIPLIER would be 20.00%)

**PERSISTENCY BONUS (+)** A bonus credit added to the INDEX CREDIT. (e.g. If the INDEX CREDIT was 10.00% and the PERSISTENCY BONUS (+) was 0.50%, the TOTAL INDEX CREDIT (%) would be 10.50%)

**TOTAL INDEX CREDIT (%)** The INDEX CREDIT multiplied by the MULTIPLIER BONUS (x) plus the PERSISTENCY BONUS (+).

**TOTAL INDEX CREDITS (\$)** The TOTAL INDEX CREDIT (%) multiplied by the EOY VALUE AFTER CHARGES B4 CREDIT.

**TOTAL CHARGES (\$)** The sum of the ASSET-BASED CHARGES (\$) and the FIXED CHARGES (\$).

**YEAR-END GAIN/LOSS (\$)** The EOY GROSS INDEX ACCUMULATED VALUE net gain or loss in each year based on the TOTAL INDEX CREDITS (\$) minus the TOTAL CHARGES (\$) in a given year.

**EOY VALUE AFTER CHARGES B4 CREDIT** The EOY account value after any new contributions in such year and after all charges have been subtracted from this cumulative value, before any index credits have been applied.

**EOY GROSS INDEX ACCUMULATED VALUE** The EOY account value after any new contributions, after any "Total Index Credits (\$)" have been added, and after the "Total Charges (\$)" have been subtracted.

**EOY INDEX VALUE NET OF INT & EXT LOANS** The EOY GROSS INDEX ACCUMULATED VALUE minus the third party Cumulative Loan Balance (if any), minus any internal cumulative loan balances as a result of Participating Loan



**HYPOTHETICAL SYNTHETIC ASSET**

**WORST CAGR 40-YEAR PERIOD OUT OF 121 DIFFERENT INDEX PERIODS ANALYZED (STARTING 10/1/1971)**

**CHARGES & CREDITS**

#	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
YEAR	ASSET-BASED CHARGES (%)	ASSET-BASED CHARGES (\$)	FIXED CHARGES (\$)	BACKTESTED YEAR	INDEX GROSS RETURN	INDEX CREDIT	MULTIPLIER BONUS (x)	INDEX CREDIT w/ MULTIPLIER	PERSISTENCY BONUS (+)	TOTAL INDEX CREDIT (%)	TOTAL INDEX CREDITS (\$)	TOTAL CHARGES (\$)	YEAR-END GAIN/LOSS (\$)	EOY VALUE AFTER CHARGES B4 CREDIT	EOY GROSS INDEX ACCUMULATED VALUE	EOY INDEX VALUE NET OF INT & EXT LOANS
1	0.80%	-\$3,922	-\$71,596	1971	12.42%	10.00%	1.00	10.00%	0.00%	10.00%	\$42,448	-\$75,518	-\$33,069	\$424,482	\$466,931	-\$134,961
2	1.80%	-\$16,285	-\$72,458	1972	-1.92%	10.00%	1.20	0.00%	0.00%	0.00%	\$0	-\$88,743	-\$88,743	\$878,188	\$878,188	-\$212,393
3	2.30%	-\$30,256	-\$73,394	1973	-41.40%	0.00%	1.30	0.00%	0.00%	0.00%	\$0	-\$103,650	-\$103,650	\$1,274,538	\$1,274,538	-\$304,732
4	2.80%	-\$47,920	-\$74,247	1974	32.00%	10.00%	1.40	14.00%	0.00%	14.00%	\$231,332	-\$122,167	\$109,165	\$1,652,371	\$1,883,703	-\$184,210
5	3.30%	-\$76,566	-\$75,026	1975	25.48%	10.00%	1.50	15.00%	0.00%	15.00%	\$334,817	-\$151,592	\$183,224	\$2,232,111	\$2,566,927	\$10,326
6	3.79%	-\$113,817	-\$75,658	1976	-8.28%	0.00%	1.60	0.00%	0.00%	0.00%	\$0	-\$189,475	-\$189,475	\$2,877,452	\$2,877,452	-\$167,839
7	4.30%	-\$142,472	-\$76,281	1977	6.23%	6.23%	1.70	10.58%	0.00%	10.58%	\$334,325	-\$218,753	\$115,572	\$3,158,699	\$3,493,024	-\$40,909
8	4.79%	-\$188,179	-\$76,876	1978	6.61%	6.61%	1.79	11.84%	0.00%	11.84%	\$441,227	-\$265,055	\$176,171	\$3,727,969	\$4,169,195	\$146,573
9	5.29%	-\$243,573	-\$77,581	1979	14.76%	10.00%	1.89	18.90%	0.00%	18.90%	\$821,780	-\$321,154	\$500,626	\$4,348,041	\$5,169,821	\$658,510
10	5.78%	-\$323,948	-\$78,386	1980	-7.40%	0.00%	1.99	0.00%	0.00%	0.00%	\$0	-\$402,334	-\$402,334	\$5,267,488	\$5,267,488	\$267,488
11	5.78%	-\$304,117	-\$11,884	1981	3.65%	3.65%	1.99	7.26%	0.00%	7.26%	\$359,603	-\$316,001	\$43,601	\$4,951,486	\$5,311,089	\$311,089
12	5.78%	-\$306,619	-\$12,507	1982	37.91%	10.00%	1.99	19.90%	0.00%	19.90%	\$993,401	-\$199,126	\$674,274	\$4,991,962	\$5,985,363	\$985,363
13	5.78%	-\$345,575	-\$13,123	1983	0.02%	0.02%	1.99	0.04%	0.00%	0.04%	\$2,023	-\$358,698	-\$356,675	\$5,626,665	\$5,628,688	\$628,688
14	5.78%	-\$324,939	-\$13,827	1984	9.62%	9.62%	1.99	19.15%	0.00%	19.15%	\$1,012,767	-\$338,766	\$674,001	\$5,289,922	\$6,302,689	\$1,302,689
15	5.78%	-\$363,874	-\$14,569	1985	27.04%	10.00%	1.99	19.90%	0.00%	19.90%	\$1,178,925	-\$378,443	\$800,481	\$5,924,246	\$7,103,170	\$1,883,170
16	5.78%	-\$410,122	-\$15,272	1986	39.13%	10.00%	1.99	19.90%	0.00%	19.90%	\$1,328,878	-\$425,394	\$903,484	\$6,677,777	\$8,006,654	\$2,556,974
17	5.78%	-\$462,326	-\$15,883	1987	-15.51%	0.00%	1.99	0.00%	0.00%	0.00%	\$0	-\$478,209	-\$478,209	\$7,528,445	\$7,528,445	\$1,838,980
18	5.78%	-\$434,669	-\$16,438	1988	28.41%	10.00%	1.99	19.90%	0.00%	19.90%	\$1,408,390	-\$451,107	\$957,283	\$7,077,338	\$8,485,729	\$2,545,926
19	5.78%	-\$489,984	-\$16,994	1989	-12.34%	0.00%	1.99	0.00%	0.00%	0.00%	\$0	-\$506,978	-\$506,978	\$7,978,751	\$7,978,751	\$1,777,597
20	5.78%	-\$460,665	-\$17,537	1990	26.73%	10.00%	1.99	19.90%	0.00%	19.90%	\$1,492,609	-\$478,202	\$1,014,407	\$7,500,549	\$8,993,158	\$2,519,153
21	5.18%	-\$465,383	-\$17,847	1991	7.72%	7.72%	1.87	14.44%	0.00%	14.44%	\$1,228,413	-\$483,230	\$745,182	\$8,509,928	\$9,738,340	\$2,769,080
22	4.58%	-\$445,610	-\$17,738	1992	9.84%	9.84%	1.75	17.23%	0.00%	17.23%	\$1,597,872	-\$463,348	\$1,134,524	\$9,274,993	\$10,872,865	\$3,365,683
23	3.98%	-\$432,401	-\$17,023	1993	0.82%	0.82%	1.63	1.34%	0.00%	1.34%	\$139,941	-\$449,424	-\$309,484	\$10,423,440	\$10,563,381	\$2,444,782
24	3.38%	-\$356,772	-\$16,007	1994	26.30%	10.00%	1.52	15.20%	0.00%	15.20%	\$1,548,972	-\$372,779	\$1,176,193	\$10,190,602	\$11,739,574	\$3,059,568
25	2.78%	-\$326,161	-\$14,331	1995	17.61%	10.00%	1.40	14.00%	0.00%	14.00%	\$1,595,871	-\$340,492	\$1,255,379	\$11,399,082	\$12,994,953	\$3,677,492
26	2.78%	-\$361,068	-\$13,777	1996	37.82%	10.00%	1.40	14.00%	0.00%	14.00%	\$1,766,815	-\$374,845	\$1,391,970	\$12,620,108	\$14,386,923	\$4,352,350
27	2.78%	-\$399,762	-\$13,982	1997	7.36%	7.36%	1.40	10.31%	0.00%	10.31%	\$1,440,006	-\$413,744	\$1,026,262	\$13,973,179	\$15,413,185	\$4,573,582
28	2.78%	-\$428,294	-\$13,819	1998	26.13%	10.00%	1.40	14.00%	0.00%	14.00%	\$2,095,950	-\$442,113	\$1,653,837	\$14,971,072	\$17,067,022	\$5,368,491
29	2.78%	-\$474,279	-\$13,261	1999	11.99%	10.00%	1.40	14.00%	0.00%	14.00%	\$2,321,127	-\$487,540	\$1,833,588	\$16,579,482	\$18,900,610	\$6,238,967
30	2.78%	-\$525,268	-\$12,127	2000	-27.54%	0.00%	1.40	0.00%	0.00%	0.00%	\$0	-\$537,395	-\$537,395	\$18,363,214	\$18,363,214	\$4,623,381
31	2.78%	-\$510,356	-\$10,134	2001	-21.68%	0.00%	1.40	0.00%	0.00%	0.00%	\$0	-\$520,490	-\$520,490	\$17,842,724	\$17,842,724	\$3,112,193
32	2.78%	-\$495,862	-\$11,889	2002	22.16%	10.00%	1.40	14.00%	0.00%	14.00%	\$2,426,896	-\$507,751	\$1,919,145	\$17,334,972	\$19,761,868	\$4,123,264
33	2.78%	-\$549,186	-\$13,920	2003	11.91%	10.00%	1.40	14.00%	0.00%	14.00%	\$2,687,827	-\$563,106	\$2,124,720	\$19,198,762	\$21,886,589	\$5,215,510
34	2.78%	-\$608,221	-\$16,283	2004	10.25%	10.00%	1.40	14.00%	0.00%	14.00%	\$2,976,692	-\$624,504	\$2,352,188	\$21,262,085	\$24,238,777	\$6,398,571
35	2.78%	-\$673,574	-\$19,017	2005	8.71%	8.71%	1.40	12.20%	0.00%	12.20%	\$2,871,505	-\$692,591	\$2,178,915	\$23,546,186	\$26,417,691	\$7,258,108
36	2.78%	-\$734,104	-\$22,147	2006	14.29%	10.00%	1.40	14.00%	0.00%	14.00%	\$3,592,602	-\$756,251	\$2,836,351	\$25,661,440	\$29,254,042	\$8,645,240
37	2.78%	-\$812,900	-\$26,067	2007	-23.61%	0.00%	1.40	0.00%	0.00%	0.00%	\$0	-\$838,967	-\$838,967	\$28,415,075	\$28,415,075	\$6,177,435
38	2.78%	-\$789,502	-\$31,425	2008	-9.37%	0.00%	1.40	0.00%	0.00%	0.00%	\$0	-\$820,927	-\$820,927	\$27,594,148	\$27,594,148	\$3,862,113
39	2.78%	-\$766,593	-\$37,741	2009	7.96%	7.96%	1.40	11.14%	0.00%	11.14%	\$2,984,621	-\$804,334	\$2,180,287	\$26,789,814	\$29,774,435	\$4,675,626
40	2.78%	-\$827,102	-\$45,119	2010	-0.86%	0.00%	1.40	0.00%	0.00%	0.00%	\$0	-\$872,221	-\$872,221	\$28,902,213	\$28,902,213	\$2,308,549

