THE EMPIRE LIFE INSURANCE COMPANY

# CLASS PLUS 2

## INFORMATION FOLDER AND CONTRACT PROVISIONS

This document contains the information folder and the contract provisons for Class Plus 2. The information folder is for information purposes only and is not an insurance contract.

**JANUARY 2013**

Empire Life®

# KEY FACTS FOR THE CLASS PLUS 2 CONTRACT

This summary provides a brief description of the basic things you should know before you apply for this individual variable insurance contract. This summary is not your contract. A description of all the features and how they work is contained in this Information Folder and the Contract Provisions. In this summary, we refer you to different sections for more details. These section numbers refer to the Information Folder. You should review these documents and discuss any questions you have with your Advisor.

## What am I purchasing?

You are purchasing Class Plus 2 contract. It is an individual variable insurance contract issued by The Empire Life Insurance Company ("Empire Life").

You can:

- Choose to make your deposits on a regular scheduled basis or as a lump sum;
- Choose among different Segregated Funds;
- Choose a registered, non-registered or Tax-Free Savings Account contract;
- Name a person to receive the Death Benefit; and
- Choose to receive income payments now or later.

Your choices may affect your taxes. Ask your Advisor to help you make your decisions.

**The value of your contract can go up or down subject to the guarantees.**

## What guarantees are available?

Your contract has Maturity and Death Benefit Guarantees and a Guaranteed Withdrawal Benefit ("GWB").

**Any withdrawals you make will reduce the benefit guarantees.**

Your Death Benefit Guarantee may increase with resets. For details on resets, see Section 7.11.

For details about the Maturity and Death Benefit Guarantees, see Sections 7.4 and 7.9.

For details about the Guaranteed Withdrawal Benefit, see Section 6.

### Maturity Benefit Guarantee

You will receive the Maturity Benefit on the Maturity Date. For details about the Maturity Date, see Section 7.2. On this date, you will receive the greater of:

- the market value of the Fund Class Units at the credit of your contract; or
- 75% of all the deposits you made reduced for any withdrawals.

For details about how the Maturity Benefit Guarantee works, see Section 7.4.

### Death Benefit Guarantee

If you die before the Maturity Date the Death Benefit is paid to the person you name as the beneficiary.

The Death Benefit is the greater of:

- the market value of the Fund Class Units at the credit of your contract; or
- 100% of all the deposits you made reduced for any withdrawals.

For details about how the Death Benefit Guarantee works, see Section 7.9.

### GWB

The GWB guarantees income payments. The income payments will last for as long as you and, if applicable, your spouse or common-law partner live if you don't make excess withdrawals. There is a fee payable. For details about the Class Plus Fee, see Section 8.3.

How much you invest and how old you or, if applicable, your spouse or common-law partner are will determine the GWB payments. The amount may increase through bonuses and resets. Excess withdrawals will decrease the amount of the GWB payments.

## Resets

Every three years an automatic reset of the Death Benefit Guarantee and the income payments under the GWB will occur, if the value of your investments goes up. For details on resets, see Sections 6.5, 6.6, and 7.11.

## What investments are available?

You can invest in various Segregated Funds. The Segregated Funds are described in the Fund Facts and in Section 11 of the Information Folder.

While there are certain benefit guarantees, Empire Life does not guarantee the performance of Segregated Funds. Carefully consider your tolerance for risk when you choose your investment(s).

## How much will this cost?

The Purchase Fee Option you choose will affect your costs. For details on Purchase Fee Options, see Section 8.2.

Management fees and expenses are deducted from the Segregated Funds. These fees and expenses are called the Management Expense Ratio ("MER"). The MER is shown on the Fund Facts for each Fund and Fund Class. The MER is deducted before the unit value is calculated. For details on the fees and expenses paid by the Funds, see Section 11.7.

There is an additional fee for the GWB. For details on the Class Plus Fee, see Section 8.3.

There may be a fee charged for withdrawals depending on the Purchase Fee Option you choose. There may also be a fee charged for excessive trading. For details on the fees, see Section 8.

### What can I do after I purchase this contract?

If you want, you can do any of the following:

**Transfer**
You may transfer from one Fund to another. For details on transfers, see Section 4.

**Withdraw**
You can withdraw money from your contract. This will affect your benefit guarantees. You may also have to pay a fee and/or taxes. For details on withdrawals, see Section 5.

**Deposit**
You can make deposits on a regular scheduled basis or as a lump sum. For details on deposits, see Section 3.

**Maturity Options**
There are different options available to you at the Maturity Date of your contract. If you do not choose a Maturity Option we will start making payments to you. For full details about the Maturity Options, see Section 7.5.

Certain restrictions and other conditions may apply. Review the Information Folder and Contract Provisions for your rights and obligations. Discuss any questions you have with your Advisor.

### What information will I receive about my contract?

We will, at least once a year, send you a statement that will show the value of your investments and all of the transactions you have made during that year.

More detailed information about the Funds available, including the audited Financial Statements, is available at your request.

### Can I change my mind?

Yes you can. This is called a rescission right. Subject to set limits, you can:

- cancel your contract; or
- cancel a payment you have made.

To do either of these, you must tell us in writing within two business days of receiving the confirmation notice. You will be deemed to have received the confirmation notice five business days after the notice is mailed by us.

The amount returned is the lesser of the deposit you made or the value of your investment if it has gone down in value. If you chose a front-end load Purchase Fee Option, the amount returned will include the fee.

If you change your mind about a specific deposit, the right to cancel only applies to that deposit.

For details about the rescission rights, see Section 3.2.

### Where can I get more information?

You may call us at 1 888 698-5554 or send us an email to classfund@empire.ca. Information about the Company and the products and services we provide is on our web site at www.empire.ca.

For information about handling issues you are unable to resolve with the Company contact the OmbudService for Life and Health Insurance at 1 800 268-8099 or on the internet at www.olhi.ca.

Empire Life is a member of Assuris. Assuris is the not for profit organization that protects Canadian policyholders in the event their life insurance company fails. Details about Assuris' protection are available at www.assuris.ca or by calling the Assuris Information Centre at 1 866 878-1225.

For information about how to contact the insurance regulator in your province, visit the Canadian Council of Insurance Regulators at www.ccir-ccrra.org.

**Any part of the deposit or other amount that is allocated to a Segregated Fund is invested at the risk of the Contract Owner and may increase or decrease in value.**

# TABLE OF CONTENTS

# INTRODUCTION

The Empire Life Insurance Company ("Empire Life") is federally incorporated in Canada. It is a stock company that was incorporated under Letters Patent granted by the Province of Ontario in 1923, to transact the business of life insurance, including the business of annuities, and continued as a federal corporation by Letters Patent in 1987. The Insurance Companies Act (Canada) governs its operations. Our Corporate Head Office is located at 259 King Street East, Kingston, Ontario, K7L 3A8.

The Information Folder for an individual variable insurance contract provides a description of the key features of the contract being considered. Our individual variable insurance contracts are offered primarily through licensed life insurance agents or financial planners, investment fund dealers or stockbrokers who are contracted with Empire Life and are also licensed to sell life insurance products.

This document contains the Information Folder (excluding the Fund Facts) and the Contract Provisions for the Class Plus 2 contract. Delivery of the Contracct Provisions does not constitute our acceptance of a contract purchase. We will send you a confirmation notice as our acceptance of a contract purchase. The confirmation notice is sent once we have received all of the required documents and the initial deposit.

The Class Plus 2 contract is a deferred annuity contract that contains Maturity Options including the option to receive an immediate annuity. The Class Plus 2 contract provides guarantees payable at the Maturity Date or on the death of the last Annuitant. The Class Plus 2 contract provides guaranteed income payments over the lifetime of the Annuitant or, if applicable, the Joint Life when certain criteria are met.

Each Segregated Fund offered by Empire Life is established and maintained in accordance with Section 451 of the Insurance Companies Act (Canada). The assets of each Segregated Fund are owned by Empire Life and are segregated from the other assets of Empire Life for the exclusive benefit of the Contract Owners whose deposits have been applied to acquire Fund Class Units in the Segregated Funds. The Segregated Funds are not separate legal entities. Each Segregated Fund is divided into units of a Fund Class and those Fund Class Units are attributed to individual contracts for the purpose of determining benefits under those contracts. The Contract Owner acquires no direct claim on the Fund Class Units of a Segregated Fund but only on the benefits provided for in the Contract Provisions. Fund Class Units credited to your contract are acquired and subsequently cancelled when required by the terms of the contract. A Contract Owner is not a shareholder or member of Empire Life and, as such, is not entitled to any voting rights. The rights of the Contract Owner are limited to those contained in the contract.

# CERTIFICATION

This is to certify that this Information Folder ("Folder") including the Fund Facts provides brief and plain disclosure of all material facts relating to the Class Plus 2 contract issued by Empire Life. The Folder is incomplete unless the Fund Facts are included. The Folder is for information purposes only and is not an insurance contract.

Les Herr
President and Chief Executive Officer

Gary McCabe
Senior Vice-President and Chief Financial Officer

# CLASS PLUS 2 INFORMATION FOLDER

## 1. GENERAL INFORMATION

### 1.1 Definitions

The following are definitions for some of the key terms used throughout this document. The definitions provided will have the same meaning throughout the Folder and the Contract Provisions.

"**Annuitant**" shall mean the individual named as Annuitant on the Application. The Annuitant is also presumed to be the Contract Owner only for the purposes of describing the benefits available;

"**Application**" shall mean the Class Plus 2 Application, the Class Plus 2 Application for Nominee/Intermediary Account, or the Class Plus 2 Application for a Tax-Free Savings Account;

**"Bonus Base"** shall mean the notional amount used to calculate the Income Base Bonus at the end of the calendar year;

**"Bonus Base Reset"** shall mean a notional increase to the Bonus Base to equal the market value of the Funds at the credit of your contract, if the market value of the Funds is greater than the Bonus Base. Commencing on the third Class Plus Anniversary Date and on every third Class Plus Anniversary Date thereafter a Bonus Base Reset will occur;

**"Class Plus Anniversary Date"** shall mean the Valuation Date of the initial deposit to your contract and every year thereafter;

"**cut-off time**" is 4:00 p.m. EST of a Valuation Date. Any deposits, switches or withdrawal requests received after the cut-off time will be processed effective the next Valuation Date. Empire Life reserves the right to change the cut-off time without advance notice to you;

"**deposits**" shall mean the premium amounts you pay to us either directly or as a transfer from another policy/contract with Empire Life or from another financial institution under the terms of the contract;

"**effective date**" shall be the date we have received all of the required documents and your initial deposit. The effective date of your contract will be as shown on the confirmation notice;

**"Excess Withdrawal"** shall occur when total withdrawals in a calendar year exceed the Lifetime Withdrawal Amount;

"**Fund(s)**" and "**Segregated Funds**" shall mean and include any one or all of the Segregated Funds and their respective Fund Classes available under the terms of the contract at any time;

"**Fund Class**" shall mean the notional division of a Segregated Fund for the purposes of determining management fees and benefit guarantees;

**"Fund Class Unit(s)"** shall mean the notional division of a Segregated Fund for the purposes of determining benefits under the contract;

**"Fund Facts"** shall mean the disclosure document that forms part of this Folder and, for specified information in the Fund Facts, part of the contract;

**"Guaranteed Withdrawal Benefit ("GWB")"** shall mean the feature of Class Plus 2 that provides for withdrawals over the life of the contract provided an Excess Withdrawal does not occur and the age eligibility requirement has been met;

**"GWB Guarantee"** shall mean a guarantee that withdrawals will continue for the life of the Annuitant or, if applicable, the life of the Joint Life provided an Excess Withdrawal does not occur and the age eligibility requirement has been met;

**"Guaranteed Payment Phase"** shall mean the period of time that withdrawals up to an annual maximum amount can occur when the market value of the Funds at the credit of your contract equals $0, subject to specified conditions;

**"Income Base"** shall mean the notional value that is the basis for determining the Lifetime Withdrawal Amount each calendar year;

**"Income Base Bonus"** shall mean a notional amount added to the Income Base at the end of each calendar year following the initial deposit during which no withdrawals are made for that year;

**"Income Base Downward Adjustment"** shall mean a potential reduction to the Income Base that occurs immediately following an Excess Withdrawal;

**"Income Base Reset"** shall mean a notional increase to the Income Base to equal the market value of the Funds at the credit of your contract, if the market value of the Funds is greater than the Income Base. Commencing on the third Class Plus Anniversary Date and on every third Class Plus Anniversary Date thereafter an Income Base Reset will occur;

"**Income Tax Act**" shall mean the *Income Tax Act* (Canada) as amended from time to time;

**"Joint Life"** shall mean, for purposes of the Joint Tiered LWA Option, the individual named as Joint Life on the Application who must be the Annuitant's spouse or common-law partner at that time;

**"Joint Tiered Lifetime Withdrawal Amount Option ("Joint Tiered LWA Option")"** shall mean an option available where withdrawals are guaranteed for the life of the Annuitant or Joint Life provided an Excess Withdrawal does not occur and the age eligibility requirement has been met;

"**last Annuitant**" shall mean the Annuitant, or if there is a Successor Annuitant or Joint Life, the survivor;

**"Lifetime Withdrawal Amount ("LWA")"** shall mean the maximum amount guaranteed to be available each calendar year for withdrawal for the life of the Annuitant or, if applicable, the life of the Joint Life, provided an Excess Withdrawal does not occur and the age eligibility requirement has been met;

“**Maturity Date**” shall mean the latest date that a contract may be owned. The Maturity Benefit is payable on the Maturity Date;

“**notice to us**” shall mean notice in writing, by any electronic means acceptable to us, or in any other form we may approve and received by us;

“**notice to you**” shall mean written notice sent by regular mail from us to you at your last known address according to our records;

“**rules**” shall mean the administrative rules and procedures established for the contract by us from time to time. We may change our rules in order to provide better service or to reflect corporate policy as well as when required by economic and legislative changes, including revisions to the Income Tax Act and applicable pension legislation. The operation of the contract and your rights as Contract Owner is subject to our rules and procedures and no prior notice to you is required for a rule or procedure, or for a change to a rule or procedure to become effective;

“**similar fund**” shall mean a Segregated Fund that has comparable fundamental investment objectives, is in the same investment fund category (in accordance with fund categories published in a financial publication with broad distribution) and has the same or a lower management fee than the management fee of the Fund in question;

**“Single Tiered Lifetime Withdrawal Amount Option (“Single Tiered LWA Option”)”** shall mean an option available where withdrawals are guaranteed for the life of the Annuitant provided an Excess Withdrawal does not occur and the age eligibility requirement has been met;

“**Successor Annuitant**” shall mean the person who will become the Annuitant on the death of the Annuitant;

“**Valuation Date**” shall mean each day that our Head Office is open for business and a value is available for the underlying assets of the Funds. Valuation of the Segregated Funds and any secondary funds occurs at the close of business each Valuation Date. We reserve the right to value a Fund less frequently than each business day, subject to a minimum monthly valuation occurring on the last business day of each month;

“**we**”, “**us**”, “**our**”, “**the Company**” and “**Empire Life**” shall mean The Empire Life Insurance Company and, for purposes of a Tax-Free Savings Account, the issuer of the Tax-Free Savings Account;

“**withdrawal fee schedule**” shall mean the schedule of fees applicable to withdrawals. The fees in effect at the time your contract is applied for are outlined in Section 8.2 Purchase Fee Options;

“**you**”, “**your**”, and “**Contract Owner**” shall mean the legal owner of the contract and, for purposes of a Tax-Free Savings Account, the holder of the Tax-Free Savings Account.

## 1.2 Use of your Personal Information

### 1.2.1 Privacy Statement

By signing the Application you understand and agree that:

1) Empire Life will maintain a file with the information contained in your Application and any related documents. The file will enable Empire Life and our employees, agents or representatives to:
   a) assess the Application;
   b) appraise any risk;
   c) assess any claim that you or your beneficiaries may make for income payments or other benefits;
   d) administer the file;
   e) answer any questions you may have about your Application or file in general; and
   f) provide you with information about your file and our products and services.
2) Your file will be kept at our Head Office. We may also use third party service providers located in or outside of Canada to process and store your personal information. You are entitled to consult your file and when applicable, have it corrected. To access a copy of our most recent Privacy Policy you may access our web site at www.empire.ca. To exercise your rights, you must send written notification to: Chief Privacy Officer, Empire Life, P.O. Box 1000, Kingston, Ontario, K7L 4Y4.
3) We will use your personal information on a continuing basis for the purpose of your file. If you refuse to provide consent for this we won’t be able to assess your Application or claim for income payments or other benefits. Without your consent we cannot issue any benefits or income payments. If you are permitted by law to withdraw your consent and do so, we won’t be able to continue to administer the contract, you nor your estate will be able to exercise any rights under the terms of the contract, and the contract may be terminated at our discretion.

### 1.2.2 Authorization and Consent

By signing the Application you authorize and provide your consent for:

1) Empire Life, our reinsurers, employees, agents and representatives, and any other person authorized by you to

collect, use and exchange personal information about you as required in order to achieve the objectives of your file;

2) Empire Life to collect from and/or disclose information regarding your file to your Advisor(s) (and agency), or any other agent as appointed by you, on an ongoing basis in order to provide you with ongoing service and advice related to your file; and

3) The Contract Owner, successor owner, joint owner, beneficiary, heirs and your personal representative or liquidator of your estate to provide Empire Life, its reinsurers and their agents, with all of the information and authorizations necessary to obtain the information required to appraise the claim following your death.

### 1.3 Correspondence

#### 1.3.1 Correspondence to Us

We ask that you send your correspondence to:
The Empire Life Insurance Company, 2920 Matheson Boulevard, Mississauga, ON, L4W 5J4. In some cases where a third party distributor is involved and the contract is held externally in a Nominee or Intermediary name, your correspondence may be directed to the third party based on the authorization given by the third party, and where that authorization is acceptable to Empire Life.

#### 1.3.2 Correspondence from Us

Please advise us immediately of any change in your address.

We will send you:

- confirmations for most financial and non-financial transactions affecting your contract;
- statements for your contract at least once a year;
- on request, the audited Financial Statements;
- on request, the semi-annual unaudited Financial Statements.

The most recently published audited Financial Statements are available at any time on our web site (www.empire.ca).

In some cases where a third party distributor is involved and the contract is held externally in a Nominee or Intermediary name, correspondence from us may be directed to the third party based on the authorization given by the third party, and where that authorization is acceptable to Empire Life.

### 1.4 Creditor Protection

The Class Plus 2 contract is an individual variable insurance contract and, under provincial insurance legislation, may be protected from creditors if the beneficiary is the spouse or common-law partner, parent, child or grandchild of the Annuitant (except in Québec where the beneficiary is the spouse, parent, child or grandchild of the Contract Owner) or if the beneficiary is irrevocable. Note that there are certain circumstances where protection from creditors will not exist. If the possible protection from creditors is an important consideration, you should consult with your legal advisor before deciding to purchase the contract.

## 2. TYPES OF CONTRACTS

### 2.1 General Information

Your contract may be purchased as registered or non-registered or as a Tax-Free Savings Account ("TFSA"). The registered contracts available include Registered Retirement Savings Plan ("RRSP") including spousal or common-law partner RRSP, Locked-In Retirement Account ("LIRA") or Locked-in RSP ("LRSP") and Registered Retirement Income Funds ("RRIF") including spousal or common-law partner RRIF, Life Income Fund ("LIF"), Locked-In Retirement Income Fund ("LRIF"), Prescribed Retirement Income Fund ("PRIF") and any other locked-in plan as allowed under the applicable pension legislation. Not all variations of the registered contracts may be available to you depending on the source of your initial deposit and the pension legislation applicable to the funds.

### 2.2 Non-Registered Contracts

A non-registered contract may be owned by a single individual, a corporation or more than one individual in any form of ownership permitted under the applicable governing legislation. The Annuitant or a third party may be the Contract Owner. The ownership of your contract may be transferred in accordance with the applicable governing legislation and our rules.

A contract that is held in a trust arrangement that is registered as an RRSP, RRIF, or TFSA (e.g. self-directed RRSP, RRIF, or TFSA) is a non-registered contract with Empire Life. The Contract Owner will be the trustee of the RRSP, RRIF, or TFSA.

If you select the Joint Tiered LWA Option, the Joint Life must be the spouse or common-law partner of the Annuitant at the time of application. A Joint Life cannot be removed or changed without terminating the contract. The Annuitant and Joint Life must be joint owners with right of survivorship (subrogated policyholders in Quebec).

You cannot borrow money from your contract however, you may use your non-registered contract as security for a loan by assigning it to the lender. The rights of the lender may take precedence over the rights of any other person claiming a death benefit. An assignment of the contract may restrict or delay certain transactions otherwise permitted. If you designate your beneficiary as irrevocable, the consent of the beneficiary will be required for an assignment.

## 2.3 Registered Contracts

**The Joint Tiered LWA Option is not available as a registered contract or as a contract held in a trust arrangement that is registered as an RRSP or RRIF (e.g. self-directed RRSP or RRIF).**

Under a registered contract, you are the Contract Owner and the Annuitant. You cannot borrow money from your contract. You cannot use your registered contract as security for a loan or assign it to a third party.

There are a number of investment vehicles available for the accumulation of retirement income. Registration of your contract as an RRSP may be more suitable as a means of long-term investment rather than for a short duration.

### 2.3.1 RRSPs

You may own and make deposits to an RRSP or spousal or common-law partner RRSP up until the latest date for RRSPs as prescribed by the Income Tax Act. Once you reach the end of the year that you attain the maximum age, you must:

1) convert to a RRIF or spousal or common-law partner RRIF; or
2) convert to a LRIF, LIF, PRIF or any other locked-in plan as allowed under the applicable pension legislation if your funds are locked-in; or
3) convert to an immediate annuity; or
4) request a cash withdrawal (not available on LIRA or LRSP plans).

### 2.3.2 RRIFs

Deposits to a RRIF or spousal or common-law partner RRIF must be from one of the sources permitted under the Income Tax Act. You may purchase a LIF, LRIF or PRIF with funds transferred from your LIRA or LRSP, or a direct transfer of locked-in funds from another financial institution.

The Income Tax Act specifies that a minimum amount must be taken every year as retirement income payments. The minimum retirement income payments for LIFs and LRIFs are the same as for a RRIF. LIFs and LRIFs may have a maximum annual income that can be paid out each year. A LIF, LRIF or PRIF may only be issued at the ages permitted by the legislation governing your former pension plan. Spousal rights prescribed under pension legislation are preserved when locked-in benefits are transferred to a LIF, LRIF or PRIF. A spousal consent or spousal waiver form may be required before the proceeds can be transferred.

Depending on the legislation governing your former pension plan, a LIF may require you to purchase a life annuity by December 31 of the year in which you attain the age of 80. An LRIF, a PRIF and under some pension legislation, a LIF, may continue for your lifetime.

Your LIF, LRIF or PRIF contract will also be subject to the RRIF provisions of the Income Tax Act.

## 2.4 TFSAs

**The Joint Tiered LWA Option is not available as a TFSA or as a contract held in a trust arrangement that is registered as a TFSA.**

Under a TFSA, you are the Contract Owner and the Annuitant. You cannot borrow money from your contract, however you may use your contract as security for a loan by assigning it to the lender. The rights of the lender may take precedence over the rights of any other person claiming a death benefit. An assignment of the contract may restrict or delay certain transactions otherwise permitted. If you designate your beneficiary as irrevocable the consent of the beneficiary will be required for an assignment.

# 3. DEPOSITS

## 3.1 General Information

When you make your initial deposit, in accordance with our rules, the Class Plus Anniversary Date will be the Valuation Date of the initial deposit. If the Valuation Date of the initial deposit is February 29th, February 28th will be the Class Plus Anniversary Date.

We reserve the right to, from time to time and at our discretion, without advance notice to you:

1) refuse to accept deposits;
2) limit the amount of deposits allocated to a Fund, a Fund Class or Purchase Fee Option;
3) impose additional conditions on deposits; and
4) limit the number of contracts owned by you.

There are minimum deposit requirements, which are subject to change in accordance with our rules. There is a minimum deposit amount of $10,000 to establish a contract. There is also a minimum initial deposit requirement of $500 per Fund in a Fund Class.

No deposits can be made:

1) if you have selected the Single Tiered LWA Option, after December 31st of the year the Annuitant turns 80 years old;

2) if you have selected the Joint Tiered LWA Option, after December 31st of the year the older of the Annuitant and the Joint Life turns 80 years old or would have turned 80 had he/she survived; and
3) during the Guaranteed Payment Phase (See Section 6.10 Guaranteed Payment Phase).

Deposits to the contract can be made on a regular scheduled basis or as subsequent lump sum deposits. The minimum scheduled deposit amount is $100 per Fund. Subsequent lump sum deposits must be at least $500 per Fund and can be made at any time while your contract is in force except for any limitations described in this Folder.

We may require medical evidence of the health of an Annuitant and reserve the right to refuse to accept a deposit or to return a deposit should incomplete or unsatisfactory evidence be provided.

Cheques must be payable to The Empire Life Insurance Company or, if your contract is in a Nominee or Intermediary name, to a third party in trust. All payments must be made in Canadian dollars.

We will apply your deposit towards the purchase of Fund Class Units in the Fund(s) you have selected at the Fund Class Unit value in effect on the Valuation Date (See Section 10.3 Valuation Date and Fund Class Unit Values).

### 3.2 Rescission Rights

You have the right to change your mind about purchasing the contract. You must provide written notice of your desire to rescind the contract to us within two business days of receiving the confirmation notice. You will be deemed to have received the confirmation notice five business days after we have mailed it.

You will receive the lesser of:

1) the market value of the Fund Class Units at the credit of your contract on the Valuation Date following the day we receive your request plus any sales charges applicable to the deposit; or
2) the amount of your deposit.

