Intelligent Working Capital

Changing the Banking Structure Dynamics to Your Advantage

Program Summary

Financial Reason's Intelligent Working Capital (IWC) strategy allows business entities and affluent individuals a superior means to warehouse core-foundational, liquid-wealth that cannot or should not be exposed to risk. Our firm utilizes A+ Rated Mutual Life Insurance Carriers to dramatically enhance both the safety and the yield on money typically invested in safe-havens such as Bank CDs, Corporate Bonds and Treasuries. We intelligently amplify the special attributes of the world's safest asset class, A+ Rated Mutual Life Insurance, to turn your banking relationship around, providing ultimate protection and liquidity for your funds, significant returns, and numerous other consequential benefits.

Program Overview (Why we love to use insurance as our bank)

Feature	The Flex Method Life Insurance Bank	Traditional Banking Institution
Meaningful Expansion of Balance Sheet	✓	
Protection from Litigation/Creditors	✓	
Guaranteed No Decline in Value	✓	✓ $100K FDIC limitation
Immediate Liquidity/Availability	✓	✓
Tax-Free Growth	✓	
Tax-Free Distributions	✓	
Double Digit Growth	✓	
Death Benefits	✓	
Chronic/Terminal Illness Benefits	✓	
Non-Qualified Employee Benefit Plans	✓	
Key-Man Insurance Benefits	✓	
Retirement Income Programs	✓	
Business-Inside-The-Business Dynamic	✓	
Free Checking	✓	✓
Free Calendar		✓

Our "Intelligent Working Capital" program will literally transform your "Idle Safe-Haven Money" into a Fort Knox of unparalleled safety while simultaneously creating a financial power-house . . . .

Whether things go as planned, the insureds live too long, or they die too soon...
You, yours, and the entity remain secure and growing

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Client Account Overviews

Example: Existing Corporate Client, $1,900,000 First-Year Paid Premium Deposit

Year	Distributions Annual	Distributions Cumulative	Net Cash-Value*	ROI	Death Benefit
1	--	--	$2,057,312	8.3%	$139,963,783
2	--	--	$2,126,354	5.8%	$218,445,569
3	--	--	$2,263,749	6.0%	$314,913,260
4	$125,000	$125,000	$2,261,208	5.9%	$313,111,058
5	$125,000	$250,000	$2,174,016	5.2%	$312,594,858
6	$145,000	$395,000	$2,042,060	4.5%	$310,951,231
7	$200,000	$595,000	$1,795,580	3.6%	$308,079,684
8	$250,000	$845,000	$1,758,938	4.5%	$280,685,868
9	$385,000	$1,230,000	$2,174,789	7.7%	$241,612,789
10	$830,000	$2,060,000	$2,589,692	10.9%	$209,614,219
11	$1,033,000	$3,093,000	$2,909,405	13.2%	$206,079,492
12	$1,088,000	$4,181,000	$3,268,176	14.8%	$202,388,998
13	$1,237,000	$5,418,000	$3,592,800	16.0%	$200,731,922
14	$1,403,000	$6,821,000	$3,954,671	17.0%	$202,287,239
15	$1,596,000	$8,417,000	$4,361,044	17.8%	$205,444,056
20	$2,888,000	$20,118,206	$6,643,881	20.4%	$227,788,405
25	$4,259,000	$38,713,316	$8,980,194	21.5%	$236,236,514
30	$5,660,000	$64,085,090	$11,604,753	21.9%	$228,069,353
35	$7,460,000	$97,841,712	$14,559,388	22.1%	$219,314,067

*Net Cash-Value is Total Cash-Value less Loan Value

As you can see in the above table, this business client has made a one-time deposit by rotating $1.9 mm from one safety-bucket to our new, improved safety-bucket and is expected to receive over a 22% tax-free ROI on cash returns <u>plus</u> over $200 mm in tax-free death benefits. Available tax-free distributions return all of the client's deposit by Year 10, at which time they will also own an additional $2.5 mm in net-cash value, which is the equivalent of their bank account balance. If held for 35 years, the program will provide for over $97 mm in cash distributions, a remaining net cash-value of over $14mm, and death benefits of over $200mm. All with a one-time deposit of $1.9mm.

Example: Existing Individual Client, $330,000 First-Year Paid Premium Deposit with focus on retirement income beginning in year 15.