**WORST CAGR 40-YEAR PERIOD OUT OF 121 DIFFERENT INDEX PERIODS ANALYZED (STARTING 10/1/1971)**

**ASSET-BASED CHARGES (%)** Account charges as a percentage of gross account value, after new TOTAL INDEX CONTRIBUTION and 100% BOY charges and 50% of remaining FIXED CHARGES (\$) are deducted.

**ASSET-BASED CHARGES (\$)** The previous year's EOY GROSS INDEX ACCUMULATED VALUE minus 100% BOY charges, minus 50% of remaining FIXED CHARGES (\$) multiplied by the ASSET-BASED CHARGES (%).

**FIXED CHARGES (\$)** Amounts taken from a real life product. These charges in a real life product would most likely not be fixed, as there would be some variable charges. This is merely a proxy for this category of charges.

**INDEX CREDIT** The after-floor after-cap index return, before any bonuses or participation rates are applied or credited.

**MULTIPLIER BONUS (x)** A numerical number determined by a particular bonus schedule, multiplied by the basic after-floor, after-cap, INDEX CREDIT.

**INDEX CREDIT w/ MULTIPLIER** The INDEX CREDIT multiplied by the MULTIPLIER BONUS (x). (e.g. If the MULTIPLIER BONUS (x) was 2.00, and the INDEX CREDIT was 10.00%, the INDEX CREDIT w/ MULTIPLIER would be 20.00%)

**PERSISTENCY BONUS (+)** A bonus credit added to the INDEX CREDIT. (e.g. If the INDEX CREDIT was 10.00% and the PERSISTENCY BONUS (+) was 0.50%, the TOTAL INDEX CREDIT (%) would be 10.50%)

**TOTAL INDEX CREDIT (%)** The INDEX CREDIT multiplied by the MULTIPLIER BONUS (x) plus the PERSISTENCY BONUS (+).

**TOTAL INDEX CREDITS (\$)** The TOTAL INDEX CREDIT (%) multiplied by the EOY VALUE AFTER CHARGES B4 CREDIT.

**TOTAL CHARGES (\$)** The sum of the ASSET-BASED CHARGES (\$) and the FIXED CHARGES (\$).

**YEAR-END GAIN/LOSS (\$)** The EOY GROSS INDEX ACCUMULATED VALUE net gain or loss in each year based on the TOTAL INDEX CREDITS (\$) minus the TOTAL CHARGES (\$) in a given year.

**EOY VALUE AFTER CHARGES B4 CREDIT** The EOY account value after any new contributions in such year and after all charges have been subtracted from this cumulative value, before any index credits have been applied.

**EOY GROSS INDEX ACCUMULATED VALUE** The EOY account value after any new contributions, after any "Total Index Credits (\$)" have been added, and after the "Total Charges (\$)" have been subtracted.