You can also change your mind about subsequent deposits to the contract on the same conditions as outlined above except as follows:

1) in the event you elect to rescind a subsequent deposit, the right to rescind the purchase will only apply to that deposit; and
2) the right to rescind a subsequent deposit does not apply to regular scheduled deposits for which confirmation notices are not issued at the time of deposit.

We reserve the right to defer payment of any value under the rescission right for 30 days following the date we receive your notice to rescind.

**Any deposit allocated to a Segregated Fund is invested at the risk of the Contract Owner and may increase or decrease in value.**

## 4. SWITCHES

### 4.1 General Information

A switch shall mean transferring funds within your contract by cancelling Fund Class Units of one Fund for their market value and acquiring Fund Class Units in another Fund.

Switches must be between Funds purchased with the same Purchase Fee Options (e.g. Fund Class Units purchased under the DSC Option can only be switched to other Fund Class Units under the DSC Option).

When you make a switch the market value of the Fund Class Units acquired by deposits that have been in the Fund the longest are switched first.

If your contract is non-registered, switches may result in a gain or a loss since they are considered a taxable disposition from the applicable Fund.

The minimum amount for a switch is currently $250. We reserve the right to refuse a switch request in accordance with our rules.

Frequent switches may result in an excessive short-term trading fee (See Section 8.4 Excessive Short-Term Trading Fee).

### 4.2 Scheduled Switches

You may, by providing notice to us, make scheduled switches in accordance with our rules. If the date selected falls on a weekend or holiday, the switch will be processed on the previous Valuation Date. We reserve the right to cancel your scheduled switches at any time or to direct your scheduled switches to a similar fund in accordance with our rules.

**The market value of Fund Class Units cancelled and acquired in accordance with a switch is not guaranteed but will fluctuate with the market value of the assets of the Funds.**

## 5. WITHDRAWALS

### 5.1 General Information

Withdrawals could significantly reduce or eliminate the value of the GWB. Withdrawals will proportionately reduce the previously established Maturity and Death Benefit Guarantees and the Income Base (See Section 6.6 Income Base Reset, Section 7.4 Maturity Benefit Guarantee, and Section 7.9 Death Benefit Guarantee).

You may, by providing notice to us and while your contract is in force, request a withdrawal on an unscheduled or scheduled basis. The minimum withdrawal amount is $250 per Fund. You must indicate in your notice to us the Fund(s) you wish to withdraw Fund Class Units from. The contract will automatically terminate when all Fund Class Units have been withdrawn except during the Guaranteed Payment Phase (See Section 6.10 Guaranteed Payment Phase).

Any applicable withdrawal fees and withholding taxes payable are deducted from the amount withdrawn (See Section 8.2 Purchase Fee Options). The minimum withdrawal amounts are calculated before withdrawal fees and withholding taxes are deducted. If the market value of the Fund Class Units on a Valuation Date (See Section 10.3 Valuation Date and Fund Class Unit Value) is not sufficient for us to make the requested withdrawal, we will make the withdrawal in accordance with our rules.

We reserve the right to refuse your request for a withdrawal or to require that your contract be cancelled if the minimum balance requirements are not met (See Section 5.4 Minimum Balance Requirements).

Withdrawals from a non-registered contract may result in a gain or a loss as this is a taxable disposition. Withdrawals from a registered contract may be subject to withholding taxes (See Section 9 Taxation).

## 5.2 Scheduled Withdrawals

Scheduled withdrawals are the automatic withdrawal of some of the market value of the Fund Class Units at the credit of your contract at regular periodic intervals. We will withdraw the amount you have requested on the date as selected by you. If the date selected falls on a weekend or holiday, the withdrawal will be processed on the previous Valuation Date. The proceeds from a scheduled withdrawal will be deposited directly into your bank account.

You may, by providing notice to us, request that scheduled withdrawals be made if your contract is non-registered, a TFSA, or a RRIF. If your contract is a RRIF scheduled withdrawals will be referred to as retirement income payments.

## 5.3 Free Withdrawal Limit

For deposits that have been made with a Deferred Sales Charge Option ("DSC Option") or Low-Load Option ("LL Option"), withdrawal fees apply to any withdrawals that occur before the end of the withdrawal fee schedule (See Section 8.2 Purchase Fee Options). However, a withdrawal of some of the market value of Fund Class Units at the credit of your contract each calendar year up to specified limits will not be charged a withdrawal fee. Withdrawals in excess of the LWA for the calendar year will be an Excess Withdrawal (See Section 6.8 Excess Withdrawals).

The free withdrawal limit is calculated as:

1) a percentage of the market value of the Fund Class Units purchased under the DSC or LL Option at the credit of your contract on December 31st of the previous calendar year; plus
2) a percentage of any deposits made in the current calendar year.

The free withdrawal limits are specified in the following chart:

| Contract Type | % of Market Value of Fund Class Units as of December 31st of previous year* | % of deposits made in current year |
|---|---|---|
| Non-registered, RRSPs and TFSAs | 10% | 10% |
| RRIFs | 20% | 20% |

**Only applies to Fund Class Units purchased under the DSC or LL Option.*

We reserve the right to change the free withdrawal limit, the conditions under which this provision is applied and the calculation of the limits in accordance with our rules.

For amounts in excess of the 10% or 20% respectively, normal withdrawal fees will apply. The free withdrawal limit is determined each calendar year and cannot be carried over to the next calendar year.

## 5.4 Minimum Balance Requirements

The market value of the Fund Class Units in a Fund at the credit of your contract at any time must be at least $250.

The market value of the Fund Class Units at the credit of your contract must be at least $500.

If the minimum balance requirements are not met we reserve the right to terminate your contract and pay the market value of the Fund Class Units at the credit of your contract, less any applicable withdrawal fees and withholding taxes, to you. We reserve the right to change the minimum balance requirements at any time.

Minimum balance requirements do not apply during the Guaranteed Payment Phase.

**The market value of Fund Class Units cancelled in accordance with a withdrawal is not guaranteed but will fluctuate with the market value of the assets of the Fund(s).**

## 6. GUARANTEED WITHDRAWAL BENEFIT ("GWB")

### 6.1 General Information

The GWB provides guaranteed payments to you and, if applicable, the Joint Life annually regardless of the investment performance of the Fund Class Units that you have invested in, subject to the terms and conditions contained in this Folder.

The Class Plus 2 contract currently offers two GWB Options:

1) the Single Tiered LWA Option; and
2) the Joint Tiered LWA Option.

The GWB Option must be selected on the Application. Once selected, the GWB Option cannot be changed without terminating your contract.

We reserve the right to change or delete a GWB Option at any time.

### 6.2 Single Tiered Lifetime Withdrawal Amount Option ("Single Tiered LWA Option")

#### 6.2.1 Calculation of the LWA for the Year of Initial Deposit

On receipt of the initial deposit, we will calculate your LWA based on the amount of the deposit (the initial Income Base) and the initial Single Tiered LWA Percentage. The initial Single Tiered LWA Percentage used is based on the Annuitant's age as of December 31st of the calendar year in which the initial deposit is made. If the Annuitant is younger than 55 as of December 31st of the current calendar year, the LWA is set to equal $0 and any withdrawal is considered an Excess Withdrawal (See Section 6.8 Excess Withdrawals). If the Annuitant is 55 or older as of December 31st of the current calendar year, the LWA will be calculated based on the initial Income Base and the initial Single Tiered LWA Percentage (as shown in the chart below) that corresponds to the Annuitant's age as of December 31st of the current calendar year.

#### 6.2.2 Calculation of the LWA for Subsequent Years

On December 31st of each year we will calculate your LWA for the following calendar year.

If total withdrawals have not exceeded the LWA for the current calendar year, the LWA for the following calendar year is the greater of:

1) the current LWA; and
2) a new LWA that is calculated based on the current Income Base (after all transactions have been processed) and the Single Tiered LWA Percentage that corresponds to the Annuitant's age as of December 31st of the following calendar year.

If total withdrawals have exceeded the LWA for the current calendar year, the LWA for the following calendar year will be an amount equal to the Single Tiered LWA Percentage of the current Income Base (after all transactions have been processed). The Single Tiered LWA Percentage will be determined based on the Annuitant's age as of December 31st of the following calendar year.

Note that the Single Tiered LWA Percentage will automatically increase as the Annuitant's age increases as shown in the chart below.

The current Single Tiered LWA Percentages are as follows:

| Annuitant's Age | Single Tiered LWA |
|---|---|
| less than 55 | 0.00% |
| 55 - 59 | 3.00% |
| 60 - 64 | 3.50% |
| 65 - 69 | 4.00% |
| 70 - 74 | 4.25% |
| 75+ | 5.00% |

We reserve the right to change the Single Tiered LWA Percentages. Such a change will not apply to contracts issued prior to the date on which the change becomes effective. If the new Single Tiered LWA Percentages are higher than those in effect when your contract was issued, we may allow you to change to the new Single Tiered LWA Percentages in accordance with our rules.

**If total withdrawals have not exceeded the LWA for the current calendar year, the remainder will not be added to the LWA for the next calendar year.**

Example – calculation of the LWA (without Excess Withdrawals)
Assumption: Annuitant is 59 years old as of December 31st 2013 (year of intial deposit).

| Date | Transaction | Amount | Income Base before Transaction | Bonus Base* | Income Base Bonus* | Income Base after Transaction | Current LWA | LWA for Next Year |
|---|---|---|---|---|---|---|---|---|
| May 01-2013 | Initial Deposit | $100,000 | $0 | $100,000 | n/a | $100,000 | $3,000 | n/a |
| Dec 31-2013 | Income Base Bonus | n/a | $100,000 | $100,000 | $5,000 | $105,000 | $3,000 | $3,675<br>(3.5% of $105,000) |
| Aug 21-2014 | Subsequent Deposit | $100,000 | $105,000 | $200,000 | n/a | $205,000 | $3,675 | n/a |
| Dec 31-2014 | Income Base Bonus | n/a | $205,000 | $200,000 | $10,000 | $215,000 | $3,675 | $7,525<br>(3.5% of $215,000) |

** See Section 6.5 Income Base Bonus*

Example – calculation of the LWA (without Excess Withdrawals)
Assumption: Annuitant is 59 years old as of December 31st 2013 (year of initial deposit).

| Date | Transaction | Amount | Income Base before Transaction | Bonus Base* | Income Base Bonus* | Income Base after Transaction | Current LWA | LWA for Next Year |
|---|---|---|---|---|---|---|---|---|
| May 01-2013 | Initial Deposit | $100,000 | $0 | $100,000 | n/a | $100,000 | $3,000 (3% of $100,000) | n/a |
| Dec 31-2013 | Income Base Bonus | n/a | $100,000 | $100,000 | $5,000 | $105,000 | $3,000 | $3,675<br>(3.5% of $105,000) |
| Aug 21-2014 | Withdrawal | $3,675 | $105,000 | $100,000 | n/a | $101,325 | $3,675 | n/a |
| Dec 31-2014 | Income Base Bonus | n/a | $101,325 | $100,000 | n/a | $101,325 | $3,675 | $3,675<br>(greaer of current LWA or 3.5% of $101,325) |
| Aug 21-2015 | Withdrawal | $3,675 | $101,325 | $100,000 | n/a | $97,650 | $3,675 | n/a |
| Dec 31-2015 | Income Base Bonus | n/a | $97,650 | $100,000 | n/a | $97,650 | $3,675 | $3,675<br>(greater of current LWA or 3.5% of $97,650) |
| Aug 21-2016 | Withdrawal | $3,675 | $97,650 | $100,000 | n/a | $93,975 | $3,675 | n/a |
| Dec 31-2016 | Income Base Bonus | n/a | $93,975 | $100,000 | n/a | $93,975 | $3,675 | $3,675<br>(greater of current LWA or 3.5% of $93,975) |
| Aug 21-2017 | Withdrawal | $3,675 | $93,975 | $100,000 | n/a | $90,300 | $3,675 | n/a |
| Dec 31-2017 | Income Base Bonus | n/a | $90,300 | $100,000 | n/a | $90,300 | $3,675 | $3,675<br>(greater of current LWA or 3.5% of $90,300) |
| Aug 21-2018 | Withdrawal | $3,675 | $90,300 | $100,000 | n/a | $86,625 | $3,675 | n/a |
| Dec 31-2018 | Income Base Bonus | n/a | $86,625 | $100,000 | n/a | $86,625 | $3,675 | $3,675<br>(greater of current LWA or 4% of $86,625) |

** See Section 6.5 Income Base Bonus*

Example – calculation of the LWA (with Excess Withdrawals)
Assumption: Annuitant is 60 years old as of December 31st 2013 (year of intial deposit).

| Date | Transaction | Amount | Income Base after Transaction | Market Value of Fund Class Units* | Current LWA | LWA for Next Year |
|---|---|---|---|---|---|---|
| May 01-2013 | Initial Deposit | $100,000 | $100,000 | $100,000 | $3,500 | n/a |
| Aug 21-2013 | Excess Withdrawal | $10,000 | $90,000 | $92,000 | $3,500 | n/a |
| Dec 31-2013 | Recalculation of LWA | n/a | $90,000 | $93,300 | $3,500 | $3,150 (3.5% of $90,000) |

**The market values quoted are hypothetical and for illustrative purposes only and should not be considered as representative of past or future investment performance.*

## 6.3 Joint Tiered Lifetime Withdrawal Amount Option ("Joint Tiered LWA Option")

If you select the Joint Tiered LWA Option, the Annuitant and Joint Life must be joint owners with right of survivorship (subrogated policyholders in Quebec), in accordance with our rules.

### 6.3.1 Calculation of the LWA for the Year of Initial Deposit

On receipt of the initial deposit, we will calculate your LWA based on the amount of the deposit (the initial Income Base) and the initial Joint Tiered LWA Percentage. The initial Joint Tiered LWA Percentage used is based on the youngest of the Annuitant and the Joint Life's age as of December 31st of the calendar year in which the initial deposit is made. If the Annuitant or the Joint Life is younger than 55 as of December 31st of the current calendar year, the LWA is set to equal $0 and any withdrawal is considered an Excess Withdrawal (See Section 6.8 Excess Withdrawals). If both the Annuitant and the Joint Life are 55 or older as of December 31st of the current calendar year, the LWA will be calculated based on the initial Income Base and the initial Joint Tiered LWA Percentage (as shown in the chart below) that corresponds to the youngest of the Annuitant and the Joint Life's age as of December 31st of the current calendar year.

### 6.3.2 Calculation of the LWA for Subsequent Years

On December 31st of each year we will calculate your LWA for the following calendar year.

If total withdrawals have not exceeded the LWA for the current calendar year, the LWA for the following calendar year is the greater of:

1) the current LWA; and
2) a new LWA that is calculated based on the current Income Base (after all transactions have been processed) and the Joint Tiered LWA Percentage that corresponds to the youngest of the Annuitant and the Joint Life's age as of December 31st of the following calendar year.

If total withdrawals have exceeded the LWA for the current calendar year, the LWA for the following calendar year will be an amount equal to the Joint Tiered LWA Percentage of the current Income Base (after all transactions have been processed). The Joint Tiered LWA Percentage will be determined based on the youngest of the Annuitant and the Joint Life's age as of December 31st of the following calendar year.

Note that the Joint Tiered LWA Percentage will automatically increase as the youngest of the Annuitant and the Joint Life's age increases as shown in the chart below. The LWA is always based on the age of the youngest of the Annuitant and the Joint Life even if that person dies while your contract is in effect.

The current Joint Tiered LWA Percentages are as follows:

| Youngest of Annuitant or Joint Life's Age | Joint Tiered LWA Percentage |
|---|---|
| less than 55 | 0.00% |
| 55 - 59 | 2.50% |
| 60 - 64 | 3.00% |
| 65 - 69 | 3.50% |
| 70 - 74 | 3.75% |
| 75+ | 4.50% |

We reserve the right to change the Joint Tiered LWA Percentages. Such a change will not apply to contracts issued prior to the date on which the change becomes effective. If the new Joint Tiered LWA Percentages are higher than those in effect when your contract was issued, we may allow you to change to the new Joint Tiered LWA Percentages in accordance with our rules.

**If total withdrawals have not exceeded the LWA for the current calendar year, the remainder will not be added to the LWA for the next calendar year.**

Example – calculation of the LWA (without Excess Withdrawals)
Assumption: Annuitant is 66 years old and Joint Life is 58 as of December 31st 2013 (year of initial deposit).

| Date | Transaction | Amount | Income Base before Transaction | Bonus Base* | Income Base Bonus* | Income Base after Transaction | Current LWA | LWA for Next Year |
|---|---|---|---|---|---|---|---|---|
| May 01-2013 | Initial Deposit | $100,000 | $0 | $100,000 | n/a | $100,000 | $2,500 | n/a |
| Dec 31-2013 | Income Base Bonus | n/a | $100,000 | $100,000 | $5,000 | $105,000 | $2,500 | $2,625 (2.5% of $105,000) |
| Aug 21-2014 | Subsequent Deposit | $100,000 | $105,000 | $200,000 | n/a | $205,000 | $2,625 | n/a |
| Dec 31-2014 | Income Base Bonus | n/a | $205,000 | $200,000 | $10,000 | $215,000 | $2,625 | $6,450 (3% of $215,000) |

** See Section 6.5 Income Base Bonus*

## 6.4 Income Base

The initial Income Base is set to equal the initial deposit.

Example – the impact of deposits on the Income Base

| Date | Transaction | Amount | Income Base Before Transaction | Income Base After Transaction |
|---|---|---|---|---|
| Dec 02-2012 | Initial Deposit | $80,000 | $0 | $80,000 |
| May-11-2013 | Subsequent Deposit | $30,000 | $80,000 | $110,000 |

Example – the impact of withdrawals on the Income Base (not exceeding the LWA)

| Date | Transaction | Amount | Income Base Before Transaction | Income Base After Transaction |
|---|---|---|---|---|
| Dec 02-2012 | Initial Deposit | $200,000 | $0 | $200,000 |
| May 11-2013 | Withdrawal (not exceeding the LWA) | $2,000 | $200,000 | $198,000 |
| Sep 30-2013 | Withdrawal (not exceeding the LWA) | $1,000 | $198,000 | $197,000 |

The Income Base may:

1) increase by any subsequent deposits;
2) increase on the last Valuation Date of each calendar year by a notional Income Base Bonus (See Section 6.5 Income Base Bonus);
3) increase on every third Class Plus Anniversary Date as a result of an Income Base Reset (See Section 6.6 Income Base Reset);
4) decrease by any withdrawals; and
5) decrease additionally for Excess Withdrawals (See Section 6.8 Excess Withdrawals).

## 6.5 Income Base Bonus

The contract may be eligible for notional bonuses that will increase your Income Base each calendar year following the initial deposit. This includes the calendar year of the initial deposit.

If there are no withdrawals during the calendar year, the Income Base will increase by a notional Income Base Bonus. The amount of the Income Base Bonus is currently equal to 5% of the current Bonus Base. Income Base Bonuses are applied to the Income Base on the last Valuation Date of the calendar year.

We reserve the right to change the Income Base Bonus percentage. Such a change will not apply to contracts issued prior to the date on which the change becomes effective. If the new Income Base Bonus percentage is higher than the Income Base Bonus percentage in effect when your contract was issued, we may increase the Income Base Bonus percentage in accordance with our rules.

Income Base Bonuses do not affect the market value of the Fund Class Units at the credit of your contract.

The Bonus Base is equal to the initial deposit. The Bonus Base will increase by the amount of any subsequent deposits.

Commencing on the third Class Plus Anniversary Date and on every third Class Plus Anniversary Date thereafter, a Bonus Base Reset will automatically occur. A Bonus Base Reset may result in an increase to the Bonus Base. If the market value of the Fund Class Units at the credit of your contract is greater than the Bonus Base, the Bonus Base is increased to equal the market value of the Fund Class Units at the credit of your contract, otherwise it will remain unchanged. If the Class Plus Anniversary Date does not fall on a Valuation Date the most recent Valuation Date prior to the Class Plus Anniversary Date will be used for calculating the market value of the Fund Class Units at the credit of your contract.

If an Excess Withdrawal occurs and the market value of the Fund Class Units at the credit of your contract, determined immediately after the withdrawal, is less than the Bonus Base, the Bonus Base is decreased to equal the market value of the Fund Class Units at the credit of your contract, otherwise it will remain unchanged.

Example – Income Base Bonus

| Date | Transaction | Amount | Bonus Base after Transaction | Income Base Bonus | Income Base after Transaction | Market Value of Fund Class Units* |
|---|---|---|---|---|---|---|
| May 01-2013 | Initial Deposit | $100,000 | $100,000 | n/a | $100,000 | $100,000 |
| Aug 21-2013 | Subsequent Deposit | $20,000 | $120,000 | n/a | $120,000 | $120,947 |
| Dec 31-2013 | Income Base Bonus | n/a | $120,000 | $6,000 (5% of $120,000) | $126,000 | $125,273 |
| Dec 31-2014 | Income Base Bonus | n/a | $120,000 | $6,000 (5% of $120,000) | $132,000 | $133,100 |
| Dec 31-2015 | Income Base Bonus | n/a | $120,000 | $6,000 (5% of $120,000) | $138,000 | $141,387 |
| May 01-2016 | Income Base/Bonus Base Reset | n/a | $142,884 (greater of Bonus Base and Market Value) | n/a | $142,884 (greater of Income Base and Market Value) | $142,884 |
| Dec 31-2016 | Income Base Bonus | n/a | $142,884 | $7,144 (5% of $142,884) | $150,028 | $148,232 |
| Mar 03-2017 | Excess Withdrawal | $20,000 | $129,333 (lesser of Bonus Base and Market Value) | n/a | $129,333 (lesser of Income Base and Market Value) | $129,333 |
| Sep 20-2017 | Excess Withdrawal | $1,000 | $129,333 (lesser of Income Base and Market Value) | n/a | $128,333 (lesser of Income Base and Market Value) | $130,001 |
| Dec 31-2017 | No Income Base Bonus | n/a | $129,333 | n/a | $128,333 | $132,987 |
| Dec 31-2018 | Income Base Bonus | n/a | $129,333 | $6,467 (5% of $129,333) | $134,800 | $133,671 |

**The market values quoted are hypothetical and for illustrative purposes only and should not be considered as representative of past or future investment performance.*

## 6.6 Income Base Reset

Commencing on the third Class Plus Anniversary Date and on every third Class Plus Anniversary Date thereafter, an Income Base Reset will automatically occur that may result in an increase to the Income Base. If the market value of the Fund Class Units at the credit of your contract is greater than the Income Base, then the Income Base is increased to equal the market value of the Fund Class Units at the credit of your contract, otherwise it will remain unchanged.

If the Class Plus Anniversary Date is not a Valuation Date, then the most recent Valuation Date prior to the Class Plus Anniversary Date will be used for calculation purposes.

Example – Income Base Reset

| Date | Transaction | Income Base before Transaction | Income Base Reset | Market Value of Fund Class Units* | Income Base after Transaction |
|---|---|---|---|---|---|
| May 01-2013 | Initial Deposit | $0 | | $100,000 | $100,000 |
| Dec 31-2013 | Income Base Bonus | $100,000 | | $103,200 | $105,000 |
| May 01-2014 | Class Plus Anniversary Date | $105,000 | No | $105,500 | $105,000 |
| Dec 31-2014 | Income Base Bonus | $105,000 | | $111,400 | $110,000 |
| May 01-2015 | Class Plus Anniversary Date | $110,000 | No | $112,800 | $110,000 |
| Dec 31-2015 | Income Base Bonus | $110,000 | | $115,200 | $115,000 |
| May 01-2016 | Class Plus Anniversary Date | $115,000 | Yes | $116,300 | $116,300 |

**The market values quoted are hypothetical and for illustrative purposes only and should not be considered as representative of past or future investment performance.*

## 6.7 Retirement Income Payment Options

### Minimum

If your contract is a RRIF, the Income Tax Act requires that a minimum amount be withdrawn every year as retirement income payments. You are not required to receive a payment for the calendar year in which your contract is established. For each subsequent year, the minimum retirement income payment is calculated in accordance with the minimum payment schedule as specified in Section 146.3 of the Income Tax Act. The minimum retirement income payment for each calendar year is based on the market value of your contract at the beginning of that calendar year.

If the minimum retirement income payment is higher than the LWA for a calendar year, withdrawals up to the RRIF minimum amount will not be considered an Excess Withdrawal (See Section 6.8 Excess Withdrawals).

We reserve the right to restrict the use of the spouse or common-law partner's age for the purposes of determining the maximum guaranteed payment available for a calendar year.

If the total of your retirement income payments and any unscheduled withdrawals that you make in a calendar year is less than the required minimum for that year, we will make a payment to you, subject to our rules, before the end of that calendar year to meet the required minimum amount.

### Maximum

If your contract is locked-in under pension legislation there may be a maximum income amount that can be received each calendar year. The maximum income amount, if applicable, is determined based on the pension legislation.

If the LWA is higher than your LIF/LRIF maximum income amount for a calendar year, you will only be able to withdraw up to your LIF/LRIF maximum income amount.

If the LWA is lower than your LIF/LRIF maximum income amount for a calendar year, you can withdraw the LWA without it being considered an Excess Withdrawal (See Section 6.8 Excess Withdrawals).

### Level

You may elect to receive any amount greater than or equal to the minimum but less than the maximum, if applicable, for retirement income payments in any calendar year.

### 6.7.1 Allowances made for Contracts held in a Self-Directed RRIF

A contract held in a trust arrangement that is registered as a RRIF, is administered as a non-registered contract with Empire Life. If the Trustee of such a RRIF has notified us that the contract is held in a self-directed RRIF we may allow for withdrawals up to a notional RRIF minimum amount to not be considered Excess Withdrawals.