Year	Distributions Annual	Distributions Cumulative	Net Cash-Value*	ROI	Death Benefit
1	--	--	$321,619	-2.5%	$7,915,033
2	--	--	$331,791	0.3%	$7,794,766
3	--	--	$349,671	1.9%	$7,874,766
4	--	--	$370,797	3.0%	$7,936,034
5	--	--	$399,594	3.9%	$7,995,047
6	--	--	$409,790	3.7%	$7,974,369
7	--	--	$434,428	4.0%	$7,967,741
8	--	--	$505,347	5.5%	$5,805,504
9	--	--	$591,405	6.7%	$5,865,037
10	--	--	$694,217	7.7%	$5,941,223
11	--	--	$816,702	8.6%	$6,037,380
12	--	--	$958,116	9.3%	$6,153,347
13	--	--	$1,124,599	9.9%	$6,299,228
14	--	--	$1,318,943	10.4%	$6,477,681
15	$350,000	$350,000	$1,204,481	11.1%	$6,351,925
20	$350,000	$2,100,000	$850,163	13.6%	$3,430,800
25	$375,000	$3,875,000	$892,259	14.9%	$2,951,745
30	$470,000	$5,971,206	$1,199,726	15.6%	$3,353,030
35	$625,000	$8,760,892	$1,603,002	15.9%	$3,914,202

*Net Cash-Value is Total Cash-Value less Loan Value

As you can see in the above table, this individual client has made a one-time deposit by rotating $330K from one safety-bucket to our new, improved safety-bucket and is expected to receive over a 15% tax-free ROI on cash returns plus over $3mm to $7mm in tax-free death benefits. Wishing to begin cash distributions for retirement in year 15, the client will begin receiving tax-free distributions of $350K per year (more than the initial deposit) that will grow to over $600K in year 35. If held for 35 years, the program will provide for over $8 mm in cash distributions, a net-cash-value of approximately $1.6 mm, and death benefits of approximately $4mm. All with a one-time deposit of $330K.

How it Works

Optimizing Policy and Portfolio Structure

The Financial Reason team and each client work together to design the client's optimal policy and portfolio structure, which includes the number of annual premiums to be paid, the dollar-amount and "structure" of the annual premiums, and the specific policies to blend to best achieve the client's objectives.

Deposit of Initial Premium Allows Leverage of Future Premiums

Once the policy terms are established and accepted by the carrier, the policy-holder makes the first premium deposit out of pocket, which funds the initial policy portfolio's Cash-Value (your new bank account balance). With the A+ rated carrier's guarantee of no decline in the policy Cash-Value, affiliate banks readily issue a Line of Credit (LOC) collateralized by the policy's continuously growing Cash-Value to pay all future premiums of the policy owner. As shown in the following illustration, the Cash-Value of the program rapidly grows based on the increasing dividends paid on the policies.

Policy Cash-Value Always Exceeds Bank Loan Balance

As shown in the above client examples, and the illustration following, the Financial Reason team designs your first-year initial deposit to provide you with a positive expansion of the cash equivalent (the Net Cash-Value) on your balance sheet and this balance continues to grow as your dividends increase. As a result, your Cash-Value will always exceed the loan value taken out to fund your premium payments, 100% safe leverage.

In the client example shown on graph #1, above, the year 1 cash deposit of $1,900,00 grows to a Net Cash-Value (cash equivalent) of $2,057,312 at the end of year 1. Unlike the typical experience in opening a new checking, certificate of deposit, or money market account that gets little if any rate of return, Financial Reason's intelligent banking strategy embeds your funds within the security of insurance to garner an impressive ROI from inception.

Example of Cash-Value growth: $1,000,000 Premiums, first year paid, next six years borrowed, dividends and interest are compounded:

Year	Premium Deposit	Insurer Paid Dividend	Year-end Total Cash Value	Letter of Credit Balance	Interest Expense	Net Dividend	Year-end Net Cash Value
1	$1,000,000	$50,000	$1,050,000	--	--	$50,000	$1,050,000
2	Borrowed	$102,500	$2,152,500	$1,030,000	$30,000	$72,500	$1,122,500
3	Borrowed	$157,625	$3,310,125	$2,090,900	$60,900	$96,725	$1,219,225
4	Borrowed	$215,506	$4,525,631	$3,183,627	$92,727	$122,779	$1,342,004
5	Borrowed	$276,282	$5,801,913	$4,309,136	$125,509	$150,773	$1,492,777
6	Borrowed	$340,096	$7,142,009	$5,468,410	$159,274	$180,822	$1,673,599
7	Borrowed	$407,100	$8,549,109	$6,662,462	$194,052	$213,048	$1,886,647
8	--	$427,455	$8,976,564	$6,862,336	$199,874	$227,581	$2,114,228