**EOY INDEX VALUE NET OF INT & EXT LOANS** The EOY GROSS INDEX ACCUMULATED VALUE minus the third party Cumulative Loan Balance (if any), minus any internal cumulative loan balances as a result of Participating Loans



**ACCOUNT LOANS**

AN ANNUAL EXPLANATION OF INDEX LOAN DEBT ACCRUAL

**INTERNAL ACCOUNT LOANS: PARTICIPATING PLR: 4.40%**

YEAR	1 3RD PARTY PAYOFF USING PARTICIPATING LOAN	2 INCOME DRAWDOWNS PARTICIPATING LOANS	3 CUMULATIVE ACCRUED INTERNAL LOAN PRINCIPAL	4 ACRUED INTERNAL LOAN INTEREST	5 INDEX CREDIT AFTER CHARGES	6 CUMULATIVE INTERNAL DEBT BALANCE	7 CUMULATIVE INDEXED LOAN ACCOUNT VALUE	8 CUMULATIVE PAR LOAN GAIN/LOSS	9 EOY GROSS INDEX ACCUMULATED VALUE	10 EOY INDEX VALUE NET OF INT & EXT LOANS
1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$466,931	-\$134,961
2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$983,571	-\$107,010
3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,556,571	-\$22,699
4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,926,507	-\$141,406
5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,614,528	\$57,927
6	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,390,968	\$345,677
7	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,266,062	\$732,129
8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,263,030	\$1,240,408
9	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,401,590	\$1,890,279
10	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,428,061	<b>\$1,428,061</b>
11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,247,929	\$2,247,929
12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,173,407	\$3,173,407
13	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,378,647	\$3,378,647
14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,449,240	\$4,449,240
15	-\$5,000,000	\$0	-\$5,000,000	-\$220,000	\$345,187	-\$5,220,000	\$5,390,435	\$170,435	\$10,187,103	\$4,967,103
16	\$0	\$0	-\$5,220,000	-\$229,680	\$494,990	-\$5,449,680	\$6,056,051	\$606,371	\$11,445,015	\$5,995,335
17	\$0	\$0	-\$5,449,680	-\$239,786	\$0	-\$5,689,466	\$5,697,850	\$8,384	\$10,768,069	\$5,078,603
18	\$0	\$0	-\$5,689,466	-\$250,337	\$536,007	-\$5,939,802	\$6,426,720	\$486,918	\$12,145,524	\$6,205,722
19	\$0	\$0	-\$5,939,802	-\$261,351	\$604,652	-\$6,201,154	\$7,249,782	\$1,048,628	\$13,700,985	\$7,499,832
20	\$0	\$0	-\$6,201,154	-\$272,851	\$682,173	-\$6,474,004	\$8,179,258	\$1,705,253	\$15,457,554	<b>\$8,983,549</b>
21	\$0	-\$718,684	-\$7,192,688	-\$316,478	\$842,702	-\$7,509,167	\$10,002,874	\$2,493,707	\$17,377,048	\$9,867,882
22	\$0	-\$789,431	-\$8,298,597	-\$365,138	\$923,058	-\$8,663,736	\$11,902,604	\$3,238,869	\$19,164,778	\$10,501,043
23	\$0	-\$840,083	-\$9,503,819	-\$418,168	\$0	-\$9,921,987	\$12,224,435	\$2,302,448	\$18,385,336	\$8,463,349
24	\$0	-\$677,068	-\$10,599,055	-\$466,358	\$0	-\$11,065,413	\$12,454,390	\$1,388,976	\$17,748,175	\$6,682,762
25	\$0	-\$534,621	-\$11,600,034	-\$510,402	\$0	-\$12,110,436	\$12,617,574	\$507,138	\$17,240,644	\$5,130,208
26	\$0	-\$410,417	-\$12,520,852	-\$550,918	\$1,265,555	-\$13,071,770	\$14,427,323	\$1,355,553	\$19,092,456	\$6,020,686
27	\$0	-\$481,655	-\$13,553,425	-\$596,351	\$642,026	-\$14,149,776	\$15,382,578	\$1,232,803	\$19,698,950	\$5,549,174
28	\$0	-\$443,934	-\$14,593,709	-\$642,123	\$1,286,125	-\$15,235,833	\$17,176,162	\$1,940,329	\$21,378,832	\$6,142,999
29	\$0	-\$491,440	-\$15,727,273	-\$692,000	\$1,716,564	-\$16,419,273	\$19,568,825	\$3,149,552	\$23,679,423	\$7,260,151
30	\$0	-\$580,812	-\$17,000,085	-\$748,004	\$0	-\$17,748,088	\$19,579,301	\$1,831,213	\$23,009,177	<b>\$5,261,089</b>
31	\$0	-\$420,887	-\$18,168,976	-\$799,435	\$0	-\$18,968,410	\$19,435,497	\$467,086	\$22,359,529	\$3,391,118
32	\$0	-\$271,289	-\$19,239,700	-\$846,547	\$1,914,860	-\$20,086,247	\$21,829,409	\$1,743,163	\$24,767,879	\$4,681,633
33	\$0	-\$374,531	-\$20,460,777	-\$900,274	\$2,157,436	-\$21,361,052	\$24,594,776	\$3,233,724	\$27,434,791	\$6,073,739
34	\$0	-\$485,899	-\$21,846,951	-\$961,266	\$498,130	-\$22,808,217	\$25,066,136	\$2,257,919	\$27,418,887	\$4,610,670
35	\$0	-\$368,854	-\$23,177,070	-\$1,019,791	\$2,471,050	-\$24,196,861	\$28,169,971	\$3,973,110	\$30,367,194	\$6,170,333
36	\$0	-\$493,627	-\$24,690,488	-\$1,086,381	\$2,784,614	-\$25,776,869	\$31,744,595	\$5,967,726	\$33,631,307	\$7,854,438
37	\$0	-\$628,355	-\$26,405,224	-\$1,161,830	\$3,144,824	-\$27,567,054	\$35,850,992	\$8,283,938	\$37,244,543	\$9,677,489
38	\$0	-\$774,199	-\$28,341,253	-\$1,247,015	\$0	-\$29,588,268	\$35,576,538	\$5,988,270	\$36,178,157	\$6,589,888
39	\$0	-\$527,191	-\$30,115,460	-\$1,325,080	\$3,506,291	-\$31,440,540	\$39,971,713	\$8,531,173	\$40,054,114	\$8,613,574
40	\$0	-\$689,086	-\$32,129,626	-\$1,413,704	\$3,948,526	-\$33,543,329	\$45,013,200	\$11,469,870	\$44,341,574	<b>\$10,798,245</b>

**BEST CAGR 40-YEAR PERIOD OUT OF 121 DIFFERENT INDEX PERIODS ANALYZED (STARTING 2/1/1978)**

**INTERNAL ACCOUNT LOANS: PARTICIPATING PLR: 4.40%**

- 3RD PARTY PAYOFF USING PARTICIPATING LOAN** The index value used to payoff the 3rd party premium financing loan. This can be done with either a withdrawal or a participating loan.
- INCOME DRAWDOWNS PARTICIPATING LOANS** These are drawdown modeling requests made by the client for supplemental retirement income. These can be done with either fixed loans or participating loans.
- CUMULATIVE ACCRUED INTERNAL LOAN PRINCIPAL** The running YTD total internal loan, including all drawdowns, plus the accrued interest on the drawdowns.
- ACRUED INTERNAL LOAN INTEREST** The interest due each year on the internal loans, including the drawdown principal AND the accrued/comounded interest from previous years.
- INDEX CREDIT AFTER CHARGES** The net dollar interest gained each year on the funds moved to the INDEX LOAN ACCOUNT (after charges) assuming participating loans are credited based on the INDEX CREDIT with no bonuses.
- CUMULATIVE INTERNAL DEBT BALANCE** The running YTD total of accrued internal debt from internal loans, including the accrued interest.
- CUMULATIVE INDEXED LOAN ACCOUNT VALUE** The running YTD total of accumulated funds in the INDEX LOAN ACCOUNT as a result of the participating loans leaving the primary index account, including index credit gains, minus charges on these particular funds.
- CUMULATIVE PAR LOAN GAIN/LOSS** The running YTD cumulative net gain or loss as a result of Participating Loans (the CUMULATIVE INTERNAL DEBT BALANCE plus the CUMULATIVE INDEXED LOAN ACCOUNT VALUE).
- EOY GROSS INDEX ACCUMULATED VALUE** The indexed accumulated value, not including any surrender charges, internal loans, or 3rd party lender debt.
- EOY INDEX VALUE NET OF INT & EXT LOANS** The indexed accumulated value, minus any surrender charges, internal loans, and 3rd party lender debt.