In that case, at the end of each calendar year, we will calculate a notional RRIF Minimum Amount that will apply for the following calendar year. The calculation of the notional amounts will:

1) take into consideration only the market value of your contract excluding other investments held within the self-directed RRIF; and
2) be based on your date of birth, as the beneficial owner of the self-directed RRIF unless notified otherwise by the Trustee.

We reserve the right to restrict the use of the spouse or common-law partner's age in calculating the notional RRIF minimum amount.

## 6.8 Excess Withdrawals

**Excess Withdrawals may significantly reduce or eliminate the value of the GWB.**

An Excess Withdrawal occurs when the cumulative withdrawals exceed the LWA for a calendar year. Once a withdrawal causes cumulative withdrawals in a calendar year to exceed the LWA, the entire amount of that withdrawal and each subsequent withdrawal in that calendar year are considered Excess Withdrawals. If you make an Excess Withdrawal, we will immediately apply an Income Base Downward Adjustment by recalculating your Income Base to be the lesser of:

1) the Income Base after the withdrawal has been processed; and
2) the market value of the Fund Class Units at the credit of your contract after the withdrawal has been processed.

Example – Income Base Downward Adjustment

| Date | Transaction | Amount | Cumulative Withdrawals for Calendar Year | Current LWA | Income Base before Transaction | Income Base after Transaction | Market Value Of Fund Class Units after Transaction* |
|---|---|---|---|---|---|---|---|
| May 01-2013 | Initial Deposit | $100,000 | | $3,000 | $0 | $100,000 | $100,000 |
| Aug 21-2013 | Withdrawal | $2,000 | $2,000 | $3,000 | $100,000 | $98,000 | $98,500 |
| Sep 30-2013 | Excess Withdrawal | $2,000 | $4,000 | $3,000 | $98,000 | $96,000 (lesser of Income Base and Market Value) | $97,000 |
| Dec 01-2013 | Excess Withdrawal | $1,000 | $5,000 | $3,000 | $96,000 | $94,000 (lesser of Income Base and Market Value) | $94,000 |

** The market values quoted are hypothetical and for illustrative purposes only and should not be considered as representative of past or future investment performance.*

## 6.9 Excess Withdrawal Alert Service ("EWA")

The EWA is an optional service. There are no fees or charges associated with the EWA.

The service will be administered in accordance with our rules and the instructions provided by you on your Application or on any subsequent forms.

If the EWA service is on, a withdrawal is to be processed from one Fund, and that withdrawal would result in an Income Base Downward Adjustment, the request will not be processed.

If a withdrawal is to be processed from multiple Funds, the withdrawal will be processed from each Fund that would not result in an Income Base Downward Adjustment. If the amount requested from one or more of the Funds would result in an Income Base Downward Adjustment the withdrawal from those Funds will not be processed.

Example of the EWA Service

Assumptions: Withdrawal request for $1,500. Remaining LWA available for the calendar year is $1,200.

| Fund | Amount to be withdrawn | Processed |
|---|---|---|
| Fund 1 | $500 | Yes |
| Fund 2 | $500 | Yes |
| Fund 3 | $500 | No |

We will notify you that the withdrawal or part of the withdrawal has not been processed. We will then require authorization to turn the EWA service off and to proceed with the balance of the withdrawal. The balance of the withdrawal will be processed effective the Valuation Date we receive authorization. The EWA service will then remain off for the balance of that calendar year unless we are advised otherwise.

### 6.10 Guaranteed Payment Phase

If the market value of the Fund Class Units at the credit of your contract equals $0 and the Income Base or LWA has a positive value, your contract will not terminate. It will move into the Guaranteed Payment Phase. Once in the Guaranteed Payment Phase, the contract will continue to provide for payments to you as determined each calendar year for the life of the Annuitant or, if applicable, the life of the Joint Life.

No deposits can be made during the Guaranteed Payment Phase. Withdrawals will not be made to pay the Class Plus Fee during the Guaranteed Payment Phase.

## 7. MATURITY AND DEATH BENEFITS

### 7.1 General Information

Your contract provides guarantees at Maturity and Death, as outlined in this section.

On the Maturity Date, if the Maturity Benefit Guarantee is higher than the current market value of the Fund Class Units at the credit of your contract, we will increase the market value of the Fund Class Units to equal the Maturity Benefit Guarantee.

On the Death Benefit Date, if the Death Benefit Guarantee is higher than the current market value of the Fund Class Units at the credit of your contract, we will increase the market value of the Fund Class Units to equal the Death Benefit Guarantee.

Any increase in the market value of the Fund Class Units at the credit of your contract as a result of a Maturity or Death Benefit Guarantee is deposited to the Money Market Fund. This deposit is known as a "top up." Any applicable top up payments are provided from the general funds of the Company. There are no sales charges or withdrawal fees applicable to a top up.

**The market value of Fund Class Units at the credit of your contract is not guaranteed but will fluctuate with the value of the underlying assets.**

### 7.2 Maturity Date

If you have selected the Single Tiered LWA Option, the Maturity Date of your contract is December 31st of the year the Annuitant named in the Application turns 120 years old.

If you have selected the Joint Tiered LWA Option, the Maturity Date of your contract is December 31st of the year the youngest of the Annuitant and the Joint Life named in the Application, turns 120 years old.

The Maturity Date cannot be changed.

### 7.3 Maturity Benefit

On the Maturity Date we will determine a Maturity Benefit. The Maturity Benefit is equal to the greater of:

1) the market value of the Fund Class Units at the credit of your contract, less any applicable withdrawal fees; and
2) the Maturity Benefit Guarantee.

If 2) is greater than 1) the top up is deposited to the Money Market Fund.

The Maturity Benefit will be applied to the Maturity Option you select and your contract will then terminate.

### 7.4 Maturity Benefit Guarantee

The Maturity Benefit Guarantee is 75% of the sum of the deposits reduced proportionately for any withdrawals. The Maturity Benefit Guarantee will not decrease as a result of a withdrawal to pay the Class Plus Fee (See Section 8.3 Class Plus Fee).

### 7.5 Maturity Options

We will provide notice to you of your Maturity Options prior to the Maturity Date of your contract.

The Maturity Benefit will be applied to one of the following Maturity Options as selected by you:

1) provide an annuity payable in equal monthly instalments commencing one month after the Maturity Date. The annuity is payable to you for a period of 10 years certain and monthly thereafter for as long as you shall live. The amount of each monthly instalment is the greater of:
   a) the amount determined based on our annuity rates in effect at that time; or
   b) $1.00 per $1,000 of the Maturity Benefit;
2) pay the Maturity Benefit to you as a lump sum payment;
3) any other Maturity Option which we may offer at the Maturity Date of your contract.

If, on the Maturity Date, you have not selected a Maturity Option as described above we will automatically:

a) apply option 1) as described above if your contract is non-registered, a TFSA or a RRIF; or
b) convert your contract to a RRIF if your contract is an RRSP (See Section 7.6 RRSP to RRIF Conversion).

Locked-in funds will be applied in accordance with the applicable pension legislation.

## 7.6 RRSP to RRIF Conversion

If your contract is an RRSP, you may convert at any time prior to the Maturity Date to a RRIF within the contract or an equivalent contract that we may offer at that time. In this event:

1) the Fund Class Units at the credit of your contract are transferred to the same Fund Class Units of the RRIF;
2) the retirement income payments are based on the minimum payments required under the Income Tax Act and subject to our rules;
3) the beneficiary of the RRIF contract will remain the same as the beneficiary of the RRSP unless we are notified otherwise;
4) the Maturity Date will remain the same;
5) the Maturity Benefit, Death Benefit, and GWB Guarantees will not be affected; and
6) the age and amount of your deposits will not change for the purpose of determining withdrawal fees.

Unless you indicate otherwise, we will convert your RRSP or spousal or common-law partner RRSP contract to a RRIF or spousal or common-law partner RRIF if your contract is in force on December 31st of the year you attain the maximum age for owning an RRSP. If you have a LIRA or LRSP contract, your contract will be converted to a LIF, LRIF, PRIF or other locked-in plan, subject to the requirements of the applicable pension legislation.

## 7.7 Death Benefit Date

The Death Benefit Date is the Valuation Date we receive sufficient notification of the death of the Annuitant(s) and, if applicable, the Joint Life in accordance with our rules. On the Death Benefit Date the market value of all Fund Class Units at the credit of your contract will be switched to the Money Market Fund.

## 7.8 Death Benefit

We will pay a Death Benefit on the death of the last Annuitant.

The contract must be in force and the death must have occurred prior to the Maturity Date.

The Death Benefit is determined effective the Death Benefit Date and is equal to the greater of:

1) the market value of the Fund Class Units at the credit of your contract; and
2) the Death Benefit Guarantee.

If 2) is greater than 1) the top up is deposited to the Money Market Fund.

On receipt of sufficient proof of the last Annuitant's death and of the claimant's right to the proceeds, we will pay in one lump sum to the beneficiary the market value of your contract.

There are no withdrawal fees applicable to the Death Benefit. Payment of the Death Benefit will terminate your contract.

## 7.9 Death Benefit Guarantee

The Death Benefit Guarantee is 100% of the sum of the deposits reduced proportionately for any withdrawals.

The Death Benefit Guarantee will not decrease as a result of a withdrawal to pay the Class Plus Fee (See Section 8.3 Class Plus Fee).

## 7.10 Contract Continuance on Death

### 7.10.1 Non-Registered Contracts

If you have selected the Joint Tiered LWA Option, the contract will automatically continue until the death of the last Annuitant.

If you have selected the Single Tiered LWA Option, your non-registered contract may continue following your death if you make certain elections prior to death.

#### Joint or Successor Owner

Joint owners shall be deemed to hold the contract as joint owners with right of survivorship (unless we are notified otherwise), except in Quebec. When a joint owner dies, the other joint owner with right of survivorship will become the Contract Owner. In Quebec, joint owners who wish to obtain the same legal effect as the right of survivorship must each appoint the other owner as his/her subrogated policyholder. In Quebec, or if the contract is jointly owned without right of survivorship, the successor owner/subrogated policyholder will become the Contract Owner when a joint owner dies.

If there is no successor owner/subrogated policyholder appointed, the Annuitant will become the Contract Owner.

These transfers in ownership described above occur without your contract passing through your estate.

#### Successor Annuitant

**If you have selected the Joint Tiered LWA Option, a Successor Annuitant cannot be appointed.**

If you have selected the Single Tiered LWA Option, you may appoint a Successor Annuitant at any time prior to the death of the Annuitant. On the death of the Annuitant, the Successor Annuitant will automatically become the Annuitant and the contract will continue with no Death Benefit payable at that time. You may remove a previously appointed Successor Annuitant at any time.

On the death of the Annuitant:

1) a reset of the Death Benefit Guarantee is performed if the Successor Annuitant is less than 80 years of age (See Section 7.11 Resetting the Benefit Guarantees);
2) an Income Base Reset is performed (See Section 6.6 Income Base Reset);
3) a Bonus Base Reset is performed (See Section 6.5 Income Base Bonus);
4) the LWA is changed immediately following 2) above to equal the Single Tiered LWA Percentage based on the Successor Annuitant's age as of December 31st of the current calendar year. This may result in the LWA increasing or decreasing or being set to equal $0.
5) if the Successor Annuitant is younger than 55 as of December 31st of the current calendar year, the Successor Annuitant's LWA is set to equal $0 for the remainder of the current calendar year and any withdrawal made following the death of the Annuitant will be considered an Excess Withdrawal;
6) if the Successor Annuitant is 55 or older as of December 31st of the current calendar year, cumulative withdrawals up to the greater of the Annuitant's LWA and the Successor Annuitant's LWA will be available for the current calendar year without being considered Excess Withdrawals. The cumulative withdrawals include any withdrawals for the current calendar year received prior to the death of the Annuitant.

The Maturity Date will not change.

The process as outlined above will apply even if the contract is in the Guaranteed Payment Phase (See Section 6.10 Guaranteed Payment Phase).

Example - Successor Annuitant takes over contract on Death of Annuitant

John, the Annuitant, is 70 as of December 31st 2013. He deposits $100,000 and begins to take withdrawals of the LWA immediately. Mary, his wife and Successor Annuitant, is 65 as of December 31st 2013.

| Date | Transaction | Amount | Market Value of Fund Class Units after Transaction | Income Base after Transaction | Current LWA | Withdrawals for Calendar Year | Death Benefit Guarantee** |
|---|---|---|---|---|---|---|---|
| May 01-2013 | Initial Deposit | $100,000 | $100,000 | $100,000 | $4,250 (4.25% of $100,000) | $0 | $100,000 |
| Sep 30-2013 | Withdrawal | $4,250 | $95,900 | $95,750 | $4,250 (4.25% of $100,000) | $4,250 | $95,756 |
| Dec 31-2013 | Year end | | $96,100 | $95,750 | $4,250 (4.25% of $100,000) | $4,250 | $95,756 |
| Sep 30-2014 | Withdrawal | $3,000 | $99,000 | $92,750 | $4,250 (4.25% of $100,000) | $3,000 | $92,940 |
| Nov 21-2014 | Annuitant Dies | | $101,472 | $92,750 | $4,250 (4.25% of $100,000) | $3,000 | $92,940 |
| Nov 21-2014 | Successor Annuitant becomes Annuitant – Reset Occurs | | $101,472 | $101,472 (greater of Income Base and Market Value) | $4,059 (4% of $101,472) | $3,000 | $101,472 |

** The market values quoted are hypothetical and for illustrative purposes only and should not be considered as representative of past or future investment performance.*

*** Death Benefit Guarantees are reduced proportionately for any withdrawals.*

After John passes away, Mary is able to withdraw an additional $1,250 for 2014 without exceeding the LWA of $4,250 established on December 31, 2013.

The LWA established on November 21, 2014 is $4,059 for 2015 provided that no Excess Withdrawals are made. At December 31, 2014 regular LWA recalculation will occur.

If, in the above example, Mary was younger than 55 years old as of December 31, 2014, the LWA would be set to $0 on November 21, 2014 for the remainder of 2014. Any additional withdrawals in 2014 after November 21, 2014 would be considered Excess Withdrawals.

### 7.10.2 Registered Contracts

Joint or successor owners cannot be appointed on contracts that are RRSPs.

If your contract is a RRIF, and you have appointed a person who is your spouse or common-law partner at the time of your death as Successor Annuitant, that person will automatically become the Annuitant and Contract Owner on your death. The retirement income payments will continue to your spouse or common-law partner. The contract will continue, payments will continue to be made with no Death Benefit payable at that time.

### 7.10.3 TFSA

If your contract is a TFSA, you may appoint your spouse or common-law partner as successor owner (subrogated policyholder in Quebec). You may not appoint a joint owner. On your death, your spouse or common-law partner will automatically become the Annuitant and Contract Owner. The contract will continue with no Death Benefit payable at that time.

## 7.11 Resetting the Benefit Guarantees

We reserve the right to change the reset features or to remove this feature at any time, in accordance with our rules. We will provide notice to you 60 days prior to the cancellation of this provision.

### 7.11.1 Death Benefit Guarantee

Resets increase the Death Benefit Guarantee following increases in the market value of Fund Class Units at the credit ofyour contract (See Section 10.2 Market Value of your Contract).

The Death Benefit Guarantee is reset automatically beginning on the third Class Plus Anniversary Date and on every third Class Plus Anniversary Date thereafter prior to:

1) the Annuitant's 80th birthday, if you have selected the Single Tiered LWA Option;
2) the earliest of the Annuitant's and the Joint Life's 80th birthday (even if that person dies while the contract is in effect), if you have selected the Joint Tiered LWA Option.

The last reset of the Death Benefit Guarantee occurs automatically on:

1) the Annuitant's 80th birthday, if you have selected the Single Tiered LWA Option;
2) the earliest of the Annuitant's and the Joint Life's 80th birthday (even if that person dies while the contract is in effect), if you have sleected the Joint Tiered LWA Option.

If the Class Plus Anniversary Date (or the Annuitant's or Joint Life's 80th birthday) is not a Valuation Date, then the most recent Valuation Date prior to the Class Plus Anniversary Date (or the Annuitant's or Joint Life's 80th birthday) will be used for calculation purposes.

The new Death Benefit Guarantee is determined as if a complete withdrawal and a redeposit of the market value of the Fund Class Units at the credit of your contract had occurred. If the new Death Benefit Guarantee is greater than the current Death Benefit Guarantee then the Death Benefit Guarantee is increased to equal the new Death Benefit Guarantee, otherwise it will remain unchanged.

### 7.11.2 Maturity Benefit Guarantee

The Maturity Benefit Guarantee cannot be reset.

## 7.12 Switches and the Guarantees

Switches between Funds will not affect the Maturity and Death Benefit Guarantees or the GWB Guarantee.

## 7.13 Withdrawals and the Guarantees

Whenever the term "reduced proportionately" is used throughout the Folder and Contract Provisions it means we will calculate a proportionate reduction based on the market value of the Fund Class Units at the credit of your contract at the time of the transaction.

**Example:** Your deposit of $16,000 is applied towards the purchase of Fund Class Units. The current market value of those Fund Class Units is $20,000. The Death Benefit Guarantee prior to the withdrawal is $16,000 and the Maturity Benefit Guarantee is $12,000. You make a withdrawal of $2,000.

**The proportional reduction to the guarantees is as follows:**

| | |
|---|---|
| Maturity Benefit Guarantee: | $12,000 |
| Death Benefit Guarantee: | $16,000 |
| Market Value of Fund Class Units: | $20,000 |
| Reduction in Maturity Benefit Guarantee: | - $1,200 ($12,000 X ($2,000/$20,000)) |
| Reduction in Death Benefit Guarantee: | - $1,600 ($16,000 X ($2,000/$20,000)) |
| New Maturity Benefit Guarantee: | $10,800 ($12,000 - $1,200) |
| New Death Benefit Guarantee: | $14,400 ($16,000 - $1,600) |

# 8. FEES AND CHARGES

## 8.1 General Information

Depending on the Purchase Fee Option you have selected you may have to pay a sales charge at the time you make a deposit or pay a withdrawal fee at the time you make a withdrawal. We currently offer a Front-End Load Option ("FE Option"), the Deferred Sales Charge Option ("DSC Option") and the Low- Load Option ("LL Option").

The fee you pay for the Maturity and Death Benefit Guarantees is included in the Management Expense Ratio of the Funds you have selected.

The fee you pay for the GWB is paid from the contract, through the withdrawal of Fund Class Units (See Section 8.3 Class Plus Fee).

## 8.2 Purchase Fee Options

### 8.2.1 FE Option

If you select the FE Option a sales charge of between 0% and 5% of your deposit is deducted at the time your deposit is made. The sales charge is negotiated between you and your Advisor. The sales charge is deducted from the amount of your deposit and the net amount is then applied towards the purchase of Fund Class Units as selected by you. We will pay a commission equivalent to the sales charge to your Advisor.

The deposit amount (before the sales charge is deducted) is used for determining the Maturity and Death Benefit Guarantees and the Income Base for the GWB. By selecting the FE Option, no withdrawal fees will apply in the event that you wish to withdraw the market value of some or all of the Fund Class Units at the credit of your contract.

### 8.2.2 DSC and LL Options

If you select the DSC or LL Option the entire amount of your deposit is applied towards the purchase of Fund Class Units. A withdrawal fee may be deducted if you withdraw some or all of the market value of the Fund Class Units at the credit of your contract before the end of the withdrawal fee schedule as shown below.

We will pay a commission to your Advisor whenever a deposit is applied towards the purchase of Fund Class Units.

The withdrawal fee is calculated as a percentage of the original purchase price of the Fund Class Units. For purposes of withdrawal fees, years will always be measured from the original date of a deposit. When you request a withdrawal of some or all of the market value of Fund Class Units, the deposits to the respective Fund that have been at the credit of your contract the longest are used for the purpose of calculating the withdrawal fees. Withdrawal fees will only apply to withdrawals that exceed the free withdrawal limit as specified in Section 5.3.

For the purpose of determining withdrawal fees, the original date of your deposit will not change when a switch occurs.

### Withdrawal fee schedule

| Number of Complete Years from Date of Deposit | DSC Option | LL Option |
|---|---|---|
| Less than 1 year | 5% | 2% |
| 1 year | 4% | 1% |
| 2 years | 3% | 0% |
| 3 years | 2% | 0% |
| 4 years | 1% | 0% |
| 5 years or more | 0% | 0% |

Example of the DSC Option. This example does not take the free withdrawal limit into account.

| Date | Transaction | Amount | Fund Class Unit Value | Number of Fund Class Units Acquired or (Cancelled) | Withdrawal Fee |
|---|---|---|---|---|---|
| May 01-2013 | Initial Deposit | $21,000 | $210.00 | 100 | n/a |
| Sep 30-2015 | Withdrawal | $2,200 | $220.00 | (10) | $63 (10 X $210 X 3% (2 complete years from date of deposit)) |

## 8.3 Class Plus Fee

The fee you pay for the GWB, the Class Plus Fee, is an insurance fee that is paid from the contract.

Based on tax rules in effect at the date this Folder was prepared, the Class Plus Fee is not subject to the Goods and Services Tax ("GST") or the Harmonized Sales Tax ("HST").

Withdrawals to pay the Class Plus Fee will not reduce the Maturity and Death Benefit Guarantees or the Income Base. Additionally, this withdrawal will not be included in determining if Excess Withdrawals have occurred during the calendar year (See Section 6.8 Excess Withdrawals).

Withdrawals will not be made to pay the Class Plus Fee during the Guaranteed Payment Phase.

We reserve the right to change how the Class Plus Fee is calculated, the factors involved in the calculation, and the frequency of the collection of the Class Plus Fee at any time in accordance with our rules.

### 8.3.1 Annual Fund Fee Rate

Each Fund has an Annual Fund Fee Rate that is used in determining the Class Plus Fee.

The Annual Fund Fee Rate for each Fund currently available is shown in the following chart:

| Fund | Annual Fund Fee Rate | Maximum Annual Fund Fee Rate |
|---|---|---|
| Money Market Fund | 0.50% | 1.00% |
| Bond Fund | 0.50% | 1.00% |
| Income Fund | 0.60% | 1.10% |
| Balanced Fund | 0.80% | 1.30% |
| Global Balanced Fund | 1.10% | 1.60% |
| Asset Allocation Fund | 0.80% | 1.30% |
| Elite Balanced Fund | 1.10% | 1.60% |
| Dividend Balanced Fund | 1.10% | 1.60% |
| Conservative Portfolio Fund | 0.60% | 1.10% |
| Balanced Portfolio Fund | 0.80% | 1.30% |
| Moderate Growth Portfolio Fund | 0.80% | 1.30% |
| Growth Portfolio Fund | 1.10% | 1.60% |

We reserve the right to change the Annual Fund Fee Rate up to the Maximum Annual Fund Fee Rate without providing advance notice to you.

### 8.3.2 Calculation of the Class Plus Fee

The amount of the Class Plus Fee is determined by the following factors:

1) the Annual Fund Fee Rate for each Fund held in the contract;
2) the Income Base at the end of each month;
3) the proportional market value of the Fund in relation to the other Funds held in the contract.

The monthly Class Plus Fee is calculated based on the following formula:

F = I x ((M x R)/12)

Where:

F = Class Plus Fee collected on the last Valuation Date of the month

I = Income Base on the last Valuation Date of the month (after all transactions have been processed)

M = Proportional weighting of the market value of the Fund Class Units relative to the market value of the contract on the last Valuation Date of the month

R = Annual Fund Fee Rate for the applicable Fund

**Example of the Class Plus Fee calculation:**

Assumptions:

Income Base = $100,000

Market value of the contract = $110,000* with

Fund 1 = $55,000*

Fund 2 = $35,000*

Fund 3 = $20,000*

Annual Fund Fee Rates

Fund 1 = 0.50%

Fund 2 = 0.60%

Fund 3 = 0.80%

The Class Plus Fee calculation is as follows:

| Fund | Proportional market value of Fund (M) relative to the Contract | Annual Fund Fee Rate (R) | (M x R)/12 | Income Base (I) | Class Plus Fee (F) |
|---|---|---|---|---|---|
| Fund 1 | $55,000($55,000/$110,000) = 0.5000 | 0.50% | (0.5000 x 0.50%)/12 = 0.000208 | $100,000 | $20.80 |
| Fund 2 | $35,000($35,000/$110,000) = 0.3182 | 0.60% | (0.3182 x 0.60%)/12 = 0.000159 | $100,000 | $15.90 |
| Fund 3 | $20,000($20,000/$110,000) = 0.1818 | 0.80% | (0.1818 x 0.80%)/12 = 0.000121 | $100,000 | $12.10 |
| Class Plus Fee to be collected on the last Valuation Date of that month | | | | | $48.80 |

** The market values quoted are hypothetical and for illustrative purposes only and should not be considered as representative of past or future investment performance.*

### 8.3.3 Collection of the Class Plus Fee

The Class Plus Fee is paid through a withdrawal of Fund Class Units. The amount to be withdrawn from each Fund will be determined in accordance with the formula outlined in 8.3.2 Calculation of the Class Plus Fee. The withdrawal will be processed on the last Valuation Date of each month, after all transactions have been processed, but before any LWA recalculations, if applicable, occur.

## 8.4 Excessive Short-Term Trading Fee

Excessive short-term trading is the frequent purchase, switch or withdrawal of Fund Class Units. As Segregated Funds are considered long-term investments we discourage investors from excessive trading because it generates significant costs for a Fund. This can reduce a Fund's overall rate of return, which impacts all Contract Owners. As a result, in addition to any other fees and charges that may apply, we will deduct up to 2% of the transaction amount under the following conditions:

1) you request that a deposit or a switch be applied towards the purchase of Fund Class Units of a Fund within 90 days of withdrawing Fund Class Units from the same Fund;
2) you request a withdrawal of some or all of the market value of the Fund Class Units from a Fund within 90 days of acquiring them; or
3) you request a switch within 90 days of the most recent switch.