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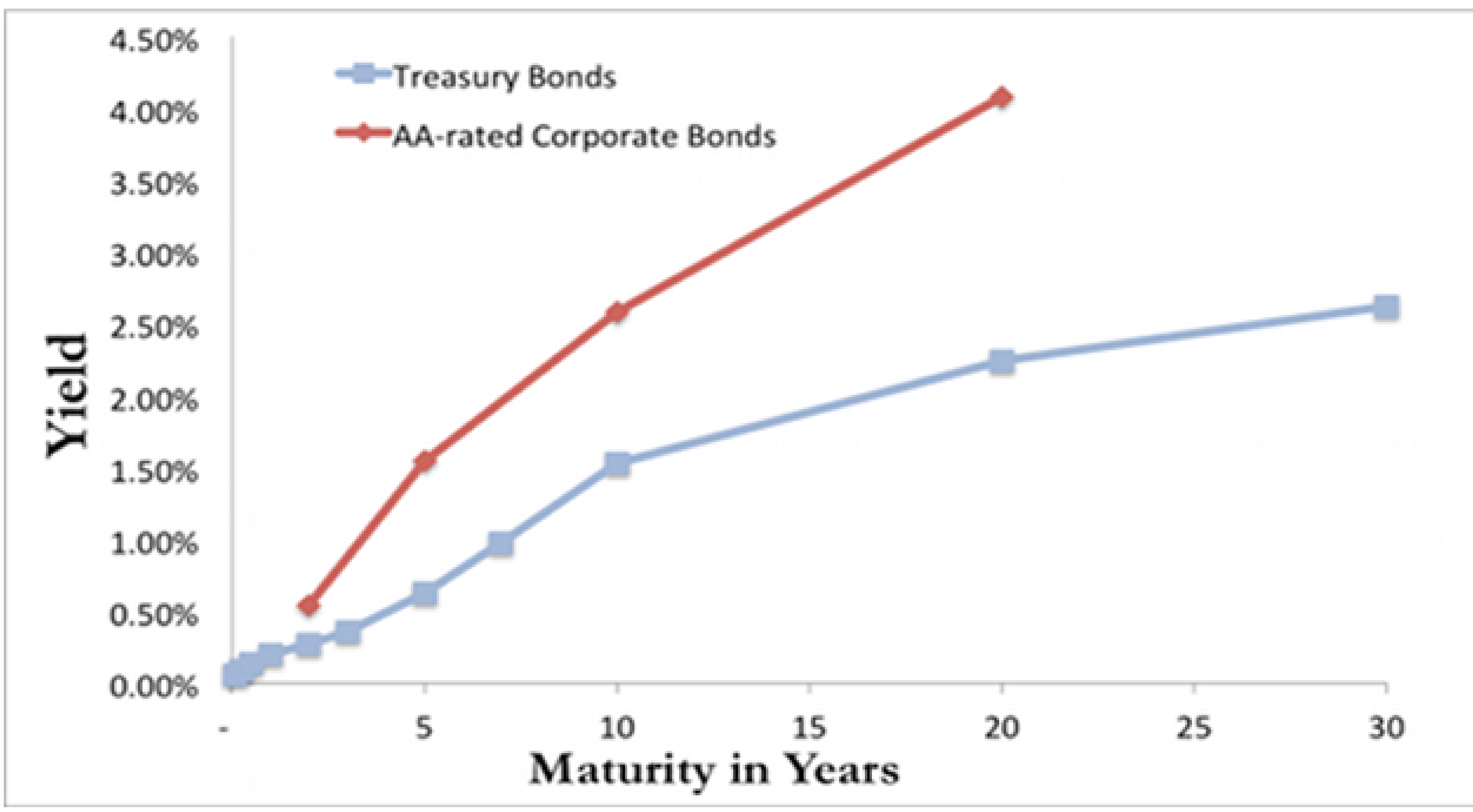
Dividend Earnings Exceed Borrowing Cost