**WORST CAGR 40-YEAR PERIOD OUT OF 121 DIFFERENT INDEX PERIODS ANALYZED (STARTING 10/1/1971)**

**INTERNAL ACCOUNT LOANS: PARTICIPATING PLR: 4.40%**

YEAR	1	2	3	4	5	6	7	8	9	10
	3RD PARTY PAYOFF USING PARTICIPATING LOAN	INCOME DRAWDOWNS PARTICIPATING LOANS	CUMULATIVE ACCRUED INTERNAL LOAN PRINCIPAL	ACCRUED INTERNAL LOAN INTEREST	INDEX CREDIT AFTER CHARGES	CUMULATIVE INTERNAL DEBT BALANCE	CUMULATIVE INDEXED LOAN ACCOUNT VALUE	CUMULATIVE PAR LOAN GAIN/LOSS	EOY GROSS INDEX ACCUMULATED VALUE	EOY INDEX VALUE NET OF INT & EXT LOANS
1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$466,931	-\$134,961
2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$878,188	-\$212,393
3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,274,538	-\$304,732
4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,883,703	-\$184,210
5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,566,927	\$10,326
6	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,877,452	-\$167,839
7	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,493,024	-\$40,909
8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,169,195	\$146,573
9	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,169,821	\$658,510
10	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,267,488	<b>\$267,488</b>
11	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,311,089	\$311,089
12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,985,363	\$985,363
13	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,628,688	\$628,688
14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,302,689	\$1,302,689
15	-\$5,000,000	\$0	-\$5,000,000	-\$220,000	\$469,978	-\$5,220,000	\$5,635,032	\$415,032	\$7,103,170	\$1,883,170
16	\$0	\$0	-\$5,220,000	-\$229,680	\$529,756	-\$5,449,680	\$6,351,776	\$902,096	\$8,006,654	\$2,556,974
17	\$0	\$0	-\$5,449,680	-\$239,786	\$0	-\$5,689,466	\$5,972,408	\$282,942	\$7,528,445	\$1,838,980
18	\$0	\$0	-\$5,689,466	-\$250,337	\$561,454	-\$5,939,802	\$6,731,832	\$792,030	\$8,485,729	\$2,545,926
19	\$0	\$0	-\$5,939,802	-\$261,351	\$0	-\$6,201,154	\$6,329,640	\$128,487	\$7,978,751	\$1,777,597
20	\$0	\$0	-\$6,201,154	-\$272,851	\$595,028	-\$6,474,004	\$7,134,382	\$660,377	\$8,993,158	<b>\$2,519,153</b>
21	\$0	-\$201,532	-\$6,675,537	-\$293,724	\$535,852	-\$6,969,260	\$7,943,776	\$974,515	\$9,738,340	\$2,769,080
22	\$0	-\$221,526	-\$7,190,787	-\$316,395	\$765,581	-\$7,507,181	\$9,116,566	\$1,609,385	\$10,872,865	\$3,365,683
23	\$0	-\$269,255	-\$7,776,436	-\$342,163	\$74,111	-\$8,118,599	\$9,118,664	\$1,000,065	\$10,563,381	\$2,444,782
24	\$0	-\$195,583	-\$8,314,182	-\$365,824	\$898,555	-\$8,680,006	\$10,351,353	\$1,671,347	\$11,739,574	\$3,059,568
25	\$0	-\$244,765	-\$8,924,771	-\$392,690	\$1,028,879	-\$9,317,461	\$11,729,222	\$2,411,761	\$12,994,953	\$3,677,492
26	\$0	-\$294,199	-\$9,611,661	-\$422,913	\$1,167,660	-\$10,034,574	\$13,311,324	\$3,276,751	\$14,386,923	\$4,352,350
27	\$0	-\$348,188	-\$10,382,762	-\$456,842	\$976,571	-\$10,839,603	\$14,633,886	\$3,794,283	\$15,413,185	\$4,573,582
28	\$0	-\$365,887	-\$11,205,490	-\$493,042	\$1,456,952	-\$11,698,531	\$16,609,250	\$4,910,719	\$17,067,022	\$5,368,491
29	\$0	-\$429,479	-\$12,128,010	-\$533,632	\$1,655,200	-\$12,661,643	\$18,869,277	\$6,207,634	\$18,900,610	\$6,238,967
30	\$0	-\$499,117	-\$13,160,760	-\$579,073	\$0	-\$13,739,834	\$18,817,699	\$5,077,865	\$18,363,214	<b>\$4,623,381</b>
31	\$0	-\$369,870	-\$14,109,704	-\$620,827	\$0	-\$14,730,531	\$18,643,713	\$3,913,182	\$17,842,724	\$3,112,193
32	\$0	-\$248,975	-\$14,979,507	-\$659,098	\$1,835,506	-\$15,638,605	\$20,924,766	\$5,286,161	\$19,761,868	\$4,123,264
33	\$0	-\$329,861	-\$15,968,466	-\$702,613	\$2,064,899	-\$16,671,078	\$23,539,843	\$6,868,765	\$21,886,589	\$5,215,510
34	\$0	-\$417,241	-\$17,088,319	-\$751,886	\$2,327,350	-\$17,840,205	\$26,531,792	\$8,691,586	\$24,238,777	\$6,398,571
35	\$0	-\$511,886	-\$18,352,091	-\$807,492	\$2,288,425	-\$19,159,583	\$29,474,735	\$10,315,152	\$26,417,691	\$7,258,108
36	\$0	-\$580,649	-\$19,740,232	-\$868,570	\$2,919,500	-\$20,608,802	\$33,282,297	\$12,673,495	\$29,254,042	\$8,645,240
37	\$0	-\$691,619	-\$21,300,421	-\$937,219	\$0	-\$22,237,640	\$32,999,590	\$10,761,950	\$28,415,075	\$6,177,435
38	\$0	-\$494,195	-\$22,731,834	-\$1,000,201	\$0	-\$23,732,035	\$32,526,131	\$8,794,095	\$27,594,148	\$3,862,113
39	\$0	-\$308,969	-\$24,041,004	-\$1,057,804	\$2,536,778	-\$25,098,808	\$35,429,488	\$10,330,680	\$29,774,435	\$4,675,626
40	\$0	-\$374,050	-\$25,472,858	-\$1,120,806	\$0	-\$26,593,664	\$34,754,699	\$8,161,034	\$28,902,213	<b>\$2,308,549</b>

**WORST CAGR 40-YEAR PERIOD OUT OF 121 DIFFERENT INDEX PERIODS ANALYZED (STARTING 10/1/1971)**

**INTERNAL ACCOUNT LOANS: PARTICIPATING PLR: 4.40%**

**3RD PARTY PAYOFF USING PARTICIPATING LOAN** The index value used to payoff the 3rd party premium financing loan. This can be done with either a withdrawal or a participating loan.

**INCOME DRAWDOWNS PARTICIPATING LOANS** These are drawdown modeling requests made by the client for supplemental retirement income. These can be done with either fixed loans or participating loans.

**CUMULATIVE ACCRUED INTERNAL LOAN PRINCIPAL** The running YTD total internal loan, including all drawdowns, plus the accrued interest on the drawdowns.

**ACCRUED INTERNAL LOAN INTEREST** The interest due each year on the internal loans, including the drawdown principal AND the accrued/compounded interest from previous years.

**INDEX CREDIT AFTER CHARGES** The net dollar interest gained each year on the funds moved to the INDEX LOAN ACCOUNT (after charges) assuming participating loans are credited based on the INDEX CREDIT with no bonuses.

**CUMULATIVE INTERNAL DEBT BALANCE** The running YTD total of accrued internal debt from internal loans, including the accrued interest.

**CUMULATIVE INDEXED LOAN ACCOUNT VALUE** The running YTD total of accumulated funds in the INDEX LOAN ACCOUNT as a result of the participating loans leaving the primary index account, including index credit gains, minus charges on these particular funds.