The fee is paid to the associated Fund to help offset the costs of excessive short-term trading. We also reserve the right to refuse to process the requested transaction under these same conditions. This additional fee will not apply to transactions that are not motivated by short-term trading considerations, such as:

1) scheduled withdrawals;
2) scheduled switches; or
3) other transactions in respect of which prior written approval has first been granted by our President, Secretary, or Chief Financial Officer.

## 8.5 Recovery of Expenses or Investment Losses

In addition to the fees described in this Folder, we reserve the right to charge you for any expenses or investment losses incurred by us as a result of an error made by you, your Advisor or a third party acting on your behalf.

## 8.6 Management Fees

All Contract Owners indirectly incur the costs associated with the management and operation of the Segregated Funds. These costs include the management fees and operating expenses which are incorporated into the MER (See Section 11.7.3 MER).

## 8.7 Empire for Life™ Loyalty Program

As a Contract Owner you may be eligible for our Empire for Life Loyalty Program ("Program"). The Program recognizes individual investor loyalty by offering a Management Fee Credit ("MFC") to an investor who has invested in a Class Plus 2 contract and/or an Empire Class Segregated Funds contract issued by Empire Life for a continuous period of 10 years or any Empire Life Mutual Fund offered by Empire Life Investments Inc. for a continuous period of 10 years.

Once you have qualified for the Program, and providing you continue to be invested, any subsequent investments in a Class Plus 2 contract and/or an Empire Class Segregated Funds contract or Empire Life Mutual Funds will automatically qualify for the MFC under the same terms and conditions as for existing units.

The MFC is equal to 5% of the annual management fee of the Funds whose Fund Class Units are attributed to your contract following the qualification period. The MFC is used to purchase additional Fund Class Units and is allocated proportionately based on the Market Value of each Fund that you are invested in on December 31st of each year.

If December 31st is not a Valuation Date the last Valuation Date in the year will be used. The MFC is paid from the general funds of the Company.

If your contract is a TFSA the MFC will not be a taxable benefit. If your contract is non-registered, the MFC is a taxable benefit and is reported to you for income tax purposes. If your contract is registered, the MFC is non-taxable when paid into your registered contract, however it is taxable at the time of withdrawal.

We reserve the right to change or cancel the Program, the conditions for eligibility and the calculation of the MFC in accordance with our rules.

# 9. TAXATION

## 9.1 General Information

This section outlines general tax information as it applies to your contract. It applies to Canadian residents and generally describes current Canadian federal income tax considerations.

The taxation of the benefits associated with the GWB is not certain at this time.

Not all possible tax considerations that may be relevant to your situation are covered. You are responsible for the proper reporting and remittance of all taxes. We recommend that you consult your personal tax advisor(s) about your individual circumstances.

## 9.2 Non-Registered Contracts

You are taxed each year on the investment income (interest, dividends, and capital gains) of the Fund Class Units at the credit of your contract. Each Segregated Fund will allocate its income and realized capital gains and losses to Contract Owners each year so that no income tax is payable by a Fund. Each Fund will allocate the income and realized capital gains and losses proportionally by Fund Class Units to all Contract Owners at various points in time during the year and not in proportion to the length of time the Contract Owner has held units in a Fund during a calendar year. If the taxable income on any Fund Class Units at the credit of your contract equals or exceeds a prescribed minimum, we are required to file an information return (T-3 Form) with the Canada Revenue Agency (the "CRA"). A copy of this T-3 Form is mailed to you and currently includes appropriate subdivisions for taxable investment income, capital gains, and other factors necessary for calculating your personal income tax.

If you make a withdrawal or a switch during the year your T-3 Form will include any capital gain or loss resulting from the disposition or deemed disposition of Fund Class Units to the extent that the proceeds of disposition for those Fund Class Units exceeds (or is less than) the tax cost of those Fund Class Units.

A top up payment is taxable to you when paid into your contract. The amount of the top up is reported to you as a capital gain on a T-3 Form.

The Class Plus Fee is an expense to you. We recommend that you contact your tax advisor regarding the tax deductibility of this Fee. The withdrawal of Fund Class Units to pay the Class Plus Fee will result in a taxable disposition and will create capital gains or capital losses that are reported to you.

The taxation of any payments made during the Guaranteed Payment Phase is not certain at this time.

We will report any payments during the Guaranteed Payment Phase based on our understanding of tax legislation and CRA assessing practices at that time.

## 9.3 Registered Contracts

Income can accumulate in a registered contract on a tax-deferred basis. Switches within your registered contract or transfers from one registered contract to another registered contract are non-taxable.

A top up payment is non-taxable when paid into your registered contract. The top up payment is taxable at the time of withdrawal.

The amount of any payments made during the Guaranteed Payment Phase are taxable to you when withdrawn from the contract.

At this time, the Class Plus Fee is considered an expense of the registered contract that pays for the contractual benefits of Class Plus 2. The withdrawal of Fund Class Units to pay the Class Plus Fee will not be subject to withholding taxes and will not be reported as income to you.

### 9.3.1 RRSPs

You can deduct the deposits that you make to your RRSP from your taxable income, up to the maximum amount allowed under the Income Tax Act.

If you make a withdrawal in cash from your RRSP you must pay withholding tax on the amount withdrawn.

Any Death Benefit payable is taxable to you in the year of death unless:

1) your spouse or common-law partner is appointed as beneficiary in which case the Death Benefit would be taxable to your spouse or common-law partner; or
2) your child or grandchild is appointed as beneficiary in which case the Death Benefit may qualify as a designated benefit under the Income Tax Act.

### 9.3.2 RRIFs

Retirement income payments and unscheduled withdrawals from your RRIF must be included in your income for the year the payments are made.

We are required to withhold tax at the government prescribed rates from any retirement income payments and unscheduled withdrawals that exceed the RRIF minimum retirement income amount required to be withdrawn for that calendar year. You may also elect to have tax withheld at a specified rate provided the rate is equal to or greater than the government prescribed rates.

Retirement income payments that continue to your spouse or common-law partner as Successor Annuitant are taxable income to your spouse or common-law partner as received.

### 9.4 TFSAs

Deposits to a TFSA cannot be deducted from your taxable income. Deposits cannot exceed the amount allowed under the Income Tax Act. Investment income (interest, dividends, and capital gains) earned within a TFSA and any applicable top up payments are not taxable to you while in a TFSA or when you make a withdrawal.

## 10. VALUATION

### 10.1 Market Value of Fund Class Units

The market value of Fund Class Units at the credit of your contract for a Fund on any date is equal to:

1) the Fund Class Units for that Fund at the credit of your contract; multiplied by
2) the Fund Class Unit Value for that Fund on the Valuation Date coincident with or next following the date of determination.

### 10.2 Market Value of your Contract

The market value of your contract on any date is the sum of:

1) the market value of all Fund Class Units at the credit of your contract; and
2) any deposit that we have received, less any applicable sales charges, which has not yet been applied to purchase Fund Class Units.

### 10.3 Valuation Date and Fund Class Unit Values

On each Valuation Date Fund Class Unit values are calculated for each Fund. The Fund Class Unit values are effective for all transactions involving the acquisition or cancellation of Fund Class Units of each Fund since the last Valuation Date of the respective Fund.

Deposits and requests for switches and withdrawals received prior to the cut-off time will receive the Fund Class Unit value as determined by us on that Valuation Date. Deposits and requests for switches and withdrawals received after the cut-off time will receive the Fund Class Unit value as determined by us on the next Valuation Date.

A Fund Class Unit value is calculated by dividing the Fund Class proportionate share of the market value of the net assets of the Fund attributable to all Fund Classes less operating expenses and management fees including taxes attributable solely to a Fund Class, by the number of Fund Class Units of the Fund outstanding on the Valuation Date.

The assets of a Fund are valued to the extent possible at closing market prices on a nationally recognized stock exchange by financial pricing service companies, and in other cases, fair market value as determined by Empire Life. This valuation method is subject to change should a change in the Canadian Life and Health Insurance Assocation Guideline G2: Individual Variable Insurance Contracts Relating to Segregated Funds and the *Autorité des marchés financiers* Guideline on Individual Variable Insurance Contracts Relating to Segregated Funds (together the "Guidelines") occur. Segregated Fund Financial Statements require valuation of the Fund for financial statement purposes to be in accordance with Canadian generally accepted accounting principles ("GAAP"). Any difference between the above valuation methodology and GAAP would be disclosed in the notes to the Financial Statements. We reserve the right to defer the valuation of a Fund and calculation of a Fund Class Unit value for a Fund for as long as any period of emergency beyond our control exists during which it is reasonably impractical for us to determine a Fund Class Unit value. Such deferral would not trigger a Fundamental Change (See Section 11.14 Fundamental Changes).

## 11. SEGREGATED FUNDS

### 11.1 Investment Management

Empire Life has retained Empire Life Investments Inc. as discretionary investment manager and advisor to its Segregated Funds. Empire Life Investments Inc. is responsible for managing the investments of the Funds, including all research and financial analysis, investment decisions, the purchase and sale of securities and related brokerage arrangements. In providing these services Empire Life Investments Inc. will follow the investment guidelines, objectives, standards and strategies as established by the Investment Committee of the Board of Directors of Empire Life.

The Chief Investment Officer reports quarterly to the Board of Directors for Empire Life, at which time the investment strategy and performance of the Funds is reviewed. Empire Life Investments Inc. is a wholly owned subsidiary of Empire Life.

We reserve the right to change the investment manager for a Fund without advance notice to you.

## 11.2 Segregated Funds Offered

We currently offer Fund Class J under the contract. We currently offer Fund Class J Units of the following Segregated Funds under the contract.

| Fund |
|---|
| Money Market |
| Bond |
| Income |
| Balanced |
| Global Balanced |
| Asset Allocation |
| Elite Balanced |
| Dividend Balanced |
| Conservative Portfolio |
| Balanced Portfolio |
| Moderate Growth Portfolio |
| Growth Portfolio |

The Fund Facts, which form part of the Folder, describe the key features of the Segregated Funds available under this contract. Fund Facts are available on our web site at www.empire.ca or on request by contacting our Head Office.

A complete copy of the current investment objectives, policies, restrictions and practices adopted by each Fund is available on request at any time by contacting our Head Office.

## 11.3 Changes to Funds and Fund Classes

We reserve the right, at any time, at our discretion, and without advance notice to you, to:

1) change the Funds available under your contract;
2) discontinue offering any Fund or Fund Class;
3) limit or restrict deposits to any Fund or Fund Class; and
4) change any limit or restriction.

We may also add new Funds and/or Fund Classes to your contract at any time. You may, by providing notice to us and in accordance with our rules, direct your deposits to the new Fund(s) or Fund Class(es). All terms and conditions as provided for under the terms of your contract will also apply to any new Fund(s) or Fund Class(es).

## 11.4 Deleting Funds and Fund Classes

We reserve the right to delete Funds or Fund Classes. In the event that a Fund or Fund Class is deleted you may, subject to any regulatory requirements that apply, select one of the following options:

1) transfer the value of the Fund Class Units held in the deleted Fund or Fund Class to acquire Fund Class Units in any other Fund or Fund Class offered under the contract at that time as described in Section 4, Switches; or
2) withdraw and transfer the value of the Fund Class Units held in the deleted Fund or Fund Class to any other annuity contract offered by us at that time; or
3) withdraw the Fund Class Units held in the deleted Fund or Fund Class as described in Section 5, Withdrawals.

No fees or charges are applied for a transfer or withdrawal of Fund Class Units held in a Fund or Fund Class to be deleted.

We will provide notice to you at least 60 days prior to the deletion date of a Fund or Fund Class. The notice will be sent by regular mail to your address on our records. Switches or deposits into the Fund or Fund Class being deleted may not be permitted during the notice period. If you do not provide us with written notification of the option you have selected at least five business days prior to the deletion date of a Fund or Fund Class, we will automatically apply option 1) described above and transfer the value to one of the remaining Funds and Fund Classes available under the contract. We will then select the Fund and the Fund Class to which the value of the Fund Class Units held in the deleted Fund or Fund Class is tranferred.

For the purpose of determining the value of the Fund Class Units to be transferred or withdrawn from a Fund or Fund Class that is to be deleted and, if applicable, the acquisition of Fund Class Units in another Fund or Fund Class under the terms of the contract, the effective date will be the first to occur of:

1) within three business days of receipt of your notice to us of the option selected; and
2) the deletion date of the Fund or Fund Class.

## 11.5 Splitting of Fund Class Units

We may, at any time, elect to redetermine the number of Fund Class Units in a Fund. Any such redetermination will be accompanied by a revaluation of Fund Class Units. The market value of Fund Class Units at the credit of your contract in the respective Fund as at the date of the redetermination will remain the same before and after such redetermination.

## 11.6 Merger of Funds

We may, at any time, elect to merge a Fund with another one or more of our Funds. We will provide notice to you at least 60 days prior to the merger and of the options available to you as a result of the merger.

## 11.7 Fees and Expenses Paid by the Funds

Each Fund pays fees and expenses related to the operation of that Fund. These fees and expenses include but are not limited to management fees and operational expenses. Each Fund Class pays its proportionate share of the fees and expenses of the Fund.

The Company may choose to waive a portion of the management and other fees that could be charged to a Fund. This is disclosed annually in the audited Financial Statements. At present, there are no plans to alter the management and other fees currently being waived. However, the waiver of management and other fees can be terminated at any time without advance notice to you.

Any Segregated Fund that invests in a secondary fund will not incur any additional management fees or operational expenses for holding units of the secondary fund. Each principal fund carries its own annual management fee. The principal fund will purchase units in the secondary fund(s) at a net asset value that has been adjusted to exclude all fees, charges and expenses. No additional fees or expenses beyond those described throughout this section will be incurred by the Segregated Fund.

### 11.7.1 Management Fee

The annual management fee for each Fund available is specified in the chart below. A management fee can only be changed after we have provided advance notice to you (See Section 11.14 – Fundamental Changes).

The management fee covers the charges related to professional investment management and the administration of a Fund.

The management fee is subject to applicable taxes (e.g. the Goods and Services Tax ("GST") or in some jurisdictions, the Harmonized Sales Tax ("HST")). Management fees are calculated and accrued on a daily basis and paid to Empire Life on the next business day. The management fee for each Fund in a Fund Class is calculated as a percentage of the Fund's net asset value attributable to that Fund Class, which in turn reduces the Fund Class Unit value.

Annual Management Fees (excluding applicable taxes)

| Fund | Annual Management Fee |
|---|---|
| Money Market Fund | 1.35% |
| Bond Fund | 1.75% |
| Income Fund | 2.20% |
| Balanced Fund | 2.40% |
| Global Balanced Fund | 2.40% |
| Asset Allocation Fund | 2.40% |
| Elite Balanced Fund | 2.40% |
| Dividend Balanced Fund | 2.40% |
| Conservative Portfolio Fund | 2.29% |
| Balanced Portfolio Fund | 2.34% |
| Moderate Growth Portfolio Fund | 2.44% |
| Growth Portfolio Fund | 2.49% |

### 11.7.2 Operational Expenses

Operational expenses are the fees and charges necessary for a Fund to operate. These fees and charges include: legal fees, audit fees, custodial and safekeeping fees and charges, bank service and interest charges, applicable taxes, costs related to regulatory compliance including preparing and distributing financial reports and statements, Folders and Contract Owner communications. Operational expenses will vary from year to year and from Fund to Fund. Operational expenses are accrued on a daily basis and paid to Empire Life monthly.

### 11.7.3 MER

The MER is the total cost of investing in a Fund in a Fund Class. The MER for each Fund in a Fund Class is outlined in the Fund Fact statement.

The MER includes the management fee and operational expenses. The MER is paid by the Fund Class before the Fund Class Unit value is calculated. The MER for each Fund in a Fund Class is expressed as a percentage of the Fund's average daily net asset value attributable to that Fund Class.

The expenses included in the MER for a Fund in a Fund Class will vary, which will result in a different MER each year. The MER for a Segregated Fund that invests in a secondary fund will include the MER of the secondary fund. The MER for a Fund is disclosed annually in the audited Financial Statements.

## 11.8 Application of Earnings

All earnings of a Fund are retained in that Fund and used to increase the market value of the Fund Class Units. Earnings may include but are not limited to interest, capital gains, dividends, and distributions. Reinvestment of earnings is required by the terms of our individual variable insurance contracts.

## 11.9 Investment Policies and Restrictions

The Fund Classes have been established to provide benefits, which will vary in amount depending on the market value of the assets of each Fund and the Fund Class Units of that Fund at the credit of your contract. Each Fund has a fundamental investment objective, which determines the investment policies and restrictions for the Fund. The fundamental investment objective of a Fund can only be changed after we have provided advance notice to you (See Section 11.14 – Fundamental Changes). The investment policies and restrictions may change from time to time, and we will provide notice to you of any material change. The fundamental investment objectives and strategies for each Fund are outlined in the Fund Fact statement and in Section 13 of the Folder.

## 11.10 Interest of Management and Others in Material Transactions

No director, officer, associate or affiliate of Empire Life has had any material interest, direct or indirect, in any transactions, or in any proposed transactions within three years prior to the date of filing of this Folder, that would or will materially affect Empire Life with respect to the Funds.

## 11.11 Material Contracts and Facts

Effective November 21, 2011 Empire Life entered into an agreement with Citigroup (Citi) to provide administrative services for our investment products. Effective January 1, 2012 Empire Life has appointed Empire Life Investments Inc. as the Investment Manager for the Segregated Funds.

Other than the two changes noted above, there have been no other contracts entered into in the ordinary and normal course of business that can be reasonably regarded as material to Contract Owners. There are no other material facts relating to the investment policies that have not been disclosed in the Folder.

## 11.12 Tax Status of the Funds

Empire Life is subject to income tax at regular corporate rates on its business profits. Excluded from taxation are the investment income and capital gains allocated to Contract Owners from any Segregated Fund established under section 451 of the Insurance Companies Act (Canada). The Empire Life Funds are such Segregated Funds. The market value of Fund Class Units at the credit of your contract will not be reduced by income tax on the income from funds invested in respect of your contract or on the gains realized or unrealized on such investments. However, the Funds are subject to foreign withholding taxes on income derived from non-Canadian investments.

## 11.13 Auditor of the Funds

The Financial Statements for the Segregated Funds are provided on an audited basis in accordance with the requirements of the Guidelines.

To comply with this requirement, Empire Life has appointed PricewaterhouseCoopers LLP to act as independent auditor of the Segregated Funds. PricewaterhouseCoopers offices are located at Suite 3000, Royal Trust Tower, TD Centre, Toronto ON M5K 1G8.

## 11.14 Fundamental Changes

A fundamental change includes:

1) an increase in the management fee of a Fund;
2) a change in the fundamental investment objectives of a Fund;
3) a decrease in the frequency that Fund Class Units of a Fund are valued; or
4) an increase in the Class Plus Fee if the increase is higher than the maximum allowable (See Section 8.3 Class Plus Fee).

We will provide notice to you at least 60 days prior to making any fundamental change. The notice will outline what changes we intend and when they will be effective. Within the notice we will provide you with the opportunity to switch to a similar fund that is not subject to the fundamental change or to withdraw the market value of the Fund Class Units at the credit of your contract in the affected Fund. In this event, any applicable fees and charges will not apply provided your notice to us advising of the option that you have selected is received at least five days prior to the end of the notice period. You may also choose to remain in the affected Fund. Switches to or deposits into the affected Fund may not be permitted during the notice period.

## 11.15 Fund in Fund Investments

The Segregated Funds may invest in secondary funds or in other Empire Life Funds in order to achieve their objectives.

Contract Owners who invest in a Segregated Fund that invests in a secondary fund have purchased an insurance contract with Segregated Funds and are not unitholders of the secondary funds. Contract Owners are not entitled to any ownership rights of the units of a secondary fund. A copy of the Investment Policies and the audited Financial Statements for the secondary funds are available on request from our Head Office. We will provide notice to you of any amendments to the investment objectives of the secondary funds.

#### 11.15.1 Portfolio Funds

We currently offer four Portfolio Funds. These include the Conservative Portfolio Fund, Balanced Portfolio Fund, Moderate Growth Portfolio Fund, and Growth Portfolio Fund. Each Portfolio Fund will invest primarily in units of Empire Life Segregated Funds (the "secondary funds"). A detailed description of the fundamental investment objectives and the target allocations established to achieve the objectives for each Portfolio Fund can be found in Section 13 Investment Policies. The target allocations will vary but will be monitored and re-balanced at the discretion of the Investment Manager consistent with the Fund's investment objectives and the current target allocation. We reserve the right to change the target allocation, and to remove, replace, or add secondary funds to help achieve the Fund's fundamental investment objectives without providing notice to you.

## 12. INVESTMENT DETAILS

### 12.1 General

While the investments of the Funds are not currently subject to the provisions of the Insurance Companies Act, it is the practice of Empire Life to adhere to investment and lending policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments and loans to avoid undue risk of loss and to obtain the Funds' fundamental investment objectives. Empire Life adheres to the Guidelines.

At present, Empire Life does not, nor does it intend to:

1) borrow money in excess of 5% of the market value of the assets of the Fund in compliance with the Guidelines;
2) invest or hold more than 10% of the market value of the assets of the Fund in the securities of any one corporate name (except for investments in bonds issued or guaranteed by the federal, provincial, municipal or territorial governments of Canada) nor own more than 10% of the market value of one corporate issue (excluding the exposure through index instruments);
3) engage in the purchase and sale of real estate;
4) make loans except for the purchase of debt securities, term deposits and money market securities;
5) transfer securities between the Fund(s) and Empire Life;
6) invest in securities of companies for the purpose of exercising control or management;
7) shortsell or margin investments for the Funds;
8) use derivatives for the purpose of leverage (leverage is the method by which a portfolio can take on additional risk by investing in the return of greater assets than the portfolio has cash to purchase those assets).

Any Funds permitted to use equity instruments are permitted to use Income Trusts, Exchange Traded Funds ("ETFs"), puts, calls, swaps, futures, forwards and other derivatives. Any Funds that use fixed income instruments are permitted to use derivatives such as options, futures, swaps and forwards to adjust the Fund's duration, to gain exposure to income producing securities, and to hedge against changes in interest rates or currencies.

Purchases and sales of securities are made at various brokerage houses depending on value received. No artificial formula or method is used in allocating purchases. Factors considered include research information, transaction costs and efficiency of execution.

In addition to the investment policies outlined, such part of each Segregated Fund as Empire Life Investment Inc. deems advisable may be held in short-term investments or cash. Empire Life Investments Inc. may modify the investment strategies for a Segregated Fund at any time within reasonable limits.

### 12.2 Investment Strategies and Practices

#### 12.2.1 Equity Investment Process – Canadian Equities

Generally, unless otherwise specified, the investment philosophy is a conservative one where preservation of capital is an important consideration. The investment style is bottom-up. It focuses on the fundamentals of individual stocks, where value is a prime investment criteria. Stocks are purchased to fit into a well-diversified portfolio and the expected investment horizon for individual holdings is 24 to 36 months or longer.

The stock selection process consists of identifying good companies whose stocks are undervalued. We focus on the quality and valuation of individual companies, carefully evaluating a company and its management. We look for management with a proven record of performance, a vision and clear strategy for future success and an orientation toward building shareholder value. Furthermore, we pursue companies with a strong competitive position, proprietary or innovative products, services or knowledge, and which operate in industries with high barriers to entry.

While our approach is "bottom-up" based, the macro-economic environment is important in terms of forecasting individual company earnings. In other words, the outlook for the company, interest rates and other major economic forces are an important consideration in determining the value of individual companies.

A Company's financial situation is also of utmost importance. Key financial considerations include:

1) a strong balance sheet;
2) strong free cash flow;

3) a relatively low P/E ratio; and
4) a proven record of financial performance.

Where reference is made to the market capitalization of stocks, this refers to the free float of the stocks. As there is no specific industry definition of what comprises small, mid or large market capitalization stocks, the following is a general guideline for our investment in North American equities:

**Small market capitalization stocks** – those stocks with a free float of approximately $1 billion or less;

**Mid market capitalization stocks** – those stocks with a free float of approximately $2 billion or less;

**Large market capitalization stocks** – those stocks with a free float of approximately $2 billion or more.

### 12.2.2 Equity Investment Process – U.S. Equities

Equity investment in the United States, where individual securities are selected to meet the fundamental investment objectives of a Fund, is achieved through the selection of individual securities, ETFs and American Depository Receipts ("ADRs"). The U.S. portion of a Fund may also invest in foreign currency exchange forward contracts, currency futures, and currency option contracts.

Investments will be made primarily in large market capitalization stocks although small and mid-market capitalization stocks may also be held. We define the market capitalization for these U.S. securities the same way as for Canadian equities.

ETFs are investments that contain a pool of securities representing a specific index such as the S&P/TSX60, the Dow Jones Industrial Average and the Dow Jones Euro Stoxx 50. The enhanced liquidity of ETFs provides the opportunity to react quickly to changing market conditions, allowing for a rapid increase in the equity weighting for the Fund when markets are rising and a rapid reduction in the equity weighting when markets are falling.

ADRs that are traded in the U.S. are considered North American investments. ADRs represent receipts for stocks of a foreign-based corporation held in the vault of a U.S. bank and entitling the shareholder to all dividends and capital gains.

### 12.2.3 Equity Investment Process – Non-North American Equities

Generally, unless otherwise specified, the investment philosophy is a conservative one where preservation of capital is an important consideration. The investment style is bottom-up. It focuses on the fundamentals of individual stocks, where value is a prime investment criteria. Stocks are purchased to fit into a well-diversified portfolio and the expected investment horizon for individual holdings is 24 to 36 months or longer.