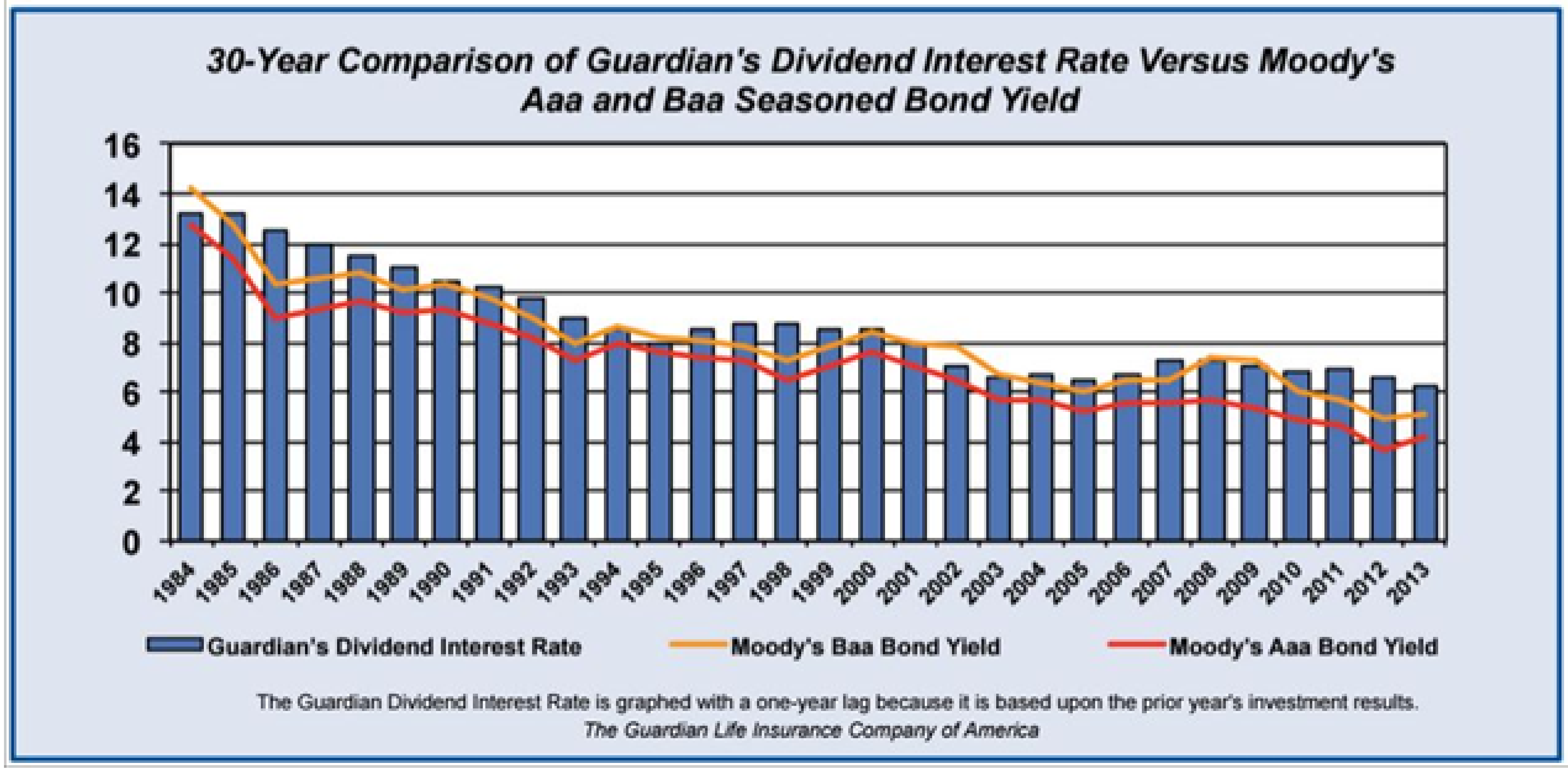
Historic analysis shows that the dividend rates paid by A+ rated carriers consistently exceed average-grade, medium/long term bond yields. In contrast, given the high credit rating of our carriers and their guarantee the Cash-Value will never decline, policy-holders borrow at high-grade, short-term rates in the range of Prime minus 1.5%. Historical analysis shows the dividend rates paid by our carriers will typically exceed the cost of borrowing by +/- 3%, providing a very significant margin for gain from the leverage. Plus, businesses can typically write-off the interest payments, effectively increasing returns even further.

In the rare instance in which short-term rates might exceed dividend rates, policy holders can easily swap their bank loans for a carrier "wash-loan" in which the interest cost equals their dividend rate. When rates normalize, the carrier loan is then replaced with a bank loan.



This chart illustrates the difference between our dividend rates earned, which generally meet or exceed the upper end of the red line (medium/long term corporate bonds), and our interest rates paid, which generally equate to the lower end of the blue line (short term, high quality rates) which provides an ongoing positive spread in earnings.

This chart shows that A+ rated mutual insurer whole-life dividends equal or exceed long-term bond yields, which as shown in the above Yield Curve above are higher than the short-term rates at which we pay interest for the leverage utilized.



No Decline in Value Provides 100% Safe Intelligent Leverage

With leverage, it's the potential decline in the value of the leveraged asset compared to the debt that creates risk. With the carriers' guarantee of no decline in cash-value, and built-in assurances you will never pay more in interest than you earn in dividends, the leverage in our strategy does not result in the risks associated with leverage of homes, businesses, real estate, bonds, stocks, and other more speculative investments.

Perfecting the Banking Strategy to Allow Clients to Become Their Own Bank

In a nutshell, we've adopted and perfected the banking strategy of borrowing money at low rates to invest in assets paying higher rates. But, rather than being exposed to the default-risks found in car, home, real estate, and business loans made by banks, we've eliminated default risk by investing in an asset issued by an A+ credit-rated institution that guarantees the cash-value will never to go down in value and has a 150+ year history of paying its dividends.

By converting their Whole Life Insurance Policy into their own bank, Financial Reason's clients make money off the banks rather than the banks making money off them.

Financial Reason's Intelligent Working Capital will Dramatically Enhance Your and Your Entity's Financial Well-Being...

Let's Build Your Intelligent Working Capital Model Today