**CUMULATIVE PAR LOAN GAIN/LOSS** The running YTD cumulative net gain or loss as a result of Participating Loans (the CUMULATIVE INTERNAL DEBT BALANCE plus the CUMULATIVE INDEXED LOAN ACCOUNT VALUE).

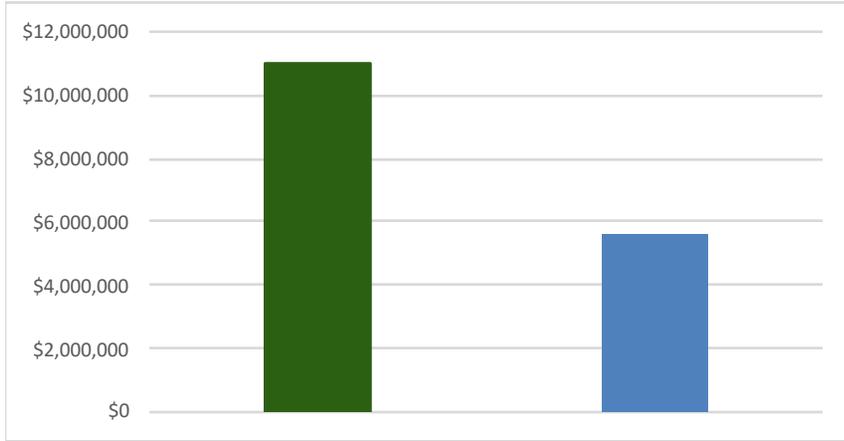
**EOY GROSS INDEX ACCUMULATED VALUE** The indexed accumulated value, not including any surrender charges, internal loans, or 3rd party lender debt.

**EOY INDEX VALUE NET OF INT & EXT LOANS** The indexed accumulated value, minus any surrender charges, internal loans, and 3rd party lender debt.

## **FIRST-DOLLAR FINANCING vs. EQUITIES & BONDS PORTFOLIO**

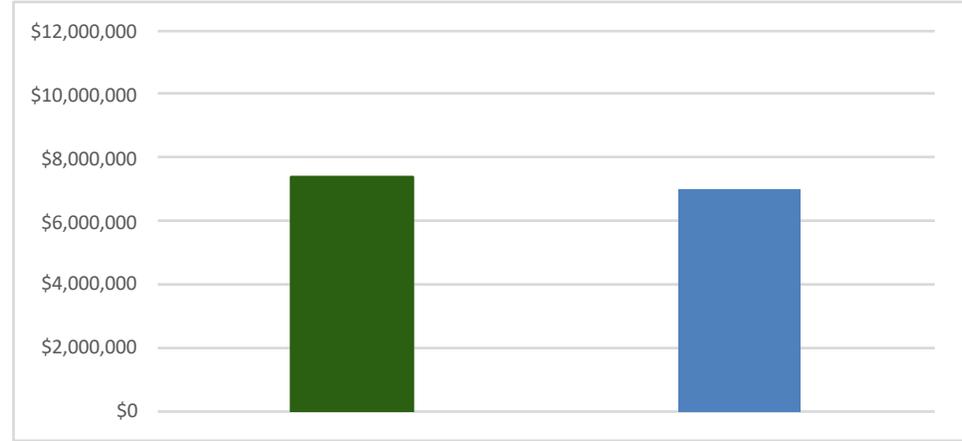
AN INCOME DRAWDOWN & ACCOUNT VALUE COMPARISON

**BEST CAGR PERIOD OUT OF 121 DIFFERENT 40-YEAR S&P PERIODS ANALYZED**



	<b>FIRST-DOLLAR FINANCING</b>	<b>EQUITIES &amp; BONDS ACCOUNT</b>
<b>BEST 40:</b>		
AVE ANNUAL INCOME:	\$550,103	\$565,642
TOTAL INCOME:	\$11,002,062	\$5,656,421
YR 40 ACCOUNT VALUE:	\$10,798,245	\$0

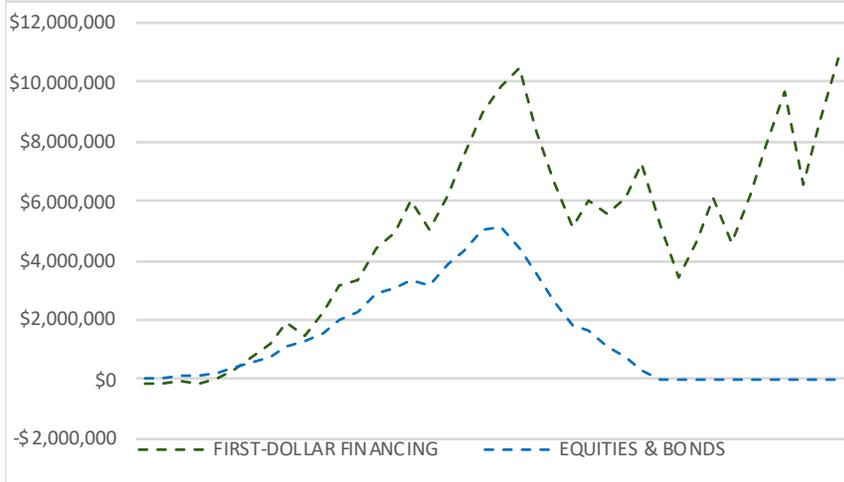
**WORST CAGR PERIOD OUT OF 121 DIFFERENT 40-YEAR S&P PERIODS ANALYZED**



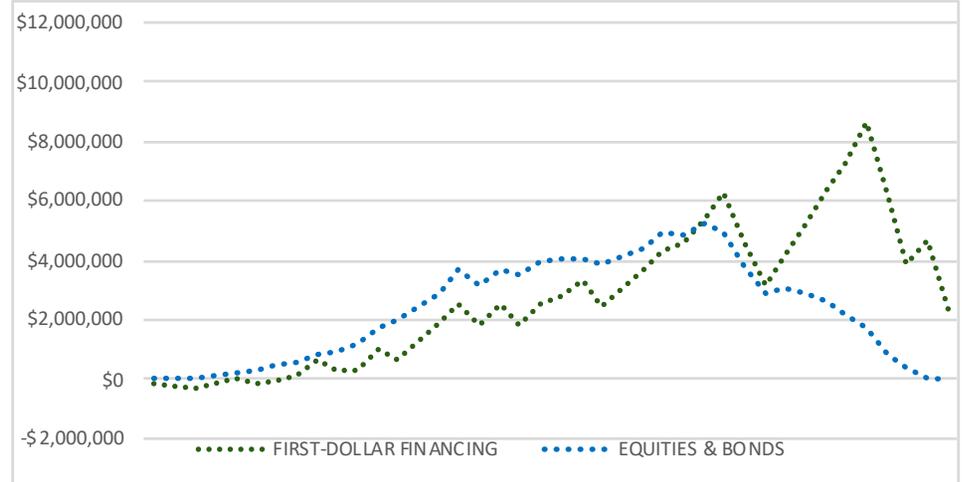
	<b>FIRST-DOLLAR FINANCING</b>	<b>EQUITIES &amp; BONDS ACCOUNT</b>
<b>WORST 40:</b>		
AVE ANNUAL INCOME:	\$369,842	\$353,207
TOTAL INCOME:	\$7,396,847	\$7,064,131
YR 40 ACCOUNT VALUE:	\$2,308,549	\$0

**NET ACCOUNT VALUE (COMPARISON)**

**BEST CAGR PERIOD OUT OF 121 DIFFERENT 40-YEAR S&P PERIODS ANALYZED**



**WORST CAGR PERIOD OUT OF 121 DIFFERENT 40-YEAR S&P PERIODS ANALYZED**



*DISCLAIMER: The "Gross Equities Return" is a hypothetical return based on historical annual point-to-point S&P 500 performance (starting on the first day of a particular month) not including dividends, plus a 2.00% bonus added. The "Gross Bond Return" is a hypothetical return based on historical 10-Year T-Bond Returns during the January 1st to December 31st period. The taxation and investment fees are merely hypothetical based on certain assumptions, and would vary from client situation to client situation based on a number of factors and variables. Such variables may be changed and modeled per the client or advisor's request. The assumptions made in this document are purely hypothetical and do not represent any specific investment, fund or asset in particular. The purpose of this document is for educational purposes only.*