The stock selection process consists of identifying good companies whose stocks are undervalued. We focus on the quality and valuation of individual companies, carefully evaluating a company and its management. We look for management with a proven record of performance, a vision and clear strategy for future success and an orientation toward building shareholder value. Furthermore, we pursue companies with a strong competitive position, proprietary or innovative products, services or knowledge, and which operate in industries with high barriers to entry.

While our approach is "bottom-up" based, the macro-economic environment is important in terms of forecasting individual company earnings. In other words, the outlook for the company, interest rates and other major economic forces are an important consideration in determining the value of individual companies.

A company's financial situation is also of utmost importance. Key financial considerations include:

1) a strong balance sheet;
2) strong free cash flow;
3) a relatively low P/E ratio; and
4) a proven record of financial performance.

Where reference is made to the market capitalization of stocks, this refers to the free float of the stocks. As there is no specific industry definition of what comprises small, mid or large market capitalization stocks, the following is a general guideline for our investment in Non-North American equities:

**Small market capitalization stocks** – those stocks with a free float of approximately $2 billion or less;

**Mid market capitalization stocks** – those stocks with a free float of approximately $10 billion or less;

**Large market capitalization stocks** – those stocks with a free float of approximately $10 billion or more.

### 12.2.4 Fixed Income Investment Process

Generally, unless otherwise specified, the fixed income investment philosophy is a conservative one where preservation of capital is an important consideration. The investment style applies a mix of interest rate anticipation, curve positioning, country weightings, sector weightings, currency outlooks and active portfolio management.

The average duration of the portfolio is adjusted to reflect our outlook for interest rates over the next 12 months. Duration is a measure of the price volatility of a bond and is equal to the weighted average term to maturity of the bond's cash flows. The weights are the present values of each cash flow as a percentage of the present value of all cash flows. The greater the duration of the bond, the greater its percentage price volatility.

The portfolio's curve positioning reflects our views on the relative and absolute expected changes of short, medium and long-term interest rates. Our country weighting looks at the current and future assessment of each country's economic condition. Our sector mix of cash and government, supranational and corporate bonds is based on the overall economy of each country and its affect on each of the sectors. Lastly, we monitor the markets to take advantage of any trading opportunities that may arise without increasing the overall risk profile of the portfolio.

## 13. INVESTMENT POLICIES

### 13.1 General

The Fund Classes have been established to provide benefits, which will vary in amount depending upon the market value of the assets of each Fund and the Fund Class Units of that Fund at the credit of your contract. Each Fund has a fundamental investment objective, which determines the investment strategies and restrictions for the Fund. The fundamental investment objective of a Fund can only be changed after we have provided advance notice to you (See Section 11.14 - Fundamental Changes). The investment strategies and restrictions may change from time to time, and we will provide notice to you of any material change.

Following is a brief description of each Fund available under the contract as at the date this Folder was prepared. You may request a copy of the complete Statement of Investment Objectives and Policies adopted by each Segregated Fund at any time by contacting our Head Office. A copy of the Investment Policies and audited Financial Statements for a secondary fund are available on request from Empire Life.

### Bond Fund

**Investment Objective**

The fundamental investment objective of the Bond Fund is stable long-term growth through a combination of a high level of interest income with preservation of capital achieved by investing in fixed-income securities issued and guaranteed by Canadian governments and corporations.

**Principal Investment Strategies**

In order to achieve its objective the Fund will invest in bonds issued and guaranteed by the Government of Canada, the provinces, municipalities, territories and foreign governments as well as bonds, debentures and investment grade notes issued by corporations. The Fund may also invest in units of the Empire Life Money Market Fund or directly in money market instruments such as commercial paper, banker's acceptances, mortgage-backed securities and guaranteed investment certificates. The Fund may use derivative instruments.

**Principal Risks**

Interest rate movement risk, credit risk, general derivatives risk, fund in fund risk, large investor risk and risks of investing in money market instruments.

### Income Fund

**Investment Objective**

The fundamental investment objective of the Income Fund is to earn a high level of interest income and modest capital gains, primarily through investments in investment grade Canadian corporate bonds.

**Principal Investment Strategies**

In order to achieve its objective the Fund will invest primarily in investment grade bonds, debentures and notes issued by corporations, the Government of Canada, Canadian provinces, territories and municipalities, and foreign governments. The Fund will also have some exposure to high quality dividend paying Canadian stocks, convertible debentures and/or Income Trusts. The Fund may also invest in money market instruments such as treasury bills and short-term government and corporate debt securities, other Empire Life Segregated Funds and ETFs. The Fund may use derivative instruments.

**Principal Risks**

Each asset category held in the Income Fund is subject to the same risks as described in the corresponding Segregated Fund. Refer to the descriptions of the Money Market, Bond, and Equity Funds.

### Money Market Fund

**Investment Objective**

The fundamental investment objective of the Money Market Fund is to achieve safety of capital and liquidity by investing in high quality short-term Canadian dollar denominated fixed-income securities issued and guaranteed by Canadian governments and corporations.

**Principal Investment Strategies**

In order to achieve its objective the Fund will invest in short-term securities such as treasury bills and short-term debt issued and guaranteed by federal, provincial and municipal governments and their agencies. The Fund may also invest in short-term notes issued by Canadian chartered banks, trust companies and other Canadian corporations, and floating rate notes issued by Canadian corporations.

**Principal Risks**

Interest rate movement risk, credit risk.

## Asset Allocation Fund

**Investment Objective**

The fundamental investment objective of the Asset Allocation Fund is long-term growth achieved by actively managing the asset mix of money market instruments, fixed income investments and equity investments in the Fund according to current market and economic conditions.

**Principal Investment Strategies**

In order to achieve its objective the Fund will focus on a bottom-up, value oriented investment approach as the primary driver of long-term returns, investing in a diversified mix of primarily Canadian equity and fixed income securities. The Fund will also tactically shift its asset allocation to take advantage of investment opportunities. The Fund may acquire securities directly or hold units of other Empire Life Segregated Funds, invest in money market instruments such as treasury bills and short-term government and corporate debt securities and ETFs. The Fund may use derivative instruments.

**Principal Risks**

Each asset category held in the Asset Allocation Fund is subject to the same risks as described in the corresponding Segregated Fund. Refer to the descriptions of the Money Market, Bond, and Equity Funds.

## Balanced Fund

**Investment Objective**

The fundamental investment objective of the Balanced Fund is stable long-term growth by balancing the objectives of capital appreciation and preservation of capital achieved by investing in a strategic mix of money market instruments, fixed income investments, and equity investments.

**Principal Investment Strategies**

In order to achieve its objective the Fund will focus on a bottom-up, value oriented investment approach as the primary driver of long-term returns, investing in a diversified strategic mix of primarily Canadian equity and fixed income securities. The Fund may acquire securities directly or hold units of other Empire Life Segregated Funds, invest in money market instruments such as treasury bills and short-term government and corporate debt securities and ETFs. The Fund may use derivative instruments.

**Principal Risks**

Each asset category held in the Balanced Fund is subject to the same risks as described in the corresponding Segregated Fund. Refer to the descriptions of the Money Market, Bond, and Equity Funds.

## Global Balanced Fund

**Investment Objective**

The fundamental investment objective of the Global Balanced Fund is to achieve long-term growth by balancing the objectives of capital appreciation from global equity securities and generating income from global fixed income securities. The investment objective of the equity portion of the Fund is to achieve long-term growth through capital appreciation by investing in a well diversified portfolio of large market capitalization stocks representing all of the major industries in countries around the world, including Canada and the U.S. The investment objective of the fixed income portion of the Fund is to generate investment income from a high quality, fixed income portfolio diversified by currency, region and issuer.

**Principal Investment Strategies**

In order to achieve its objective the Fund will focus on a bottom-up, value oriented investment approach as the primary driver of long-term returns, investing in a diversified strategic mix of primarily global equity and fixed income securities. The Fund may acquire securities directly or hold units of other Empire Life Segregated Funds, invest in money market instruments such as treasury bills and short-term government and corporate debt securities and ETFs. The Fund may use derivative instruments.

**Principal Risks**

Each asset category held in the Global Balanced Fund is subject to the same risks as described in the corresponding Segregated Fund. Refer to the descriptions of the Money Market, Bond, and Equity Funds.

## Elite Balanced Fund

**Investment Objective**

The fundamental investment objective of the Elite Balanced Fund is long-term growth through a balance of capital appreciation of equity investments in mainly large market capitalization stocks of Canadian companies, while still providing some income by investing in fixed income and money market instruments.

**Principal Investment Strategies**

In order to achieve its objective the Fund may invest in units of investment Funds including, but not limited to: Empire Life Segregated Funds, ETFs, externally managed segregated and/or mutual funds, and other investments. The target asset mix for the Elite Balanced Fund is 80% equities and 20% fixed income. The Fund will be monitored and re-balanced at the discretion of the Investment Manager consistent with the Fund's investment objective and target asset mix.

**Principal Risks**
Risks of investing in the Elite Balanced Fund are the risks as outlined for each of the secondary funds.

**Dividend Balanced Fund**

**Investment Objective**
The fundamental investment objective of the Dividend Balanced Fund is long-term growth through a balance of above average dividend income and moderate capital appreciation of equity investments in stocks of primarily Canadian companies, while still providing some income by investing in fixed income and money market instruments.

**Principal Investment Strategies**
In order to achieve its objective the Fund may invest in units of investment Funds including but not limited to: Empire Life Segregated Funds, ETFs, externally managed segregated and/or mutual funds, and other investments. The target asset mix for the Dividend Balanced Fund is 80% equities and 20% fixed income. The Fund will be monitored and re-balanced at the discretion of the Investment Manager consistent with the Fund's investment objective and target asset mix.

**Principal Risks**
Risks of investing in the Dividend Balanced Fund are the risks as outlined for each of the secondary funds.

## Conservative Portfolio Fund

**Investment Objective**
The fundamental investment objective of the Conservative Portfolio Fund (the principal Fund) is to provide stable long-term growth with an emphasis on capital preservation by investing primarily in units of Empire Life Segregated Funds (the secondary funds).

**Principal Investment Strategies**
In order to achieve its objective the Fund may invest in units of investment Funds including but not limited to: Empire Life Segregated Funds, ETFs, externally managed segregated and/or mutual funds, and other investments. The target asset mix of the Conservative Portfolio Fund is 65% fixed income and 35% equities. The Fund will be monitored and re-balanced at the discretion of the Investment Manager consistent with the Fund's investment objective and target asset mix.

**Principal Risks**
Each asset category held in the Conservative Portfolio Fund is subject to the same risks as described in the corresponding Segregated Fund. Refer to the descriptions of the Money Market, Bond, and Equity Funds.

## Balanced Portfolio Fund

**Investment Objective**
The fundamental investment objective of the Balanced Portfolio Fund (the principal Fund) is to provide a balance between a high level of income and capital growth by investing primarily in units of Empire Life Segregated Funds (the secondary funds).

**Principal Investment Strategies**
In order to achieve its objective the Fund may invest in units of investment Funds including but not limited to: Empire Life Segregated Funds, ETFs, externally managed segregated and/or mutual funds, and other investments. The target asset mix of the Balanced Portfolio Fund is 50% fixed income and 50% equities. The Fund will be monitored and re-balanced at the discretion of the Investment Manager consistent with the Fund's investment objective and target asset mix.

**Principal Risks**
Each asset category held in the Balanced Portfolio Fund is subject to the same risks as described in the corresponding Segregated Fund. Refer to the descriptions of the Money Market, Bond, and Equity Funds.

## Moderate Growth Portfolio Fund

**Investment Objective**
The fundamental investment objective of the Moderate Growth Portfolio Fund (the principal Fund) is to achieve long-term growth with an emphasis on capital appreciation, while still providing some income by investing primarily in units of Empire Life Segregated Funds (the secondary funds).

**Principal Investment Strategies**
In order to achieve its objective the Fund may invest in units of investment Funds including but not limited to: Empire Life Segregated Funds, ETFs, externally managed segregated and/or mutual funds, and other investments. The target asset mix of the Moderate Growth Portfolio Fund is 35% fixed income and 65% equities. The Fund will be monitored and re-balanced at the discretion of the Investment Manager consistent with the Fund's investment objective and target asset mix.

**Principal Risks**
Each asset category held in the Moderate Growth Portfolio Fund is subject to the same risks as described in the corresponding Segregated Fund. Refer to the descriptions of the Money Market, Bond, and Equity Funds.

### Growth Portfolio Fund

**Investment Objective**

The fundamental investment objective of the Growth Portfolio Fund (the principal Fund) is to achieve long-term growth through capital appreciation, with some consideration given to generating income by investing primarily in units of Empire Life Segregated Funds (the secondary funds).

**Principal Investment Strategies**

In order to achieve its objective the Fund may invest in units of investment Funds including but not limited to: Empire Life Segregated Funds, ETFs, externally managed segregated and/or mutual funds, and other investments. The target asset mix of the Growth Portfolio Fund is 20% fixed income and 80% equities. The Fund will be monitored and re-balanced at the discretion of the Investment Manager consistent with the Fund's investment objective and target asset mix.

**Principal Risks**

Each asset category held in the Growth Portfolio Fund is subject to the same risks as described in the corresponding Segregated Fund. Refer to the descriptions of the Money Market, Bond, and Equity Funds.

## 14. POTENTIAL RISKS OF INVESTING

All investments carry some risks. The major risks associated with our Segregated Funds are described below.

### 14.1 Equity Funds

Outlined below are the principal risks of our equity Funds:

- Business risks are the risks associated with developments in the business underlying the companies whose stocks are held in the Funds;
- Market risks are associated with volatility in the stock market;
- Sovereign risk refers to general economic, political, regulatory* and financial* risk in various countries where investments are denominated;
- Foreign currency risk, which is currency risk associated with the non-Canadian markets in which stocks are purchased.

**North American standards are generally more rigorous. Regulatory risk refers to the fact that the regulations in a certain country may not be as comprehensive as these standards while financial risk refers to the fact that accounting rules may not be as strict.*

Because equity markets have historically been more volatile than fixed income markets, equity Fund unit values may fluctuate more than fixed income unit values. In addition, since the balance of these Funds is invested in money market securities, there is an additional risk as described in the risk section for Fixed Income Funds.

The Small Cap Equity Fund and the Global Smaller Companies Fund are exposed to the same risks as outlined for the other Empire Life equity Funds. In addition, these Funds are subject to special equities risk due to the generally smaller capitalization of the stocks held. Such companies may be newer companies with less experienced management. The impact of these risks may be magnified, resulting in higher volatility of the unit price of the Small Cap Equity and Global Smaller Companies Funds. To the extent that other Empire Life equity Funds are invested in stocks of companies with smaller market capitalization, they will also be exposed to this risk.

Our equity Funds do not use derivatives for the purpose of leverage. Leverage is using assets and cash in a portfolio to control a greater dollar amount of assets than the portfolio would otherwise be able to acquire outright. This increases the risk of the portfolio. Leverage can be accomplished by borrowing money or using derivatives. A good example of using leverage is buying securities on margin.

Use of derivatives in the equity Funds may include futures, ETFs, common equity warrants, instalment receipts for common equities, convertible preferred stocks and convertible debentures. These instruments may expose the Fund to derivatives risk as the price of any of these instruments will fluctuate in accordance with the fluctuations in the price of the stocks underlying the instrument, as well as, in many cases, with interest rates. These instruments are purchased as proxies for the common stocks.

Equity Funds may invest in Income Trusts. This may expose the Fund to trust investment risk where Income Trust investors may be held liable for certain obligations and claims of the trust should the assets of the Income Trust not meet the claim amounts.

Equity Funds may also use currency forwards, currency options and currency futures. Forwards are the primary instruments used for the purchase or sale of foreign currencies although futures and options can also be used. A forward contract or a future contract is a commitment to buy or sell a security at a certain price within a given period. An option is the right to buy or sell a security at a certain price within a given period.

Following is an example of how a forward contract would be used to hedge a currency risk. If a U.S. security is purchased, the Fund could be exposed to currency risk. The Fund manager may neutralize this risk by selling the foreign currency on the forward market. If the Canadian dollar gains in value against the foreign currency, the currency gain on the forward market offsets the currency loss on the foreign-denominated security. If the reverse happens and the foreign currency increases the loss on the forward contract is offset by the currency gain on the security. In both cases, no currency gain or loss would be realized. There can be no assurance however that the Fund's hedging strategies will be effective.

### 14.1.1 US Equity Index Fund

The US Equity Index Fund is a passive index fund that invests in various futures contracts and/or ETFs. It invests in this manner in order to closely track the performance of the index the Fund is attempting to simulate.

A futures contract is a commitment to buy or sell a security at a certain price within a given period. The value of these contracts fluctuates in accordance with the fluctuations in the level of the index it represents. Holding futures exposes the US Equity Index Fund to derivatives risk (See Section 14.3 General Derivatives Risk). Futures contracts are marked to market daily, and the change in the value of the futures contract is reflected in the unit value of the Fund. Thus, one risk of the US Equity Index Fund is that it reflects the risk of its respective stock market. For example, the US Equity Index futures would reflect the risk of the U.S. stock market, as measured by the S&P 500 Index. Another risk of this Fund is that it may have more of its net assets invested in an issuer(s) than is usually permitted. As the exposure to any one issuer increases, there is potential for liquidity risk to increase and the volatility to also increase. Additionally, a passive equity index fund that focuses on a single index may be considered less diversified than a fund that is attempting to simulate more than one index, and therefore will be more volatile.

In addition, since the balance of the value of the Fund is invested in money market securities, there is a risk as described in the risk section for Fixed Income Funds.

## 14.2 Fixed Income Funds

The principal risks of our fixed income Funds are the risks associated with interest rate movements. The market price of fixed income securities varies with changes in the overall level of interest rates and the creditworthiness of the issuers of the securities. In general, when interest rates rise, the market price of fixed income securities falls; on the other hand, when interest rates fall, the market price of fixed income securities rises. In addition, the longer the duration of the security the greater the volatility in its price. To the extent a Fund invests in fixed income securities denominated in currencies other than the Canadian dollar, the unit value of the Fund may fluctuate as a result of changes in currency exchange rates as well as be affected by the general economic and financial conditions in those countries where the securities are held.

Another potential risk is credit risk, which refers to the risk that the issuer of a fixed income security may fail to pay the principal and interest payments on the security in a timely manner, resulting in a decline in the value of the security. A high proportion of government issued or government guaranteed securities serves to reduce the overall credit risk of these Funds.

The fixed income Funds do not use derivatives for the purpose of leverage. Leverage is the method by which a portfolio can take on additional risk by investing in the return of greater assets than the portfolio has cash to purchase those assets. The use of derivatives is limited to futures, forwards and options.

Derivatives, such as options, futures, and forwards are used to adjust a Fund's average term to maturity, to gain exposure to income-producing securities, and to hedge against changes in interest rates or currencies.

Forwards are the primary instruments used for the purchase or sale of foreign currencies although futures and options can also be used. Futures and forwards are a commitment to buy or sell a security at a certain price within a given period. An option is the right to buy or sell a security at a certain price within a given period. Following is an example of how a forward contract would be used to hedge a currency risk.

If a foreign bond is purchased, the Fund could be exposed to currency risk. The Fund manager may hedge this risk by selling the foreign currency on the forward market. If the Canadian dollar gains in value against the foreign currency, the currency gain on the forward market offsets the currency loss on the foreign-denominated security. If the reverse happens and the foreign currency increases, the loss on the forward contract is offset by the currency gain on the security. In both cases, no currency gain or loss would be realized. There can be no assurance however that the Fund's hedging strategies will be effective.

## 14.3 General Derivatives Risk

Generally, the risk of using derivatives to gain exposure to an underlying market (as in the US Equity Index Fund) or reduce exposure to a currency (as in the Income Fund) is the same as investing directly in the market or currency. However, there can be some additional risks, each of which is explained briefly below.

- A counterparty credit risk may exist when the issuer of the derivative is unable to meet its obligations, and this risk applies to derivatives that are traded over-the-counter as opposed to exchange traded derivatives.

- Liquidity risk refers to the possibility that a Fund may not be able to close out or sell its position in the derivative. When this happens, the Fund is unable to realize profits or restrict losses.
- Margin or safekeeping risk refers to the possibility of losing assets of a Fund due to the bankruptcy of a broker or dealer who may hold assets of the Fund on deposit.
- Pricing risk associated with derivatives refers to the risk that the price of the derivative may be distorted if trading in the underlying security is halted. Pricing risk also refers to the possibility that, in the event a derivative is purchased for hedging purposes, the price movement of the hedging instrument may not perfectly match that of the underlying security in which case the hedging strategy may not be effective in preventing loss.

### 14.4 Fund in Fund Risk

Depending on the size of the investment being made by the principal fund in a secondary fund and the timing of the redemption of this investment, a secondary fund could be forced to alter its portfolio assets to accommodate a large redemption request. This could negatively impact the performance of the secondary fund as it may have to dispose prematurely of portfolio assets that have not yet reached a desired market value, resulting in a loss to the secondary fund. Should this occur, it would also negatively impact the investment return of the principal fund. In addition, if the secondary fund suspends redemptions, the principal fund will not be able to value or redeem its units.

The risks associated with any of our Segregated Funds that invest in secondary funds or other Empire Life Funds will include the risks of the secondary funds or other Empire Life Fund(s) that the respective Segregated Fund invests in.

### 14.5 Large Investor Risk

Large investors such as financial institutions may purchase and redeem large numbers of units of one or more of our Segregated Funds. The purchase or redemption of a substantial number of units of a Fund may require the portfolio manager to significantly change the composition of a portfolio or force the portfolio manager to buy or sell investments at unfavourable prices. This may affect a Fund’s performance and could increase realized capital gains or losses for the Fund.

### 14.6 Stapled Unit Risk

Stapled unit risk refers to the risk associated with investments in stapled units, equity investments which are two or more related securities that are linked together in one investment vehicle, bought and sold as one entity. Stapled units are subject to business and market risks similar to other equity investments, which include the possible loss of the principal amount invested.

### 14.7 ETF Risk

ETF risk refers to the risk associated with investments in ETFs which are mutual funds whose units are purchased and sold on a securities exchange. An ETF represents a portfolio of securities designed to track a particular segment or index, and may be actively or passively managed to that segment or index. ETF’s are subject to the following risks that do not apply to conventional funds:

1) the market price of the ETF’s units trade at a premium or discount to their net asset value;
2) an active trading market for an ETF’s units may not develop or be maintained; and
3) there is no assurance that the requirements of the exchange necessary to maintain the listing of an ETF will continue to be met or remain unchanged.

# APPENDIX TO INFORMATION FOLDER

# CLASS PLUS 2 – SINGLE TIERED INCOME NOW SCENARIO

Richard will be turning 65 this year. He has $400,000 in savings. He wants an equity-based investment that will guarantee him a fixed annual income with the potential for a future increase in income. The Class Plus 2 contract with a Guaranteed Withdrawal Benefit ("GWB") offers the features to meet Richard's objective.

Under the GWB, the Lifetime Withdrawal Amount ("LWA") is the maximum amount guaranteed to be available each calendar year for withdrawal for the life of the Annuitant provided the Annuitant is 55 or older and an excess withdrawal does not occur.

When the initial deposit is made the LWA is determined based on the amount of the deposit and a Single Tiered LWA Percentage. The Single Tiered LWA Percentage used is based on the Annuitant's age in the calendar year of deposit.

On December 31st of each year the LWA is calculated for the following year.

If there have been no excess withdrawals during the year, the LWA for the following year will be the greater of:

1) the current LWA: and
2) a new LWA that is calculated based on the current Income Base* (after all transactions have been processed) and the Single Tiered LWA Percentage that corresponds to the Annuitant's age in the next calendar year.

If there have been excess withdrawals the LWA for the following year will be an amount equal to the Single Tiered LWA Percentage of the current Income Base (after all transactions have been processed). The Single Tiered LWA Percentage will be determined based on the Annuitant's age in the next calendar year.

The current Single Tiered Percentages are as follows:

| Annuitant's Age | Single Tiered LWA Percentage |
|---|---|
| 55 – 59 | 3.00% |
| 60 – 64 | 3.50% |
| 65 – 69 | 4.00% |
| 70 – 74 | 4.25% |
| 75 + | 5.00% |

The initial Income Base will equal $400,000. Given that Richard will be turning 65 in the current year, Richard's age at the time of the initial deposit is 65. Richard's initial LWA will be $16,000 ($400,000 x 4.00%). Richard may withdraw up to $16,000 in the current calendar year without incurring an excess withdrawal. An excess withdrawal may significantly reduce or eliminate the value of the GWB.

**Income Base is the notional value that is the basis for determining the LWA each calendar year.*

### Income Now – Down Market Scenario

Assuming poor market conditions, Richard's investment may deplete by his 84th birthday.

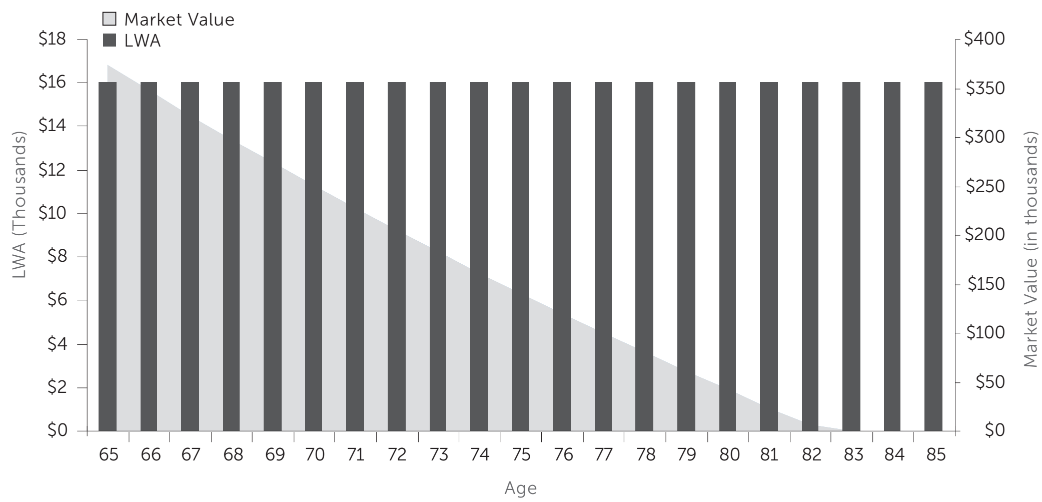
On December 31st of the first year

- Richard will be 66 in the following year. He will have a Single Tiered LWA percentage of 4%.
- the Income Base is reduced to $384,000 (the initial Income Base of $400,000 reduced by the first withdrawal of $16,000).

Richard is guaranteed an LWA of $16,000 provided there are no excess withdrawals. At age 70, Richard's Single Tiered LWA Percentage will be 4.25%. This will not increase the guaranteed income under this down market scenario, as the Income Base will be $320,000 with an LWA of $13,600 ($320,000 x 4.25%). This amount is less than the current LWA of $16,000, therefore the current LWA will remain in effect.

**Note:**

For illustrative purposes the fund accumulates at a rate of return of -1.5%. A monthly Class Plus Fee of 0.092% (1.10% annually) of the Income Base was charged.

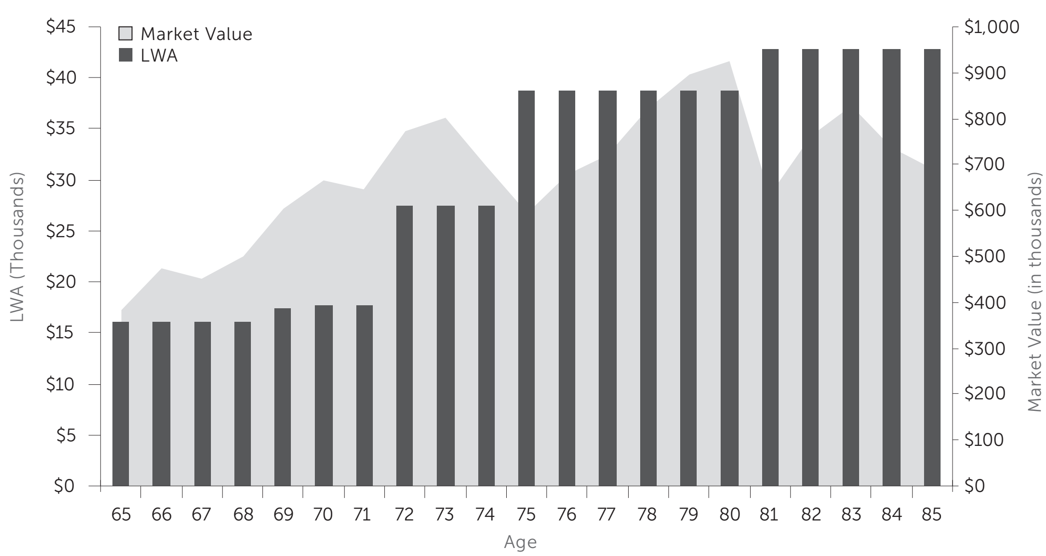



### Income Now – Up market Scenario

With strong market conditions, Richard will be entitled to increases to the LWA from two factors:

1) automatic Income Base resets every third Class Plus Anniversary Date where the Income Base is set to equal the market value of the Fund Class Units at the credit of his contract, if the market value is greater than the Income Base at that time; and
2) an increase to the Single Tiered LWA Percentage for his age.

The following scenario's market value is based on historical rates of return using a blend of 80% S&P/TSX and 20% DEX Universe Bond Index, from December 31, 1991 to December 31, 2011, with an average rate of return of 9.28%. The monthly Class Plus Fee is 0.092% of the Income Base.



The table below tracks the Tiered LWA amount and provides an explanation for the increase.

| Age | Income base | Tiered LWA % | Tiered LWA | Reason for Increased LWA |
|---|---|---|---|---|
| 65 | 400,000 | 4.00% | $16,000 | Initial LWA |
| 69 | 434,872 | 4.00% | $17,395 | Reset |
| 70 | 417,478 | 4.25% | $17,743 | Tiered LWA% Increase |
| 72 | 647,731 | 4.25% | $27,529 | Reset |
| 75 | 773,036 | 5.00% | $38,652 | Reset + Tiered LWA% Increase |
| 81 | 856,996 | 5.00% | $42,850 | Reset |

Richard's LWA increased from an initial amount of $16,000 to a maximum of $42,850 as a result of an increase to the Income Base through triennial resets and an increase to the Single Tiered LWA Percentage for his age.

## CLASS PLUS 2 – SINGLE TIERED INCOME LATER SCENARIO

Sarah is 51 years old and is looking to retire at age 65. She currently has $250,000 to invest that she plans to use as retirement income. She is looking for an investment that will allow her to be in the equities market and is also looking for:

- an investment that has the potential to grow for14 years before she retires;
- an investment that will be held predominately in equities;
- an investment where there are a variety of funds to choose from; and
- a Death Benefit Guarantee or the account value (whichever is higher) that would be payable to her beneficiaries.

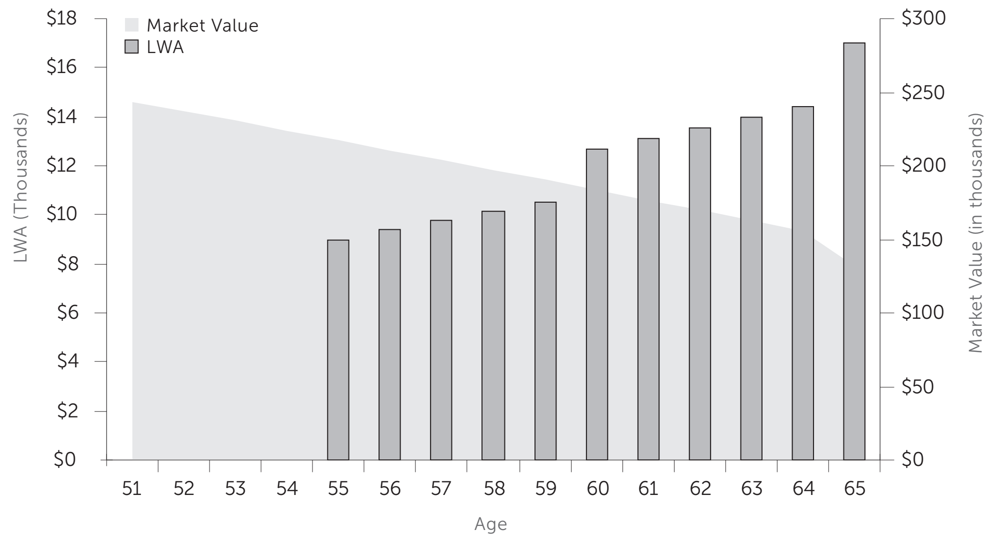
The Income Base Bonus* feature can help Sarah during her accumulation phase by increasing her Income Base by 5% each year assuming no withdrawals are made. If Sarah needs to withdraw some money, she can withdraw up to the LWA determined each December 31st provided she is at least 55 years old.

### Income Later – Down Market Scenario

The Income Base Bonus contributes to Sarah's potential future income and protects her against downside market risk. Despite poor market conditions, Sarah's Income Base would grow from $250,000 to $425,000, assuming no withdrawals are made. By the time she is ready to retire and start withdrawing her money, she would have an LWA of $17,000 ($425,000 x 4.0%).

**Note:**

For illustrative purposes the fund accumulates at a rate of return of -1.5%. A monthly Class Plus Fee of 0.092% (1.10% annually) of the Income Base was charged.



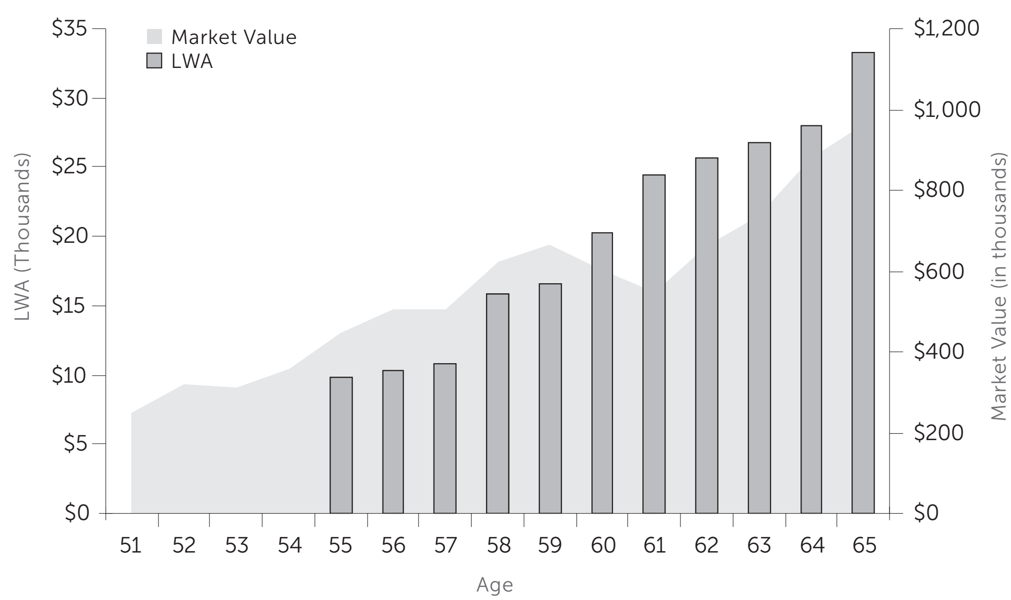

**The Income Base Bonus a notional amount added to the Income Base at the end of each calendar year following the initial deposit during which no withdrawals are made for that year.*

### Income Later – Up Market Scenario

Under strong market conditions, in addition to the 5% Income Base Bonus, Sarah would also benefit from the automatic triennial reset feature. Every third Class Plus Anniversary Date an Income Base Reset may occur. The Income Base Reset occurs when the market value of the Fund Class Units at the credit of her contract is greater than the current Income Base, which results in a higher Income Base.

When Sarah is ready to retire at age 65, her annual income would be $33,330 (4.0% of her $833,250 Income Base).

The following scenario's market value is based on historical rates of return using a blend of 80% S&P/TSX and 20% DEX Universe Bond Index, from December 31, 1991 to December 31, 2011, with an average rate of return of 11.48%. The monthly Class Plus Fee is 0.092% of the Income Base.



# CLASS PLUS 2 – JOINT TIERED INCOME NOW SCENARIO

John and Mary are a married couple who will be turning 65 and 60 this year. They have $500,000 in savings. They want a joint equity-based investment that will guarantee them a fixed annual income with the potential for a future increase in income. The Class Plus 2 contract with a Guaranteed Withdrawal Benefit ("GWB") offers the features to meet their objective. John is the Annuitant and Mary is the Joint Life.

Under the GWB, the Lifetime Withdrawal Amount ("LWA") is the maximum amount guaranteed to be available each calendar year for withdrawal for the life of the Annuitant or Joint Life, provided the younger of the Annuitant or Joint Life is 55 or older and an excess withdrawal does not occur.

When the initial deposit is made, the LWA is determined based on the amount of the deposit and a Joint Tiered LWA Percentage. The Joint Tiered LWA Percentage used is based on the younger of the Annuitant and Joint Life's age in the calendar year of deposit. In this case, the Joint Tiered LWA Percentage will be based on Mary's age.

On December 31st of each year the LWA is calculated for the following year.

If there have been no excess withdrawals during the year, the LWA for the following year will be the greater of:

1) the current LWA: and
2) a new LWA that is calculated based on the current Income Base* (after all transactions have been processed) and the Joint Tiered LWA Percentage that corresponds to Mary's age in the next calendar year.

If there have been excess withdrawals the LWA for the following year will be an amount equal to the Joint Tiered LWA Percentage of the current Income Base (after all transactions have been processed). The Joint Tiered LWA Percentage will be determined based on Mary's age in the next calendar year.

The current Joint Tiered LWA Percentages are as follows:

| Youngest of Annuitant or Joint Life's Age | Joint Tiered LWA Percentage |
|---|---|
| 55 – 59 | 2.50% |
| 60 – 64 | 3.00% |
| 65 – 69 | 3.50% |
| 70 – 74 | 3.75% |
| 75 + | 4.50% |

The initial Income Base will equal $500,000. Given that Mary will be turning 60 in the current year, Mary's age at the time of the initial deposit is 60. John and Mary's LWA at the time of the initial deposit will be $15,000 ($500,000 x 3.00%). John and Mary may withdraw up to $15,000 in the current calendar year without incurring an excess withdrawal. An excess withdrawal may significantly reduce or eliminate the value of the GWB.

** Income Base is the notional value that is the basis for determining the LWA each calendar year.*

### Income Now – Down Market Scenario

Assuming poor market conditions, John and Mary's investment may deplete by Mary's 82nd birthday or John's 87th birthday.

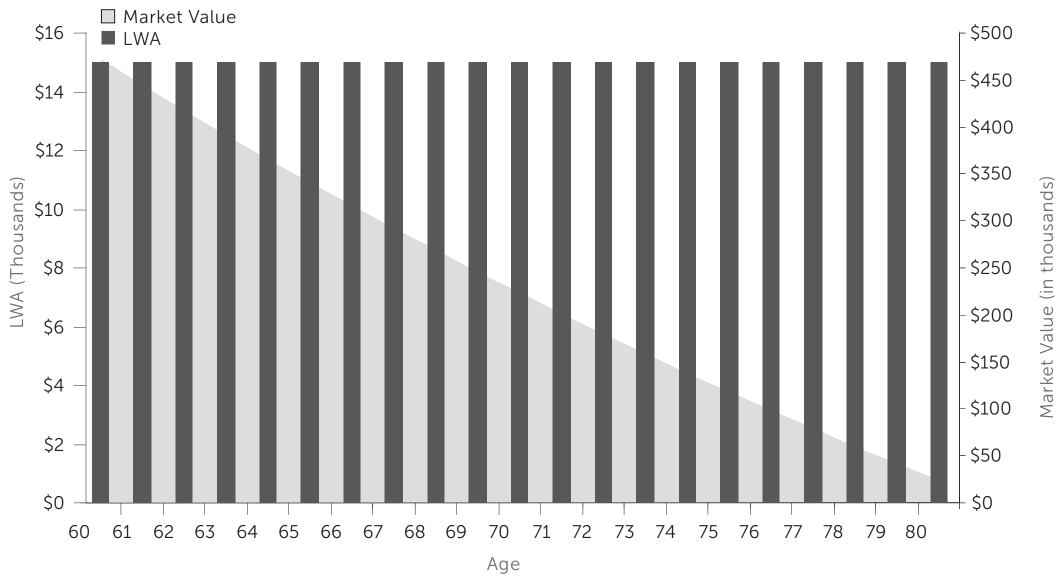
On December 31st of the first year

- Mary will be 61 in the following year. Their Joint Tiered LWA percentage will be 3%.
- the Income Base is reduced to $485,000 (the initial Income Base of $500,000 reduced by the first withdrawal of $15,000).

John and Mary are guaranteed an LWA of $15,000 provided there are no excess withdrawals. In the year that Mary turns 70, their Joint Tiered LWA Percentage is 3.75%. This will not increase the guaranteed income under this down market scenario, as the Income Base will be $350,000 with an LWA of $13,125 ($350,000 x 3.75%). This amount is less then the current LWA of $15,000, therefore the current LWA will remain in effect.

**Note:**

For illustrative purposes the fund accumulates at a rate of return of -1.5%.
A monthly Class Plus Fee of 0.092% (1.1% annually) of the Income Base was charged.

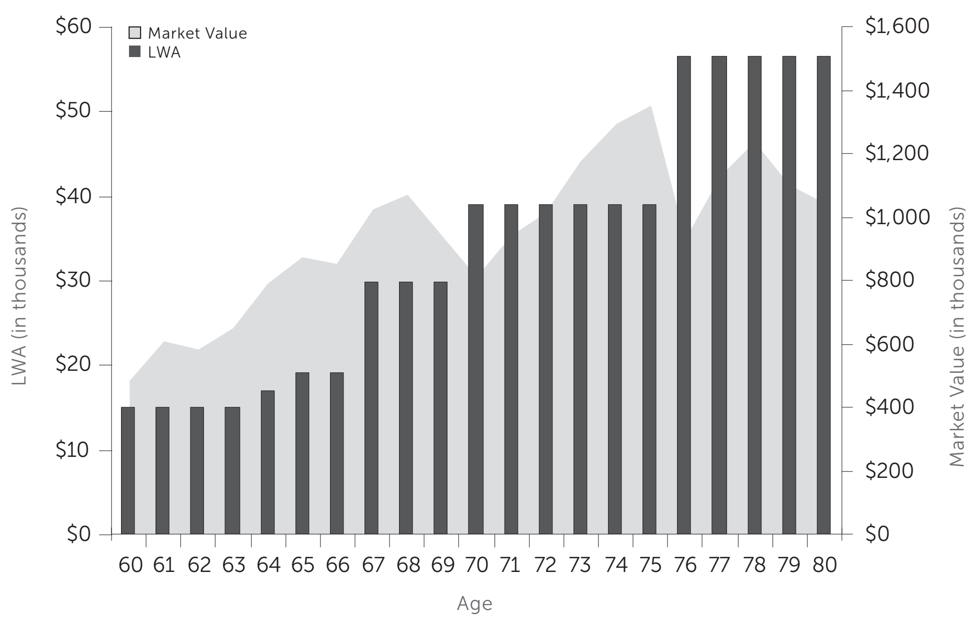



### Income Now – Up market Scenario

With strong market conditions John and Mary will be entitled to increases to the LWA from two factors:

1) automatic Income Base Resets every third Class Plus Anniversary Date where the Income Base is set to equal the market value of the Fund Class Units at the credit of their contract, if the market value is greater than the Income Base at that time; and
2) an increase to the Joint Tiered LWA Percentage based on Mary's age.

The following scenario's market value is based on historical rates of return using a blend of 80% S&P/TSX and 20% DEX Universe Bond Index, from December 31, 1991 to December 31, 2011, with an average rate of return of 9.28%. The monthly Class Plus Fee is 0.092% of the Income Base.



The table below tracks the Joint Tiered LWA amount and provides an explanation for the increase.

| Age | Income base | Tiered LWA % | Tiered LWA | Reason for Increased LWA |
|---|---|---|---|---|
| 60 | 500,000 | 3.00% | 15,000 | Initial LWA |
| 64 | 564,795 | 3.00% | 16,944 | Reset |
| 65 | 547,851 | 3.50% | 19,175 | Joint Tiered LWA% Increase |
| 67 | 854,163 | 3.50% | 29,896 | Reset |
| 70 | 1,039,082 | 3.75% | 38,966 | Reset + Joint Tiered LWA% Increase |
| 76 | 1,255,217 | 4.50% | 56,485 | Reset + Joint Tiered LWA% Increase |

John and Mary's LWA increased from $15,000 at issue to a maximum of $56,485 as a result of an increase to the Income Base through triennial resets and an increase to the Joint Tiered LWA Percentage based on Mary's age.

## CLASS PLUS 2 – JOINT TIERED INCOME LATER SCENARIO

Ben and Louise are a married couple who will be turning 55 and 51 this year. Ben and Louise are looking for retirement income when Louise retires at age 65. They currently have $300,000 to invest. They are looking for an investment that will allow them to be in the equities market and are also looking for:

- an investment that has the potential to grow for 14 years before Louise retires;
- an investment that will be held predominately in equities;
- an investment where there are a variety of funds to choose from; and
- a Death Benefit Guarantee or the account value (whichever is higher) that would be payable to their beneficiaries.

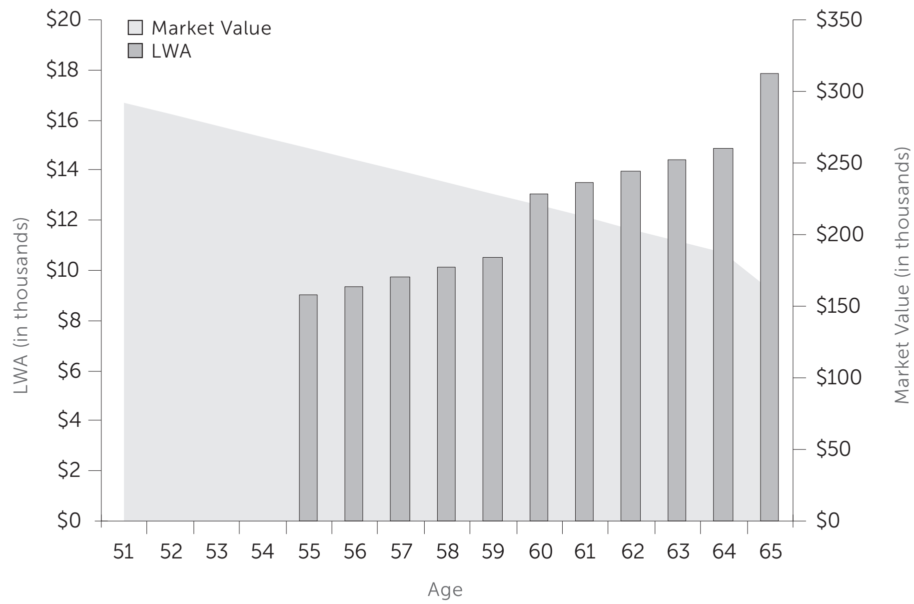
The Income Base Bonus* feature can help Ben and Louise during the accumulation phase by increasing their Income Base by 5% each year assuming no withdrawals are made. If they need to withdraw some money, they can withdraw up to the Joint Tiered LWA amount provided Louise is at least 55 years old.

## Income Later – Down Market Scenario

The Income Base Bonus contributes to Ben and Louise's potential future income and protects them against downside market risk. Despite poor market conditions, their Income Base would grow from $300,000 to $510,000, assuming no withdrawals are made. By the time Louise is ready to retire and start withdrawing money, Ben and Louise will have an LWA of $17,850 ($510,000 x 3.50%).

**Note:**

For illustrative purposes the fund accumulates at a rate of return of -1.5%. A monthly Class Plus Fee of 0.092% (1.10% annually) of the Income Base was charged.

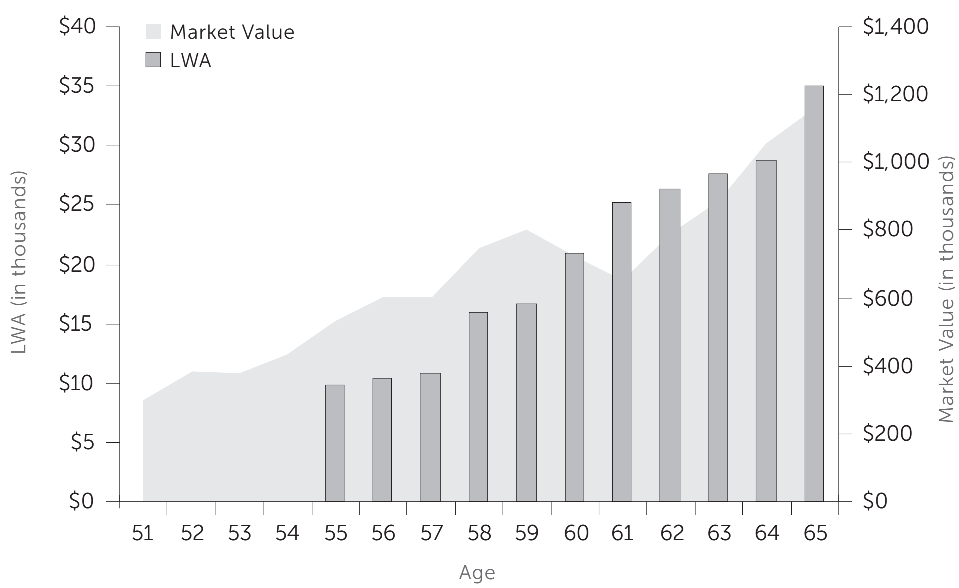



## Income Later – Up Market Scenario

Under strong market conditions, in addition to the 5% Income Base Bonus, Ben and Louise would also benefit from the automatic triennial reset feature. Every third Class Plus Anniversary Date an Income Base Reset may occur. The Income Base Reset occurs when the market value of the Fund Class Units at the credit of their contract is greater than the current Income Base, which results in a higher Income Base.

When Louise is ready to retire at age 65, their annual income would be $34,996 (3.50% of their $999,900 Income Base).

The following scenario's market value is based on historical rates of return using a blend of 80% S&P/TSX and 20% DEX Universe Bond Index, from December 31, 1991 to December 31, 2011, with an average rate of return of 11.48%. The monthly Class Plus Fee is 0.092% of the Income Base.



# CLASS PLUS 2
# CONTRACT PROVISIONS

## IMPORTANT INFORMATION

Delivery of the Contract Provisions does not constitute an acceptance by The Empire Life Insurance Company ("Empire Life") of a contract purchase. We will send you a confirmation notice as our acceptance of a contract purchase. The confirmation notice will be issued once we have received all of the required documents and your initial deposit. Any applicable endorsements or amendments will be sent to you with the confirmation notice and will form part of your contract.