# HYPOTHETICAL EQUITIES & BONDS ACCOUNT vs. FIRST-DOLLAR FINANCING

## BEST CAGR 40-YEAR PERIOD OUT OF 121 DIFFERENT INDEX PERIODS ANALYZED (STARTING 2/1/1978)

EQUITIES BONDS Current Adjusted Gross Income (AGI): **\$100,000** % of Equities Taxed at STCG Tax Rates: **0.00%**  
 <AGE 56: **70.00%** **30.00%** Current Income Tax Rate: **30.00%** % of Equities Taxed at LTCG Tax Rates: **100.00%**  
 AGE 56+: **70.00%** **30.00%** Long-Term Capital Gains Tax Rate: **23.00%** % of Bonds Taxed at STCG Tax Rates: **100.00%**  
 State of Residence: **CA**

Investment Fees (All-In): **1.35%**  
 Advisor Fee: 0.50%  
 Fund Manager Fee: 0.70%  
 Broker Dealer Fee: 0.15%

#	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
YEAR	AGE	ANNUAL INVESTED	CALENDAR YEAR	GROSS EQUITIES RETURN	AFTER-FEE EQUITIES RETURN	AFTER-FEE & TAX EQUITIES RETURN	CALENDAR YEAR	GROSS BOND RETURN	AFTER-FEE BOND RETURN	AFTER-FEE & TAX BOND RETURN	TOTAL CHARGES	NET RETURN	INCOME DRAWDOWNS	AFTER-TAX ACCOUNT VALUE	LEVERAGED SYNTHETIC ACCOUNT VALUE	LEVERAGED SYNTHETIC INCREASE
1	45	\$14,000	1978	13.97%	12.62%	9.71%	1978	-7.81%	-9.16%	-9.16%	1.35%	4.05%	\$0	\$14,567	vs	-\$134,961
2	46	\$28,600	1979	16.24%	14.89%	11.47%	1979	-9.51%	-10.86%	-10.86%	1.35%	4.77%	\$0	\$45,225	vs	-\$107,010
3	47	\$43,980	1980	15.48%	14.13%	10.88%	1980	-14.57%	-15.92%	-15.92%	1.35%	2.84%	\$0	\$91,740	vs	-\$22,699
4	48	\$60,368	1981	-5.06%	-6.41%	-6.41%	1981	-1.94%	-3.29%	-3.29%	1.35%	-5.47%	\$0	\$143,781	vs	-\$141,406
5	49	\$78,052	1982	22.68%	21.33%	16.42%	1982	25.14%	23.79%	16.65%	1.35%	16.49%	\$0	\$258,421	vs	\$57,927
6	50	\$97,395	1983	14.46%	13.11%	10.10%	1983	-0.01%	-1.36%	-1.36%	1.35%	6.66%	\$0	\$379,513	vs	\$345,677
7	51	\$118,853	1984	11.93%	10.58%	8.14%	1984	9.04%	7.69%	5.39%	1.35%	7.32%	\$0	\$534,827	vs	\$732,129
8	52	\$142,998	1985	19.90%	18.55%	14.28%	1985	21.41%	20.06%	14.04%	1.35%	14.21%	\$0	\$774,140	vs	\$1,240,408
9	53	\$170,548	1986	31.42%	30.07%	23.15%	1986	21.97%	20.62%	14.43%	1.35%	20.54%	\$0	\$1,138,692	vs	\$1,890,279
10	54	\$202,397	1987	-4.21%	-5.56%	-5.56%	1987	-8.32%	-9.67%	-9.67%	1.35%	-6.79%	\$0	\$1,250,023	vs	\$1,428,061
11	55	\$217,876	1988	17.72%	16.37%	12.60%	1988	3.98%	2.63%	1.84%	1.35%	9.37%	\$0	\$1,605,501	vs	\$2,247,929
12	56	\$236,451	1989	12.63%	11.28%	8.68%	1989	12.27%	10.92%	7.65%	1.35%	8.37%	\$0	\$1,996,160	vs	\$3,173,407
13	57	\$258,742	1990	6.51%	5.16%	3.98%	1990	0.79%	-0.56%	-0.56%	1.35%	2.62%	\$0	\$2,313,890	vs	\$3,378,647
14	58	\$285,490	1991	20.86%	19.51%	15.02%	1991	10.33%	8.98%	6.29%	1.35%	12.40%	\$0	\$2,921,695	vs	\$4,449,240
15	59	\$0	1992	9.34%	7.99%	6.15%	1992	6.15%	4.80%	3.36%	1.35%	5.31%	\$0	\$3,076,934	vs	\$4,967,103
16	60	\$0	1993	11.76%	10.41%	8.02%	1993	10.94%	9.59%	6.71%	1.35%	7.62%	\$0	\$3,311,544	vs	\$5,995,335
17	61	\$0	1994	-0.32%	-1.67%	-1.67%	1994	-10.37%	-11.72%	-11.72%	1.35%	-4.69%	\$0	\$3,156,282	vs	\$5,078,603
18	62	\$0	1995	37.20%	35.85%	27.61%	1995	20.11%	18.76%	13.13%	1.35%	23.26%	\$0	\$3,890,572	vs	\$6,205,722
19	63	\$0	1996	25.61%	24.26%	18.68%	1996	-1.46%	-2.81%	-2.81%	1.35%	12.23%	\$0	\$4,366,433	vs	\$7,499,832
20	64	\$0	1997	26.69%	25.34%	19.51%	1997	7.43%	6.08%	4.25%	1.35%	14.94%	\$0	\$5,018,593	vs	\$8,983,549
21	65	\$0	1998	32.54%	31.19%	24.01%	1998	13.16%	11.81%	8.27%	1.35%	19.29%	-\$718,684	\$5,129,428	vs	\$9,867,882
22	66	\$0	1999	10.97%	9.62%	7.41%	1999	-10.22%	-11.57%	-11.57%	1.35%	1.72%	-\$789,431	\$4,414,477	vs	\$10,501,043
23	67	\$0	2000	-0.04%	-1.39%	-1.39%	2000	12.84%	11.49%	8.05%	1.35%	1.44%	-\$840,083	\$3,625,891	vs	\$8,463,349
24	68	\$0	2001	-15.26%	-16.61%	-16.61%	2001	2.67%	1.32%	0.92%	1.35%	-11.35%	-\$677,068	\$2,614,085	vs	\$6,682,762
25	69	\$0	2002	-22.29%	-23.64%	-23.64%	2002	13.32%	11.97%	8.38%	1.35%	-14.03%	-\$534,621	\$1,787,655	vs	\$5,130,208
26	70	\$0	2003	34.19%	32.84%	25.29%	2003	-1.85%	-3.20%	-3.20%	1.35%	16.74%	-\$410,417	\$1,607,770	vs	\$6,020,686
27	71	\$0	2004	6.43%	5.08%	3.91%	2004	1.77%	0.42%	0.29%	1.35%	2.83%	-\$481,655	\$1,157,951	vs	\$5,549,174
28	72	\$0	2005	10.36%	9.01%	6.94%	2005	-0.51%	-1.86%	-1.86%	1.35%	4.30%	-\$443,934	\$744,730	vs	\$6,142,999
29	73	\$0	2006	14.36%	13.01%	10.01%	2006	-1.23%	-2.58%	-2.58%	1.35%	6.24%	-\$491,440	\$269,089	vs	\$7,260,151
30	74	\$0	2007	-2.15%	-3.50%	-3.50%	2007	7.15%	5.80%	4.06%	1.35%	-1.23%	-\$269,089	\$0	vs	\$5,261,089
31	75	\$0	2008	-38.09%	-39.44%	-39.44%	2008	15.66%	14.31%	10.02%	1.35%	-24.60%	\$0	\$0	vs	\$3,391,118
32	76	\$0	2009	32.03%	30.68%	23.62%	2009	-10.80%	-12.15%	-12.15%	1.35%	12.89%	\$0	\$0	vs	\$4,681,633
33	77	\$0	2010	21.76%	20.41%	15.72%	2010	6.71%	5.36%	3.75%	1.35%	12.13%	\$0	\$0	vs	\$6,073,739
34	78	\$0	2011	4.04%	2.69%	2.07%	2011	12.48%	11.13%	7.79%	1.35%	3.79%	\$0	\$0	vs	\$4,610,670
35	79	\$0	2012	16.15%	14.80%	11.40%	2012	0.88%	-0.47%	-0.47%	1.35%	7.84%	\$0	\$0	vs	\$6,170,333
36	80	\$0	2013	20.99%	19.64%	15.12%	2013	-10.42%	-11.77%	-11.77%	1.35%	7.06%	\$0	\$0	vs	\$7,854,438
37	81	\$0	2014	13.92%	12.57%	9.68%	2014	8.98%	7.63%	5.34%	1.35%	8.37%	\$0	\$0	vs	\$9,677,489
38	82	\$0	2015	-0.74%	-2.09%	-2.09%	2015	1.16%	-0.19%	-0.19%	1.35%	-1.52%	\$0	\$0	vs	\$6,589,888
39	83	\$0	2016	19.45%	18.10%	13.94%	2016	-0.56%	-1.91%	-1.91%	1.35%	9.18%	\$0	\$0	vs	\$8,613,574
40	84	\$0	2017	25.91%	24.56%	18.91%	2017	0.66%	-0.69%	-0.69%	1.35%	13.03%	\$0	\$0	vs	\$10,798,245