**Any part of the deposit or other amount that is allocated to a Segregated Fund is invested at the risk of the Contract Owner and may increase or decrease in value.**

Empire Life is the issuer of this non-participating deferred annuity contract and the guarantor of the Maturity Benefit, Death Benefit and Guaranteed Withdrawal Benefit Guarantees as outlined in the Contract Provisions.

Les Herr
President and Chief Executive Officer

# 1. GENERAL INFORMATION

## 1.1 Definitions

The following are definitions for some of the key terms used throughout this document. The definitions provided will have the same meaning throughout the Information Folder and the Contract Provisions.

"**Annuitant**" shall mean the individual named as Annuitant on the Application. The Annuitant is also presumed to be the Contract Owner only for the purposes of describing the benefits available;

"**Application**" shall mean the Class Plus 2 Application, the Class Plus 2 Application for Nominee/Intermediary Account, or the Class Plus 2 Application for a Tax-Free Savings Account;

"**Bonus Base**" shall mean the notional amount used to calculate the Income Base Bonus at the end of the calendar year;

"**Bonus Base Reset**" shall mean a notional increase to the Bonus Base to equal the market value of the Funds at the credit of your contract, if the market value of the Funds is greater than the Bonus Base. Commencing on the third Class Plus Anniversary Date and on every third Class Plus Anniversary Date thereafter a Bonus Base Reset will occur;

"**Class Plus Anniversary Date**" shall mean the Valuation Date of the initial deposit to your contract and every year thereafter;

"**cut-off time**" is 4:00 p.m. EST of a Valuation Date. Any deposits, switches or withdrawal requests received after the cut-off time will be processed effective the next Valuation Date. Empire Life reserves the right to change the cut-off time without advance notice to you;

"**deposits**" shall mean the premium amounts you pay to us either directly or as a transfer from another policy/contract with Empire Life or from another financial institution under the terms of the contract;

"**effective date**" shall be the date we have received all of the required documents and your initial deposit. The effective date of your contract is as shown on the confirmation notice;

"**Excess Withdrawal**" shall occur when total withdrawals in a calendar year exceed the Lifetime Withdrawal Amount;

"**Fund(s)**" and "**Segregated Funds**" shall mean and include any one or all of the Segregated Funds and their respective Fund Classes available under the terms of the contract at any time;

"**Fund Class**" shall mean the notional division of a Segregated Fund for the purposes of determining management fees and benefit guarantees;

"**Fund Class Unit(s)**" shall mean the notional division of a Segregated Fund for the purposes of determining benefits under the contract;

"**Fund Facts**" shall mean the disclosure document that forms part of the Information Folder and, for specified information in the Fund Facts, part of the contract;

"**Guaranteed Withdrawal Benefit ("GWB")**" shall mean the feature of Class Plus 2 that provides for withdrawals over the life of the contract provided an Excess Withdrawal does not occur and the age eligibility requirement has been met;

**"GWB Guarantee"** shall mean a guarantee that withdrawals will continue for the life of the Annuitant or, if applicable, the life of the Joint Life provided an Excess Withdrawal does not occur and the age eligibility requirement has been met;

"**Guaranteed Payment Phase**" shall mean the period of time that withdrawals up to an annual maximum amount can occur when the market value of the Funds at the credit of your contract equals $0, subject to specified conditions;

"**Income Base**" shall mean the notional value that is the basis for determining the Lifetime Withdrawal Amount each calendar year;

"**Income Base Bonus**" shall mean a notional amount added to the Income Base at the end of each calendar year following the initial deposit during which no withdrawals are made for that year;

"**Income Base Downward Adjustment**" shall mean a potential reduction to the Income Base that occurs immediately following an Excess Withdrawal;

"**Income Base Reset**" shall mean a notional increase to the Income Base to equal the market value of the Funds at the credit of your contract, if the market value of the Funds is greater than the Income Base. Commencing on the third Class Plus Anniversary Date and on every third Class Plus Anniversary Date thereafter an Income Base Reset will occur;

"**Income Tax Act**" shall mean the *Income Tax Act* (Canada) as amended from time to time;

"**Information Folder**" shall mean the disclosure document in respect of the Class Plus 2 contract and the Fund information that is required under provincial insurance laws;

**"Joint Life"** shall mean, for purposes of the Joint Tiered LWA Option, the individual named as Joint Life on the Application who must be the Annuitant's spouse or common-law partner at that time;

**"Joint Tiered Lifetime Withdrawal Amount Option ("Joint Tiered LWA Option")"** shall mean an option available where withdrawals are guaranteed for the life of the Annuitant or Joint Life provided an Excess Withdrawal does not occur and the age eligibility requirement has been met;

"**last Annuitant**" shall mean the Annuitant, or if there is a Successor Annuitant or Joint Life, the survivor;

"**Lifetime Withdrawal Amount ("LWA")**" shall mean the maximum amount guaranteed to be available each calendar year for withdrawal for the life of the Annuitant or, if applicable, the life of the Joint Life, provided an Excess Withdrawal does not occur and the age eligibility requirement has been met;

"**Maturity Date**" shall mean the latest date that a contract may be owned. The Maturity Benefit is payable on the Maturity Date;

"**notice to us**" shall mean notice in writing, by any electronic means acceptable to us, or in any other form we may approve and received by us;

"**notice to you**" shall mean written notice sent by regular mail from us to you at your last known address according to our records;

"**rules**" shall mean the administrative rules and procedures established for the contract by us from time to time. We may change our rules in order to provide better service or to reflect corporate policy as well as when required by economic and legislative changes, including revisions to the Income Tax Act and applicable pension legislation. The operation of the contract and your rights as Contract Owner is subject to our rules and procedures and no prior notice to you is required for a rule or procedure, or for a change to a rule or procedure to become effective;

**"similar fund"** shall mean a Segregated Fund that has comparable fundamental investment objectives, is in the same investment fund category (in accordance with fund categories published in a financial publication with broad distribution) and has the same or a lower management fee than the management fee of the Fund in question;

**"Single Tiered Lifetime Withdrawal Amount Option ("Single Tiered LWA Option")"** shall mean an option available where withdrawals are guaranteed for the life of the Annuitant provided an Excess Withdrawal does not occur and the age eligibility requirement has been met;

"**Successor Annuitant**" shall mean the person who will become the Annuitant on the death of the Annuitant;

"**Valuation Date**" shall mean each day that our Head Office is open for business and a value is available for the underlying assets of the Funds. Valuation of the Segregated Funds and any secondary funds occurs at the close of business each Valuation Date. We reserve the right to value a Fund less frequently than each business day, subject to a minimum monthly valuation occurring on the last business day of each month;

"**we**", "**us**", "**our**", "**the Company**" and "**Empire Life**" shall mean The Empire Life Insurance Company and, for purposes of a Tax-Free Savings Account, the issuer of the Tax-Free Savings Account;

"**withdrawal fee schedule**" shall mean the schedule of fees applicable to withdrawals. The fees in effect at the time your contract is applied for are outlined in Section 8.2 Purchase Fee Options of the Information Folder;

"**you**", "**your**", and "**Contract Owner**" shall mean the legal owner of the contract and, for purposes of a Tax-Free Savings Account, the holder of the Tax-Free Savings Account.

## 1.2 Contract

The contract is the agreement between you and us. It consists of the Application, these Contract Provisions, any endorsements or amendments issued as part of this contract, and the confirmation notice issued by us.

The following information from the Fund Facts will also form part of the contract effective the date the Fund Facts was prepared and will remain in effect until such date as it is updated or replaced by a more current Fund Facts:

1) the plan name and the Segregated Fund(s) name;
2) the Management Expense Ratio ("MER");
3) risk disclosure;
4) fees and expenses; and
5) rescission rights.

The information provided within the Fund Facts is accurate and complies with the Canadian Life and Health Insurance Association Guideline G2 on Individual Variable Insurance Contracts Relating to Segregated Funds and the *Autorité des marchés financiers* Guideline on Individual Variable Insurance Contracts Relating to Segregated Funds as of the date it was prepared. If there is an error on a Fund Fact we will take reasonable measures to correct the error. The error will not entitle you to specific Fund performance.

Current Fund Facts are available on request or on our web site at www.empire.ca.

If you have requested that your contract be registered under the Income Tax Act, the Retirement Savings Plan ("RSP") Endorsement or the Retirement Income Fund ("RIF") Endorsement, as applicable, and any applicable locked-in endorsement will form part of your contract. The provisions of the endorsement(s) will, where applicable, override the Contract Provisions.

If you have applied for a Tax-Free Savings Account ("TFSA") and requested that we file an election to register the contract as a TFSA under the Income Tax Act, the TFSA Endorsement will form part of your contract. The provisions of the endorsement will, where applicable, override the Contract Provisions.

We will not be bound by any amendment made to the contract by you or your Advisor unless it is agreed to in writing and signed by the President, Chief Executive Officer or the Secretary and a Senior Vice-President of Empire Life. This contract will be governed and interpreted in accordance with the laws of the Province or Territory of Canada in which you sign the Application.

Any action or proceeding against an insurer for the recovery of insurance money payable under the contract is absolutely barred unless commenced within the time set out in the Insurance Act or other applicable legislation.

### 1.3 Effective Date

The contract will become effective when we have received all of the required documents and an initial deposit.

We will issue a confirmation notice to you as confirmation of a contract purchase. The effective date of your contract will be indicated on the confirmation notice.

### 1.4 Currency

Amounts payable to or by us will be in Canadian dollars.

### 1.5 Payment of Benefits

Before making payment of any of the benefits payable under the terms of this contract, we will require sufficient proof of the right of the claimant to receive such payment. If the proceeds become payable by reason of the last Annuitant's death we will also require sufficient proof of death of the Annuitant(s) and, if applicable, the Joint Life in accordance with our rules.

### 1.6 Beneficiary

The primary beneficiary(ies) to receive any amount payable on the death of the last Annuitant will be as you have designated on the Application. You may, by providing notice to us, and to the extent that the law(s) governing this contract allows:

1) appoint or revoke a beneficiary; and/or
2) reallocate the share percentage payable.

We assume no responsibility for the validity or effect of any beneficiary designtions or revocations.

If there are no surviving beneficiaries on the death of the last Annuitant, any Death Benefit payable will be paid to you or to your estate.

If you designate a beneficiary as irrevocable, the consent of that beneficiary will be required for certain transactions.

### 1.7 Control of Policy

If you have selected the Joint Tiered LWA Option the Annuitant and the Joint Life must be joint owners with right of survivorship (subrogated policyholders in Quebec) in accordance with our rules.

You may exercise all of the rights and privileges as Contract Owner subject to the law(s) governing this contract, including requirements under the Income Tax Act. Your rights may be restricted if the beneficiary is irrevocable or if the contract has been assigned.

If you are not the Annuitant and, if you predecease the Annuitant while this contract is in force, the joint or successor owner or, if applicable, the subrogated policyholder will become the Contract Owner. If a joint or successor owner has not been appointed the Annuitant will become the Contract Owner.

### 1.8 Contract Termination

Your contract will terminate on the earliest of:

1) if the market value of your contract is equal to $0 and the contract is not in the Guaranteed Payment Phase (See Section 5.9 Guaranteed Payment Phase);
2) on the Maturity Date (See Section 6.2 Maturity Date);
3) on the death of the last Annuitant; or
4) at any time the minimum balance requirements, in accordance with our rules, are not met.

## 2. DEPOSITS

### 2.1 General Information

When you make your initial deposit, in accordance with our rules, the Class Plus Anniversary Date will be the Valuation Date of the initial deposit. If the Valuation Date of the initial deposit is February 29th, February 28th will be the Class Plus Anniversary Date.

Deposits must be in accordance with our rules regarding minimum deposit requirements. We reserve the right to, from time to time and at our discretion, without advance notice to you:

1) refuse to accept deposits;
2) limit the amount of deposits allocated to a Fund, Fund Class or Purchase Fee Option;
3) impose additional conditions on deposits; and
4) limit the number of contracts owned by you.

If your contract is to be registered under the Income Tax Act, provincial legislation and/or any pension legislation certain restrictions may apply as specified in the applicable endorsement(s).

The amount of your deposit (before any applicable sales charges are deducted) will be used for determining the Maturity and Death Benefit Guarantees.

We may require medical evidence of the health of an Annuitant. We reserve the right to refuse to accept a deposit or to refund a deposit should incomplete or unsatisfactory evidence be provided.

No deposits can be made:

1) if you have selected the Single Tiered LWA Option, after December 31st of the year the Annuitant turns 80 years old;
2) if you have selected the Joint Tiered LWA Option, after December 31st of the year the older of the Annuitant and the Joint Life turns 80 years old or would have turned 80 had he/she survived; and
3) during the Guaranteed Payment Phase (See Section 5.9 Guaranteed Payment Phase).

### 2.2 Allocation of Deposits

Your deposits, less any applicable sales charges, will be applied towards the purchase of Fund Class Units in any one or more of the Funds, as directed by you.

The initial deposit and any regular scheduled deposits, less any applicable sales charge, will be applied based on the Fund allocations as chosen by you on the Application. Unless you provide notice to us, subsequent deposits will be applied on a proportionate basis to the same Fund(s) as your initial deposit.

You must provide notice to us to change the Fund allocation of regular scheduled deposits.

The number of Fund Class Units to be credited to your contract will be equal to the deposit, less any applicable sales charges, divided by the Fund Class Unit value for the applicable Fund on the Valuation Date (See Section 8.3 Valuation Date and Fund Class Unit Values).

### 2.3 Rescission Rights

You have the right to rescind your decision to purchase the contract. You must provide written notice of your desire to rescind the contract to us within two business days of receiving the confirmation notice. You will receive the lesser of:

1) the market value of the Fund Class Units at the credit of your contract on the Valuation Date following the day we receive your request plus any sales charges applicable to the deposit; or
2) the amount of your deposit.

You will be deemed to have received the confirmation notice five business days after we have mailed it.

You may also rescind subsequent deposits to the contract on the same conditions as outlined above except as follows:

1) in the event you elect to rescind a subsequent deposit, the right to rescind the purchase will only apply to that deposit; and
2) the right to rescind a subsequent deposit does not apply to regular scheduled deposits for which confirmation notices are not issued at the time of deposit.

We reserve the right to defer payment of any value under the rescission right for 30 days following the date we receive your notice to rescind.

**Any deposit allocated to a Segregated Fund is invested at the risk of the Contract Owner and may increase or decrease in value.**

## 3. SWITCHES

### 3.1 General Information

A switch is the cancellation of Fund Class Units of one Fund for their market value and the acquisition of Fund Class Units in another Fund. Switches must be in accordance with our rules and any regulatory restrictions that may apply. You may, by providing notice to us and while your contract is in force, request a scheduled or unscheduled switch.

Deposits that have been in the Fund the longest are switched first.

Switches may be subject to the excessive short-term trading fee (See Section 7.4 Excessive Short-Term Trading Fee).

Switches will not affect the Maturity and Death Benefit Guarantees or the GWB Guarantee.

We reserve the right to refuse a switch request in accordance with our rules.

### 3.2 Scheduled Switches

You may, by providing notice to us, make scheduled switches in accordance with our rules. If the date selected falls on a weekend or holiday, the switch will be processed on the previous Valuation Date. We reserve the right to cancel your scheduled switches at any time or to direct your scheduled switches to a similar fund in accordance with our rules.

**The market value of Fund Class Units cancelled and acquired in accordance with a switch is not guaranteed but will fluctuate with the market value of the assets of the Funds.**

## 4. WITHDRAWALS

### 4.1 General Information

The Maturity and Death Benefit Guarantees will reduce proportionately for any withdrawals. Withdrawals will reduce the Income Base and may have a negative impact on the GWB Guarantee.

You may, by providing notice to us and while your contract is in force, request a scheduled or unscheduled withdrawal of some or all of the market value of the Fund Class Units at the credit of your contract. Withdrawals must be in accordance with our rules and will be subject to any regulatory restrictions that may apply.

You must indicate in your notice to us the Fund(s) you wish to withdraw the Fund Class Units from. If the market value of the Fund Class Units on a Valuation Date is not sufficient for us to make the requested withdrawal, we will make the withdrawal in accordance with our rules. The contract will terminate when all Fund Class Units have been withdrawn except during the Guaranteed Payment Phase (See Section 5.9 Guaranteed Payment Phase).

Any applicable withdrawal fees and withholding taxes will be deducted from the amount withdrawn (See Section 7.2 Purchase Fee Options). Withdrawal fees will only apply to withdrawals that exceed the free withdrawal limit. The number of Fund Class Units to be cancelled will be equal to the amount to be withdrawn divided by the Fund Class Unit value for the applicable Fund on the Valuation Date (see Section 8.3 Valuation Date and Fund Class Unit Values).

If you request a withdrawal of the full market value of your contract you must elect one of the following options:

1) to apply the market value of your contract, less any applicable withdrawal fees, towards the purchase of an annuity in accordance with applicable legislation;
2) to receive the market value of your contract, less any applicable withdrawal fees and withholding taxes, in cash (subject to applicable legislation); or
3) any other method of settlement that we are then offering.

We reserve the right to refuse a request for a withdrawal or to require that your contract be cancelled if the minimum balance requirements are not met. We reserve the right to defer determination and payment of a withdrawal for as long as any period of emergency beyond our control exists during which it is reasonably impractical for us to determine the Fund Class Unit value for any Fund.

### 4.2 Scheduled Withdrawals

Scheduled withdrawals are the automatic withdrawal of some of the market value of the Fund Class Units at the credit of your contract at regular periodic intervals. We will withdraw the amount you have requested on the date as selected by you. If the date selected falls on a weekend or holiday, the withdrawal will be processed on the previous Valuation Date.

You may, by providing notice to us, request that scheduled withdrawals be made if your contract is non-registered, a TFSA, or a RRIF. If your contract is a RRIF scheduled withdrawals will be referred to as retirement income payments.

### 4.3 Free Withdrawal Limit

For deposits made with a Deferred Sales Charge Option ("DSC Option") or a Low-Load Option ("LL Option"), withdrawal fees will apply to any withdrawals that occur before the end of the withdrawal fee schedule. However, a withdrawal of some of the market value of Fund Class Units at the credit of your contract each calendar year up to specified limits will not be charged a withdrawal fee. For withdrawals in excess of the free withdrawal limit, normal withdrawal fees will apply. Withdrawals in excess of the LWA for the calendar year will be Excess Withdrawals (See Section 5.8 Excess Withdrawals).

The free withdrawal limit for non-registered, RSP or TFSA contracts will be 10% of the market value of Fund Class Units at the credit of your contract as of December 31st of the previous year plus 10% of any deposits made in the current year up to the date of withdrawal. The free withdrawal limit for RIF contracts will be 20% of the market value of Fund Class Units at the credit of your contract as of December 31st of the previous year plus 20% of any deposits made in the current year up to the date of withdrawal. The free withdrawal limit will be determined each calendar year and cannot be carried over to the next calendar year.

We reserve the right to change the free withdrawal limit, the conditions under which this provision is applied and the calculation of the limits, in accordance with our rules.

### 4.4 Minimum Balance Requirements

There are minimum balance requirements for the contract. If, at any time and in accordance with our rules, the minimum balance requirements are not met we have the right to terminate your contract.

We reserve the right to change the minimum balance requirements at any time.

## 5. GUARANTEED WITHDRAWAL BENEFIT ("GWB")

### 5.1 General Information

The GWB provides guaranteed payments to you and, if applicable, the Joint Life annually regardless of the investment performance of the Fund Class Units that you have invested in, subject to the terms and conditions of the contract.

We currently offer two GWB Options:

1) the Single Tiered LWA Option; and
2) the Joint Tiered LWA Option.

The GWB Option must be selected on the Application and once selected, cannot be changed without terminating the contract.

We reserve the right to change or delete a GWB Option at any time.

## 5.2 Single Tiered Lifetime Withdrawal Amount Option ("Single Tiered LWA Option")

### 5.2.1 Calculation of the LWA for the Year of Initial Deposit

On receipt of the initial deposit, we will calculate your LWA based on the amount of the deposit (the initial Income Base) and the initial Single Tiered LWA Percentage (See Section 6.2 of the Information Folder). The initial Single Tiered LWA Percentage used is based on the Annuitant's age as of December 31st of the calendar year in which the initial deposit is made. If the Annuitant is younger than 55 as of December 31st of the current calendar year, the LWA is set to equal $0 and any withdrawal is considered an Excess Withdrawal (See Section 5.8 Excess Withdrawals). If the Annuitant is 55 or older as of December 31st of the current calendar year, the LWA will be calculated based on the initial Income Base and the initial Single Tiered LWA Percentage that corresponds to the Annuitant's age as of December 31st of the current calendar year.

### 5.2.2 Calculation of the LWA for Subsequent Years

On December 31st of each year we will calculate your LWA for the following calendar year.

If total withdrawals have not exceeded the LWA for the current calendar year, the LWA for the following calendar year is the greater of:

1) the current LWA; and
2) a new LWA that is calculated based on the current Income Base (after all transactions have been processed) and the Single Tiered LWA Percentage that corresponds to the Annuitant's age as of December 31st of the following calendar year.

If total withdrawals have exceeded the LWA for the current calendar year, the LWA for the following calendar year will be an amount equal to the Single Tiered LWA Percentage of the current Income Base (after all transactions have been processed). The Single Tiered LWA Percentage will be determined based on the Annuitant's age as of December 31st of the following calendar year.

The Single Tiered LWA Percentage will automatically increase as the Annuitant's age increases in accordance with the chart of Single Tiered LWA Percentages outlined in the Information Folder.

The current Single Tiered LWA Percentages will be as outlined in the Information Folder. We reserve the right to change the Single Tiered LWA Percentages. Such a change will not apply to contracts issued prior to the date on which the change becomes effective. If the new Single Tiered LWA Percentages are higher than those in effect when your contract was issued, we may allow you to change to the new Single Tiered LWA Percentages in accordance with our rules.

**If total withdrawals have not exceeded the LWA for the current calendar year, the remainder will not be added to the LWA for the next calendar year.**

## 5.3 Joint Tiered Lifetime Withdrawal Amount Option ("Joint Tiered LWA Option")

If you select the Joint Tiered LWA Option, the Annuitant and Joint Life must be joint owners with right of survivorship (subrogated policyholders in Quebec), in accordance with our rules.

### 5.3.1 Calculation of the LWA for the Year of Initial Deposit

On receipt of the initial deposit, we will calculate your LWA based on the amount of the deposit (the initial Income Base) and the initial Joint Tiered LWA Percentage (See Section 6.3 of the Information Folder). The initial Joint Tiered LWA Percentage used is based on the youngest of the Annuitant and the Joint Life's age as of December 31st of the calendar year in which the initial deposit is made. If the Annuitant or Joint Life is younger than 55 as of December 31st of the current calendar year, the LWA is set to equal $0 and any withdrawal is considered an Excess Withdrawal (See Section 5.8 Excess Withdrawals). If both the Annuitant and Joint Life are 55 or older on December 31st of the current calendar year, the LWA will be calculated based on the initial Income Base and the initial Joint Tiered LWA Percentage that corresponds to the youngest of the Annuitant and the Joint Life's age as of December 31st of the current calendar year.

### 5.3.2 Calculation of the LWA for Subsequent Years

On December 31st of each year we will calculate your LWA for the following calendar year.

If total withdrawals have not exceeded the LWA for the current calendar year, the LWA for the following calendar year is the greater of:

1) the current LWA; and
2) a new LWA that is calculated based on the current Income Base (after all transactions have been processed) and the Joint Tiered LWA Percentage that corresponds to the youngest of the Annuitant and the Joint Life's age as of December 31st of the following calendar year.

If total withdrawals have exceeded the LWA for the current calendar year, the LWA for the following calendar year will be an amount equal to the Joint Tiered LWA Percentage of the current Income Base (after all transactions have been processed). The Joint Tiered LWA Percentage will be determined based on the youngest of the Annuitant and the Joint Life's age as of December 31st of the following calendar year.
The Joint Tiered LWA Percentage will automatically increase as the youngest of the Annuitant and the Joint Life's age increases in accordance with the chart of Joint Tiered LWA Percentages outlined in the Information Folder. The LWA is always based on the age of the youngest of the Annuitant and the Joint Life even if that person dies while your contract is in effect.

The current Joint Tiered LWA Percentages will be as outlined in the Information Folder. We reserve the right to change the Joint Tiered LWA Percentages. Such a change will not apply to contracts issued prior to the date on which the change becomes effective. If the new Joint Tiered LWA Percentages are higher than those in effect when your contract was issued, we may allow you to change to the new Joint Tiered LWA Percentages in accordance with our rules.

**If total withdrawals have not exceeded the LWA for the current calendar year, the remainder will not be added to the LWA for the next calendar year.**

## 5.4 Income Base

The initial Income Base is set to equal the initial deposit. The Income Base may:

1) increase by any subsequent deposits;
2) increase on the last Valuation Date of each calendar year by a notional Income Base Bonus (See Section 5.5 Income Base Bonus);
3) increase on every third Class Plus Anniversary Date as a result of an Income Base Reset (See Section 5.6 Income Base Reset);
4) decrease by any withdrawals;
5) decrease additionally for Excess Withdrawals (See Section 5.8 Excess Withdrawals).

## 5.5 Income Base Bonus

The contract may be eligible for notional bonuses that will increase your Income Base each calendar year following the initial deposit. This includes the calendar year of the initial deposit.

If there are no withdrawals during the calendar year, the Income Base will increase by a notional Income Base Bonus. The amount of the Income Base Bonus is currently equal to 5% of the current Bonus Base. Income Base Bonuses are applied to the Income Base on the last Valuation Date of the calendar year.

We reserve the right to change the Income Base Bonus percentage. Such a change will not apply to contracts issued prior to the date on which the change becomes effective. If the new Income Base Bonus percentage is higher than the Income Base Bonus percentage in effect when your contract was issued, we may increase the Income Base Bonus percentage in accordance with our rules.