Average Equities Return: **12.23%**

Average T-Bond Return: **3.94%**

Average Net Portfolio Return: **5.75%**

**BEST 40**

AVERAGE ANNUAL INCOME DRAWN DOWN: **\$565,642**

DISCLAIMER: The "Gross Equities Return" is a hypothetical return based on historical annual point-to-point S&P 500 performance (starting on the first day of a particular month) not including dividends, plus a 2.00% bonus added. The "Gross Bond Return" is a hypothetical return based on historical 10-Year T-Bond Returns during the January 1st to December 31st period. The taxation and investment fees are merely hypothetical based on certain assumptions, and would vary from client situation to client situation based on a number of factors and variables. Such variables may be changed and modeled per the client or advisor's request. The assumptions made in this document are purely hypothetical and do not represent any specific investment, fund or asset in particular. The purpose of this document is for educational purposes only.



# HYPOTHETICAL EQUITIES & BONDS ACCOUNT vs. FIRST-DOLLAR FINANCING

## WORST CAGR 40-YEAR PERIOD OUT OF 121 DIFFERENT INDEX PERIODS ANALYZED (STARTING 10/1/1971)

EQUITIES BONDS  
 <AGE 56: 70.00% 30.00%  
 AGE 56+: 70.00% 30.00%

Current Adjusted Gross Income (AGI): \$100,000  
 Current Income Tax Rate: 30.00%  
 Long-Term Capital Gains Tax Rate: 23.00%  
 State of Residence: CA

% of Equities Taxed at STCG Tax Rates: 0.00%  
 % of Equities Taxed at LTCG Tax Rates: 100.00%  
 % of Bonds Taxed at STCG Tax Rates: 100.00%

Advisor Fee: 0.50%  
 Fund Manager Fee: 0.70%  
 Broker Dealer Fee: 0.15%  
**Investment Fees (All-In): 1.35%**

#	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
YEAR	ANNUAL INVESTED	CALENDAR YEAR	GROSS EQUITIES RETURN	AFTER-FEE EQUITIES RETURN	AFTER-FEE & TAX EQUITIES RETURN	CALENDAR YEAR	GROSS BOND RETURN	AFTER-FEE BOND RETURN	AFTER-FEE & TAX BOND RETURN	TOTAL CHARGES	NET RETURN	INCOME DRAWDOWNS	AFTER-TAX ACCOUNT VALUE	LEVERAGED SYNTHETIC ACCOUNT VALUE	LEVERAGED SYNTHETIC INCREASE	
1	45	\$14,000	1971	14.42%	13.07%	10.06%	1971	5.27%	3.92%	2.74%	1.35%	7.87%	\$0	\$15,101	vs	-\$134,961
2	46	\$28,600	1972	0.08%	-1.27%	-1.27%	1972	-0.44%	-1.79%	-1.79%	1.35%	-1.42%	\$0	\$43,079	vs	-\$212,393
3	47	\$43,980	1973	-39.40%	-40.75%	-40.75%	1973	-2.37%	-3.72%	-3.72%	1.35%	-29.64%	\$0	\$61,253	vs	-\$304,732
4	48	\$60,368	1974	34.00%	32.65%	25.14%	1974	-8.16%	-9.51%	-9.51%	1.35%	14.74%	\$0	\$139,550	vs	-\$184,210
5	49	\$78,052	1975	27.48%	26.13%	20.12%	1975	-5.07%	-6.42%	-6.42%	1.35%	12.16%	\$0	\$244,056	vs	\$10,326
6	50	\$97,395	1976	-6.28%	-7.63%	-7.63%	1976	9.68%	8.33%	5.83%	1.35%	-3.59%	\$0	\$329,198	vs	-\$167,839
7	51	\$118,853	1977	8.23%	6.88%	5.29%	1977	-4.89%	-6.24%	-6.24%	1.35%	1.83%	\$0	\$456,264	vs	-\$40,909
8	52	\$142,998	1978	8.61%	7.26%	5.59%	1978	-7.81%	-9.16%	-9.16%	1.35%	1.17%	\$0	\$606,247	vs	\$146,573
9	53	\$170,548	1979	16.76%	15.41%	11.87%	1979	-9.51%	-10.86%	-10.86%	1.35%	5.05%	\$0	\$816,016	vs	\$658,510
10	54	\$202,397	1980	-5.40%	-6.75%	-6.75%	1980	-14.57%	-15.92%	-15.92%	1.35%	-9.50%	\$0	\$921,691	vs	\$267,488
11	55	\$217,876	1981	5.65%	4.30%	3.31%	1981	-1.94%	-3.29%	-3.29%	1.35%	1.33%	\$0	\$1,154,743	vs	\$311,089
12	56	\$236,451	1982	39.91%	38.56%	29.69%	1982	25.14%	23.79%	16.65%	1.35%	25.78%	\$0	\$1,749,838	vs	\$985,363
13	57	\$258,742	1983	2.02%	0.67%	0.51%	1983	-0.01%	-1.36%	-1.36%	1.35%	-0.05%	\$0	\$2,007,606	vs	\$628,688
14	58	\$285,490	1984	11.62%	10.27%	7.91%	1984	9.04%	7.69%	5.39%	1.35%	7.15%	\$0	\$2,457,089	vs	\$1,302,689
15	59	\$0	1985	29.04%	27.69%	21.32%	1985	21.41%	20.06%	14.04%	1.35%	19.14%	\$0	\$2,927,344	vs	\$1,883,170
16	60	\$0	1986	41.13%	39.78%	30.63%	1986	21.97%	20.62%	14.43%	1.35%	25.77%	\$0	\$3,681,726	vs	\$2,556,974
17	61	\$0	1987	-13.51%	-14.86%	-14.86%	1987	-8.32%	-9.67%	-9.67%	1.35%	-13.30%	\$0	\$3,191,911	vs	\$1,838,980
18	62	\$0	1988	30.41%	29.06%	22.37%	1988	3.98%	2.63%	1.84%	1.35%	16.21%	\$0	\$3,709,461	vs	\$2,545,926
19	63	\$0	1989	-10.34%	-11.69%	-11.69%	1989	12.27%	10.92%	7.65%	1.35%	-5.89%	\$0	\$3,490,903	vs	\$1,777,597
20	64	\$0	1990	28.73%	27.38%	21.08%	1990	0.79%	-0.56%	-0.56%	1.35%	14.59%	\$0	\$4,000,284	vs	\$2,519,153
21	65	\$0	1991	9.72%	8.37%	6.44%	1991	10.33%	8.98%	6.29%	1.35%	6.40%	-\$201,532	\$4,041,768	vs	\$2,769,080
22	66	\$0	1992	11.84%	10.49%	8.08%	1992	6.15%	4.80%	3.36%	1.35%	6.66%	-\$221,526	\$4,074,815	vs	\$3,365,683
23	67	\$0	1993	2.82%	1.47%	1.13%	1993	10.94%	9.59%	6.71%	1.35%	2.81%	-\$269,255	\$3,912,400	vs	\$2,444,782
24	68	\$0	1994	28.30%	26.95%	20.75%	1994	-10.37%	-11.72%	-11.72%	1.35%	11.01%	-\$195,583	\$4,126,032	vs	\$3,059,568
25	69	\$0	1995	19.61%	18.26%	14.06%	1995	20.11%	18.76%	13.13%	1.35%	13.78%	-\$244,765	\$4,416,201	vs	\$3,677,492
26	70	\$0	1996	39.82%	38.47%	29.62%	1996	-1.46%	-2.81%	-2.81%	1.35%	19.89%	-\$294,199	\$4,941,972	vs	\$4,352,350
27	71	\$0	1997	9.36%	8.01%	6.17%	1997	7.43%	6.08%	4.25%	1.35%	5.59%	-\$348,188	\$4,850,775	vs	\$4,573,582
28	72	\$0	1998	28.13%	26.78%	20.62%	1998	13.16%	11.81%	8.27%	1.35%	16.91%	-\$365,887	\$5,243,424	vs	\$5,368,491
29	73	\$0	1999	13.99%	12.64%	9.73%	1999	-10.22%	-11.57%	-11.57%	1.35%	3.34%	-\$429,479	\$4,974,851	vs	\$6,238,967
30	74	\$0	2000	-25.54%	-26.89%	-26.89%	2000	12.84%	11.49%	8.05%	1.35%	-16.41%	-\$499,117	\$3,741,403	vs	\$4,623,381
31	75	\$0	2001	-19.68%	-21.03%	-21.03%	2001	2.67%	1.32%	0.92%	1.35%	-14.44%	-\$369,870	\$2,884,595	vs	\$3,112,193
32	76	\$0	2002	24.16%	22.81%	17.57%	2002	13.32%	11.97%	8.38%	1.35%	14.81%	-\$248,975	\$3,025,946	vs	\$4,123,264
33	77	\$0	2003	13.91%	12.56%	9.67%	2003	-1.85%	-3.20%	-3.20%	1.35%	5.81%	-\$329,861	\$2,852,687	vs	\$5,215,510
34	78	\$0	2004	12.25%	10.90%	8.39%	2004	1.77%	0.42%	0.29%	1.35%	5.96%	-\$417,241	\$2,580,642	vs	\$6,398,571
35	79	\$0	2005	10.71%	9.36%	7.21%	2005	-0.51%	-1.86%	-1.86%	1.35%	4.49%	-\$511,886	\$2,161,605	vs	\$7,258,108
36	80	\$0	2006	16.29%	14.94%	11.50%	2006	-1.23%	-2.58%	-2.58%	1.35%	7.28%	-\$580,649	\$1,696,055	vs	\$8,645,240
37	81	\$0	2007	-21.61%	-22.96%	-22.96%	2007	7.15%	5.80%	4.06%	1.35%	-14.85%	-\$691,619	\$855,278	vs	\$6,177,435
38	82	\$0	2008	-7.37%	-8.72%	-8.72%	2008	15.66%	14.31%	10.02%	1.35%	-3.10%	-\$494,195	\$349,896	vs	\$3,862,113
39	83	\$0	2009	9.96%	8.61%	6.63%	2009	-10.80%	-12.15%	-12.15%	1.35%	0.99%	-\$308,969	\$41,334	vs	\$4,675,626
40	84	\$0	2010	1.14%	-0.21%	-0.21%	2010	6.71%	5.36%	3.75%	1.35%	0.98%	-\$41,334	\$0	vs	\$2,308,549

Average Equities Return: 10.02%

Average T-Bond Return: 3.46%

Average Net Portfolio Return: 4.18%

WORST 40

AVERAGE ANNUAL INCOME DRAWN DOWN: \$353,207

DISCLAIMER: The "GrossEquitiesReturn" is a hypothetical return based on historical annual point-to-point S&P 500 performance (starting on the first day of a particular month) not including dividends, plus a 2.00% bonus added. The "GrossBond Return" is a hypothetical return based on historical 10-Year T-Bond Returns during the January 1st to December 31st period. The taxation and investment fees are merely hypothetical based on certain assumptions, and would vary from client situation to client situation based on a number of factors and variables. Such variables may be changed and modeled per the client or advisor's request. The assumptions made in this document are purely hypothetical and do not represent any specific investment, fund or asset in particular. The purpose of this document is for educational purposes only.



## CLIENT CONFIRMATION OF UNDERSTANDING THIS DOCUMENT

I understand that this document models hypothetical synthetic asset(s) that represent proxies for some real world products, and are not depictions of the actual real world products whatsoever. I understand that the various elements and assumptions made in this document including but not limited to the hypothetical contributions, hypothetical performance, hypothetical index returns, hypothetical crediting methods, hypothetical static charges, hypothetical asset-based charges, hypothetical asset values, hypothetical lender borrowing rates, hypothetical borrowing rate components, hypothetical borrowing rate increases, and hypothetical loan fees are merely fictitious and modeled for the purpose of deepening my understanding of how such elements may hypothetically affect outcomes over time.

I understand that this document and the data depicted within should not be used to determine my decision to invest in any investment fund or purchase and sort of insurance-related product, and that I should refer to the compliance-approved prospectus or insurance carrier illustration. I understand that I should consult my trusted advisors, including but not limited to my financial advisor, insurance agent, CPA, estate planning attorney, to seek advice on investing in any sort of investment or purchasing any sort of insurance product.

I understand that Lionsmark Capital is a data analytics company that merely models a range of outcomes based on hypothetical data inputted into its system, that this document reflects such hypothetical outcomes, and agree that I shall hold harmless Lionsmark Capital, DaVinci Financial & Insurance Associates, and Darren T. Sugiyama as an individual, for any outcomes that may result from my own decision to invest in specific investments or purchase specific insurance products.

I understand that Lionsmark Capital has used this hypothetical modeling document for the purposes of educating me and my advisors on how certain charges, crediting methods, and utilization of a third party lender's capital may affect outcomes over time. I attest that I have been shown less than desirable sequences of returns from historical 40-year periods, and that I was specifically shown the 40-year period that produced the worst compounded annual growth rate out of the 121 different 40-year periods analyzed. I also understand that this "Worst 40" is not the "worst possible case scenario," and that it is in fact possible that any future 40-year periods could produce an even worse outcome than the "Worst 40" version depicted in this document. I also understand that the "Best 40" period produced the best compounded annual growth rate out of the 121 different 40-year periods analyzed, and that this "Best 40" is not the "best possible case scenario," and that it is possible that any future 40-year periods could in fact produce an even better outcome than the "Best 40" version depicted in this document.

**INTERESTED PARTY:**  
Male A45 - Retirement Income

**CLIENT ADVISOR:**  
Darren Sugiyama

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*date*

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*signature*

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*date*

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**DARREN T. SUGIYAMA**

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