Income Base Bonuses do not affect the market value of the Fund Class Units at the credit of your contract.

The Bonus Base is equal to the initial deposit. The Bonus Base will increase by the amount of any subsequent deposits.

Commencing on the third Class Plus Anniversary Date and on every third Class Plus Anniversary Date thereafter, a Bonus Base Reset will automatically occur. A Bonus Base Reset may result in an increase to the Bonus Base. If the market value of the Fund Class Units at the credit of your contract is greater than the Bonus Base, the Bonus Base is increased to equal the market value of the Fund Class Units at the credit of your contract, otherwise it will remain unchanged. If the Class Plus Anniversary Date does not fall on a Valuation Date the most recent Valuation Date prior to the Class Plus Anniversary Date will be used for calculating the market value of the Fund Class Units at the credit of your contract

If an Excess Withdrawal occurs and the market value of the Fund Class Units at the credit of your contract, determined immediately after the withdrawal, is less than the Bonus Base, the Bonus Base is decreased to equal the market value of the Fund Class Units at the credit of your contract, otherwise it will remain unchanged.

## 5.6 Income Base Reset

Commencing on the third Class Plus Anniversary Date and on every third Class Plus Anniversary Date thereafter, an Income Base Reset will automatically occur. If the market value of the Fund Class Units at the credit of your contract is greater than the Income Base, the Income Base will be increased to equal the market value of the Fund Class Units at the credit of your contract, otherwise it will remain unchanged.

If the Class Plus Anniversary Date does not fall on a Valuation Date the most recent Valuation Date prior to the Class Plus Anniversary Date will be used for calculating the market value of the Fund Class Units at the credit of your contract.

### 5.7 Retirement Income Payments

If you have requested that your contract be registered as a RIF, the Income Tax Act requires that a minimum amount be withdrawn every year as retirement income payments. You are not required to receive a minimum payment for the calendar year in which your contract is established. For each subsequent year, the minimum retirement income payment is calculated in accordance with the minimum payment schedule as specified in Section 146.3 of the Income Tax Act.

The minimum retirement income payment for each calendar year is based on the market value of your contract at the beginning of that calendar year. To the extent possible retirement income payments will be made in accordance with our rules and the directions you have provided on the Application or by subsequent notice to us.

If you are 55 or older and the minimum retirement income payment is higher than the LWA for a calendar year, withdrawals up to the RRIF minimum amount will not be considered an Excess Withdrawal. If your contract is locked-in under pension legislation and the LWA is higher than your maximum income amount for a calendar year, you can withdraw up to the maximum income amount in accordance with the applicable pension legislation.

We reserve the right to restrict the use of the spouse or common-law partner's age for the purposes of determining the maximum guaranteed payment available for a calendar year.

If the total of your retirement income payments in a calendar year is less than the required minimum payment for that year, we will make a payment to you, in accordance with our rules, before the end of that calendar year to meet the required minimum payment.

If the market value of your contract is not enough to make a retirement income payment, the amount available, less any applicable withdrawal fees will be paid to you and your contract will terminate. At no time will any retirement income payment be made which exceeds the market value of your contract immediately before a retirement income payment is due.

### 5.8 Excess Withdrawals

An Excess Withdrawal occurs when the cumulative withdrawals exceed the LWA for a calendar year. Immediately following an Excess Withdrawal an Income Base Downward Adjustment will be processed that results in the Income Base being recalculated to be equal to the lesser of:

1) the Income Base after the withdrawal has been processed; and
2) the market value of the Fund Class Units at the credit of your contract after the withdrawal has been processed.

Immediately following an Excess Withdrawal the Bonus Base will be decreased to equal the market value of the Fund Class Units at the credit of your contract if the market value of the Fund Class Units at the credit of your contract is less than the Bonus Base, otherwise it will remain unchanged.

### 5.9 Guaranteed Payment Phase

If the Market Value of the Fund Class Units at the credit of your contract equals $0 and the Income Base or LWA has a positive value, your contract will not terminate but will move into the Guaranteed Payment Phase. Once in the Guaranteed Payment Phase, the contract will continue to provide for payments up to the LWA to you for the life of the Annuitant or, if applicable, the life of the Joint Life.

No deposits can be made during the Guaranteed Payment Phase. Withdrawals will not be made to pay the Class Plus Fee during the Guaranteed Payment Phase.

## 6. MATURITY AND DEATH BENEFITS

### 6.1 General Information

Your contract provides guarantees at Maturity and Death.

On the Maturity Date, if the Maturity Benefit Guarantee is higher than the current market value of the Fund Class Units at the credit of your contract, we will increase the market value of the Fund Class Units to equal the Maturity Benefit Guarantee.

On the Death Benefit Date, if the Death Benefit Guarantee is higher than the current market value of the Fund Class Units at the credit of your contract, we will increase the market value of the Fund Class Units to equal the Death Benefit Guarantee.

Any increase in the market value of the Fund Class Units at the credit of your contract as a result of a Maturity or Death Benefit Guarantee is deposited to the Money Market Fund. This deposit is known as a "top up." Any applicable top up payments are paid from the general funds of the Company.

### 6.2 Maturity Date

If you have selected the Single Tiered LWA Option, the Maturity Date of your contract is December 31st of the year the Annuitant named in the Application turns 120 years old.

If you have selected the Joint Tiered LWA Option the Maturity Date of your contract is December 31st of the year the youngest of the Annuitant and the Joint Life named in the Application turns 120 years old.

The Maturity Date of your contract cannot be changed.

## 6.3 Maturity Benefit

The Maturity Benefit is determined on the Maturity Date. The Maturity Benefit is equal to the greater of:

1) the market value of the Fund Class Units at the credit of your contract, less any applicable withdrawal fees; and
2) the Maturity Benefit Guarantee.

If 2) is greater than 1) we will deposit the difference (a "top up payment") to the Money Market Fund.

The Maturity Benefit will be applied to a Maturity Option you select and your contract will then terminate.

## 6.4 Maturity Benefit Guarantee

The Maturity Benefit Guarantee is 75% of the sum of the deposits reduced proportionately for withdrawals.

The Maturity Benefit Guarantee will not decrease as a result of a withdrawal to pay the Class Plus Fee (See Section 7.3 Class Plus Fee).

## 6.5 Maturity Options

We will provide notice to you of the Maturity Options available prior to the Maturity Date of your contract.

The Maturity Benefit will be applied to one of the following Maturity Options as selected by you:

1) to provide an annuity payable in equal monthly instalments commencing one month after the Maturity Date. The annuity will be payable to you for a period of 10 years certain and monthly thereafter for as long as you shall live. The amount of each monthly instalment is the greater of:
   a) the amount determined based on our annuity rates in effect at that time; or
   b) $1.00 per $1,000 of the Maturity Benefit;
2) pay the Maturity Benefit to you as a lump sum payment;
3) any other Maturity Option that we may offer at the Maturity Date of your contract.

If, on the Maturity Date, you have not selected a Maturity Option as described above we will automatically:

   a) apply option 1) as described above if your contract is non-registered, a TFSA or a RIF; or
   b) convert your contract to a RIF if your contract is an RSP (See Section 6.6 RSP to RIF Conversion).

Locked-in funds will be applied in accordance with the applicable pension legislation.

## 6.6 RSP to RIF Conversion

If your contract is applied for as an RSP under the Income Tax Act you may convert at any time prior to the Maturity Date to a RIF within the contract or an equivalent contract that we may offer at that time. In this event:

1) the Fund Class Units at the credit of your contract will be transferred to the same Fund Class Units of the RIF;
2) the retirement income payments will be in accordance with our rules and based on the minimum payments required under the Income Tax Act;
3) the beneficiary of the RIF will remain the same as the beneficiary of the RSP unless we are notified otherwise;
4) the Maturity Date of your contract will not change;
5) the Maturity Benefit, Death Benefit and GWB Guarantee will not be affected; and
6) the age and amount of your deposits will not change for the purpose of determining withdrawal fees.

Unless you indicate otherwise, we will convert your RSP to a RIF provided your contract is in force on December 31st of the year you attain the maximum age for owning an RSP.

If your contract is locked-in under pension legislation, it will be converted to a locked-in RIF in accordance with the applicable pension legislation.

**The market value of Fund Class Units at the credit of your contract are not guaranteed and will fluctuate with the value of the assets of the Fund(s).**

## 6.7 Death Benefit Date

The Death Benefit Date will be the Valuation Date we receive sufficient notification of the death of the Annuitant(s) and, if applicable, the Joint Life in accordance with our rules. On the Death Benefit Date the market value of all Fund Class Units at the credit of your contract will be switched to the Money Market Fund.

## 6.8 Death Benefit

We will pay a Death Benefit on the death of the last Annuitant provided the contract is in force and the death occurs prior to the Maturity Date.

The Death Benefit will be determined effective the Death Benefit Date and will be equal to the greater of:

1) the market value of the Fund Class Units at the credit of your contract; and
2) the Death Benefit Guarantee.

If 2) is greater than 1) we will deposit the difference (a "top up payment") to the Money Market Fund.

On receipt of sufficient proof of the last Annuitant's death and of the claimant's right to the proceeds, we will pay in one lump sum to the beneficiary the market value of the Fund Class Units at the credit of your contract.

There are no withdrawal fees applicable to the Death Benefit. Payment of the Death Benefit will terminate your contract.

## 6.9 Death Benefit Guarantee

The Death Benefit Guarantee is 100% of the sum of the deposits reduced proportionately for withdrawals.

The Death Benefit Guarantee will not decrease as a result of a withdrawal to pay the Class Plus Fee (See Section 7.3 Class Plus Fee).

## 6.10 Contract Continuance on Death

### 6.10.1 Non-registered Contracts

If you have selected the Joint Tiered LWA Option the contract will automatically continue until the death of the last Annuitant.

If you have selected the Single Tiered LWA Option, your non-registered contract may continue following your death provided certain elections are made prior to your death.

#### Joint or Successor Owner

Joint owners shall be deemed to hold the contract as joint owners with right of survivorship (unless we are notified otherwise), except in Quebec. When a joint owner dies, the other joint owner with right of survivorship will become the Contract Owner. In Quebec, joint owners who wish to obtain the same legal effect as the right of survivorship must each appoint the other owner as his/her subrogated policyholder. In Quebec, or if the contract is jointly owned without right of survivorship, the successor owner/subrogated policyholder will become the Contract Owner when a joint owner dies.

If there is no successor owner/subrogated policyholder appointed the Annuitant will become the Contract Owner.

#### Successor Annuitant

If you have selected the Joint Tiered LWA Option, a Successor Annuitant cannot be appointed.

If you have selected the Single Tiered LWA Option, you may appoint a Successor Annuitant at any time prior to the death of the Annuitant. On the death of the Annuitant, the Successor Annuitant will become the Annuitant and the contract will continue with no Death Benefit payable at that time. You may remove a previously appointed Successor Annuitant at any time.

On the death of the Annuitant:

1) a reset of the Death Benefit Guarantee is performed if the Successor Annuitant is less than 80 years old (See Section 6.11 Resetting the Benefit Guarantees);
2) an Income Base Reset is performed (See Section 5.6 Income Base Reset);
3) a Bonus Base Reset is performed (See Section 5.5 Income Base Bonus);
4) the LWA is changed immediately following 2) above to equal the Single Tiered LWA Percentage based on the Successor Annuitant's age as of December 31st of the current calendar year. This may result in the LWA increasing or decreasing or being set to equal $0;
5) if the Successor Annuitant is younger than 55 as of December 31st of the current calendar year, the Successor Annuitant's LWA is set to equal $0 for the remainder of the current calendar year and any withdrawal made following the death of the Annuitant will be considered an Excess Withdrawal;
6) if the Successor Annuitant is 55 or older as of December 31st of the current calendar year, cumulative withdrawals up to the greater of the Annuitant's LWA and the Successor Annuitant's LWA will be available for the current calendar year without being considered Excess Withdrawals. The cumulative withdrawals include any withdrawals for the current calendar year received prior to the death of the Annuitant.

The Maturity Date of the contract will not change.

The process as outlined above will apply even if the contract is in the Guaranteed Payment Phase.

### 6.10.2 Registered Contracts

Joint or successor owners cannot be appointed on RSPs.

If your contract is a RIF and you have appointed your spouse or common-law partner as Successor Annuitant your spouse or common-law partner will become the Annuitant and Contract Owner on your death. The retirement income payments will continue to your spouse or common-law partner. The contract will continue with no Death Benefit payable at that time.

### 6.10.3 TFSA

If your contract is a TFSA you may appoint your spouse or common-law partner as successor owner (subrogated policyholder in Quebec). You may not appoint a joint owner. On your death, your spouse or common-law partner will automatically become the Annuitant and Contract Owner. The contract will continue with no Death Benefit payable at that time.

## 6.11 Resetting the Benefit Guarantees

We reserve the right to change the reset features or to remove this feature at any time, in accordance with our rules. We will provide notice to you 60 days prior to the cancellation of this provision.

### 6.11.1 Death Benefit Guarantee

The Death Benefit Guarantee is reset automatically commencing on the third Class Plus Anniversary Date and every third Class Plus Anniversary Date thereafter prior to:

1) the Annuitant's 80th birthday, if you have selected the Single Tiered LWA Option; or
2) the earliest of the Annuitant's or the Joint Life's 80th birthday (even if that person has died while the contract is in effect), if you have selected the Joint Tiered LWA Option.

The last Death Benefit Guarantee reset will occur automatically on:

1) the Annuitant's 80th birthday, if you have selected the Single Tiered LWA Option; or
2) the earliest of the Annuitant's or the Joint Life's 80th birthday (even if that person has died while the contract is in effect), if you have selected the Joint Tiered LWA Option. If the Class Plus Anniversary Date or the Annuitant's or Joint Life's 80th birthday is not a Valuation Date the most recent Valuation Date prior to that date will be used for calculation purposes.

The new Death Benefit Guarantee will be determined as if a complete withdrawal and a redeposit of the market value of the Fund Class Units at the credit of your contract had occurred. If the new Death Benefit Guarantee is greater than the current Death Benefit Guarantee the Death Benefit Guarantee will be increased to equal the new Death Benefit Guarantee. Otherwise, the Death Benefit Guarantee will remain unchanged.

### 6.11.2 Maturity Benefit Guarantee

The Maturity Benefit Guarantee cannot be reset.

## 6.12 Switches and the Guarantees

Switches between Funds will not affect the Maturity and Death Benefit Guarantees or the GWB Guarantee.

## 6.13 Withdrawals and the Guarantees

Whenever the term "reduced proportionately" is used throughout the Information Folder and Contract Provisions it means we will calculate a proportionate reduction based on the market value of the Fund Class Units at the credit of your contract at the time of the transaction.

# 7. FEES AND CHARGES

## 7.1 General Information

Depending on the Purchase Fee Option you have selected you may have to pay a sales charge at the time you make a deposit or pay a withdrawal fee at the time you make a withdrawal. There are currently three Purchase Fee Options available under the terms of the contract – a Front-End Load Option ("FE Option"), the Deferred Sales Charge Option ("DSC Option"), and the Low Load Option ("LL Option").

The fee you pay for the Maturity and Death Benefit Guarantees is included in the Management Expense Ratio ("MER") of the Fund(s) you have selected.

The fee you pay for the GWB is paid from the contract, through the withdrawal of Fund Class Units (See Section 7.3 Class Plus Fee).

## 7.2 Purchase Fee Options

### 7.2.1 FE Option

If you select the FE Option, a sales charge of between 0% and 5% of your deposit is deducted at the time your deposit is made. The amount of your sales charge is negotiated between you and your Advisor. The sales charge is deducted from your deposit and the net amount is applied towards the purchase of Fund Class Units. We will pay a commission equivalent to the sales charge to your Advisor.

The deposit amount (before the sales charge is deducted) is used for determining the Maturity and Death Benefit Guarantees and the Income Base for the GWB.

No withdrawal fees will apply should you make a withdrawal of some or all of the market value of the Fund Class Units at the credit of your contract.

### 7.2.2 DSC and LL Options

If you select the DSC or LL Option, 100% of your deposit is applied towards the purchase of Fund Class Units. However, should you make a withdrawal a withdrawal fee may be deducted from the amount withdrawn in accordance with the withdrawal fee schedule. The withdrawal fee is calculated as a percentage of the original purchase price of the Fund Class Units and the number of complete years from the date of deposit to the date of withdrawal. The deposits to the respective Fund that have been at the credit of your contract the longest will be used for the purpose of calculating the withdrawal fee. The original date of your deposit will not change when a switch occurs.

We will pay a commission to your Advisor whenever a deposit is applied towards the purchase of Fund Class Units.

## 7.3 Class Plus Fee

The fee you pay for the GWB, the Class Plus Fee, is an insurance fee that is paid from the contract. The Class Plus Fee is paid through a withdrawal of Fund Class Units. The amount to be withdrawn from each Fund will be determined based on a number of factors as outlined in the Information Folder. The withdrawal will be processed on the last Valuation Date of each month, after all transactions have been processed, but before any LWA recalculations, if applicable, occur.

Withdrawals to pay for the Class Plus Fee will not reduce the Maturity and Death Benefit Guarantees or the Income Base. Additionally, this withdrawal will not be included in determining if Excess Withdrawals have occurred during the calendar year.

Withdrawals will not be made to pay the Class Plus Fee during the Guaranteed Payment Phase.

We reserve the right to change how the Class Plus Fee is calculated, the factors involved in the calculation, and the frequency of the collection of the Class Plus Fee at any time in accordance with our rules.

### 7.4 Excessive Short-Term Trading Fee

Excessive short-term trading is the frequent purchase, switch or withdrawal of Fund Class Units. As Segregated Funds are considered long-term investments we discourage investors from excessive trading because it generates significant costs for a Fund. This can reduce a Fund's overall rate of return, which impacts all Contract Owners. As a result, in addition to any other fees and charges that may apply, we will deduct up to 2% of the transaction amount under the following conditions:

1) you request that a deposit or a switch be applied towards the purchase of Fund Class Units of a Fund within 90 days of withdrawing Fund Class Units from the same Fund;
2) you request a full or partial withdrawal of the market value of the Fund Class Units from a Fund within 90 days of acquiring them; or
3) you request a switch within 90 days of the most recent switch.

The fee will be paid to the associated Fund to help offset the costs of excessive short-term trading. We also reserve the right to refuse to process the requested transaction under these same conditions. This additional fee will not apply to transactions that are not motivated by short-term trading considerations, such as:

1) scheduled withdrawals;
2) scheduled switches; or
3) other transactions in respect of which prior written approval has first been granted by our President, Secretary, or Chief Financial Officer.

### 7.5 Recovery of Expenses or Investment Losses

We reserve the right to charge you, in addition to any other applicable fees, for any expenses or investment losses incurred by us as a result of an error made by you, your Advisor or a third party acting on your behalf.

### 7.6 Management Fees

All Contract Owners indirectly incur the costs associated with the management and operation of the Segregated Funds. These costs include the management fees and operating expenses which are incorporated into the MER. The MER is paid by the Fund before the Fund Class Unit value is calculated (See Section 9.6.3 MER).

### 7.7 Empire for Life™ Loyalty Program

A Management Fee Credit ("MFC") will be provided to an investor who has invested in a Class Plus 2 contract and/or an Empire Class Segregated Funds Contract issued by Empire Life for a continuous period of 10 years or any Empire Life Mutual Fund offered by Empire Life Investments Inc. for a continuous period of 10 years.

Once you have qualified for the program and providing you continue to be invested, any subsequent investments in the Class Plus 2 and/or the Empire Class Segregated Funds Contract or Empire Life Mutual Funds will automatically qualify for the MFC under the same terms and conditions as for existing units.

The MFC will be equal to 5% of the annual management fee of the Funds whose Fund Class Units are attributed to your contract following the qualification period. The MFC will be used to purchase additional Fund Class Units and will be allocated proportionately based on the market value of each Fund that you are invested in on December 31st of each year. If December 31st is not a Valuation Date the last Valuation Date in the year will be used. The MFC is paid from the general funds of the Company.

We reserve the right to change or cancel the program, the conditions for eligibility and the calculation of the MFC in accordance with our rules.

## 8. VALUATION

### 8.1 Market Value of Fund Class Units

The market value of Fund Class Units at the credit of your contract for a Fund on any date will be equal to:

1) the Fund Class Units for that Fund at the credit of your contract; multiplied by
2) the Fund Class Unit value for that Fund on the Valuation Date coincident with or next following the date of determination.

### 8.2 Market Value of your Contract

The market value of your contract on any date will be the sum of:

1) the market value of all Fund Class Units at the credit of your contract; and
2) any deposit that we have received, less any applicable sales charges, which has not yet been applied towards the purchase of Fund Class Units.

### 8.3 Valuation Date and Fund Class Unit Values

On each Valuation Date Fund Class Unit values are calculated for each Fund. The Fund Class Unit values will be effective for all transactions involving the acquisition or cancellation of Fund Class Units of each Fund since the last Valuation Date of the respective Fund.

Deposits and requests for withdrawals or switches received prior to the cut-off time will receive the Fund Class Unit value as determined by us on that Valuation Date. Deposits and requests for withdrawals or switches received after the cut-off time will receive the Fund Class Unit value as determined by us on the next Valuation Date.

A Fund Class Unit value is calculated by dividing the Fund Class proportionate share of the market value of the net assets of the Fund attributable to all Fund Classes less operating expenses and management fees including taxes attributable solely to a Fund Class, by the number of Fund Class Units of the respective Fund outstanding on the Valuation Date.

The assets of a Fund are valued to the extent possible at closing market prices on a nationally recognized stock exchange by financial pricing service companies, and in other cases, the fair market value as determined by Empire Life. We reserve the right to defer the valuation of a Fund and calculation of a Fund Class Unit value for a Fund for as long as any period of emergency beyond our control exists during which it is reasonably impractical for us to determine a Fund Class Unit value.

The Funds themselves, the assets held in the Funds and their income and accretions will at all times be and remain the sole property of the Company. All income and accretions of a Fund will be used to increase the assets of the respective Fund. There is no participation in any surplus or profits of the Company.

**The Fund Class Unit value of each Segregated Fund fluctuates with the market value of the assets of the Fund and as a result the market value of Fund Class Units at the credit of your contract is not guaranteed.**

## 9. SEGREGATED FUNDS

### 9.1 General Information

There are various Segregated Funds available under the terms of your contract. Deposits to your contract are applied towards the purchase of Fund Class Units as described in Section 2.2 Allocation of Deposits.

The Funds and Fund Class(es) currently available under the terms of this contract are as outlined in the Information Folder.

### 9.2 Changes to Funds and Fund Classes

We reserve the right, at any time, at our discretion, and without advance notice to you, to:

1) change the Funds available under your contract;
2) discontinue offering any Fund or Fund Class;
3) limit or restrict deposits to any Fund or Fund Class; and
4) change any limit or restriction.

We may also add new Funds and/or Fund Classes to your contract at any time, You may, by providing notice to us and in accordance with our rules, direct your deposits to the new Fund(s) or Fund Class(es). All terms and conditions as provided for under the terms of your contract will also apply to any new Fund(s) or Fund Class(es).

### 9.3 Deleting Funds and Fund Classes

We reserve the right to delete Funds or Fund Classes. In the event that a Fund or Fund Class is deleted, you may, subject to any regulatory requirements that apply, select one of the following options:

1) transfer the value of the Fund Class Units held in the deleted Fund or Fund Class to acquire Fund Class Units in any other Fund or Fund Class offered under the contract at that time as described in Section 3, Switches; or
2) withdraw and transfer the value of the Fund Class Units held in the deleted Fund or Fund Class to any other annuity contract offered by us at that time; or
3) withdraw the Fund Class Units held in the deleted Fund or Fund Class as described in Section 4, Withdrawals.

No fees or charges are applied for a transfer or withdrawal of Fund Class Units held in a Fund or Fund Class to be deleted.

We will provide notice to you at least 60 days prior to the deletion date of a Fund or Fund Class. The notice will be sent by regular mail to your address on our records. Switches or deposits into the Fund or Fund Class being deleted may not be permitted during the notice period. If you do not provide us with written notification of the option you have selected at least five business days prior to the deletion date of a Fund or Fund Class, we will automatically apply option 1) described above and transfer the value to one of the remaining Funds and Fund Classes available under the contract. We will then select the Fund and the Fund Class to which the value of the Fund Class Units held in the deleted Fund or Fund Class is transferred.

For the purpose of determining the value of the Fund Class Units to be transferred or withdrawn from a Fund or Fund Class that is to be deleted and, if applicable, the acquisition of Fund Class Units in another Fund or Fund Class under the terms of the contract, the effective date will be the first to occur of:

1) within three business days of receipt of your notice to us of the option selected; and
2) the deletion date of such Fund or Fund Class.

### 9.4 Splitting of Fund Class Units

We may, at any time, elect to redetermine the number of Fund Class Units in a Fund. Any such redetermination will be accompanied by a revaluation of Fund Class Units. The market value of Fund Class Units at the credit of your contract in the respective Fund as at the date of redetermination will remain the same before and after such redetermination.

### 9.5 Merger of Funds

We may, at any time, elect to merge a Fund with another one or more of our Funds. We will provide notice to you at least 60 days prior to the merger and of the options available to you as a result of the merger.

### 9.6 Fees and Expenses Paid by the Funds

Each Fund pays fees and expenses related to the operation of that Fund. These fees and expenses include but are not limited to management fees and operational expenses. Each Fund Class pays its proportionate share of the fees and expenses of the Fund.

#### 9.6.1 Management Fee

The annual management fee for each Fund is outlined in the Information Folder. A management fee can only be changed after we have provided advance notice to you (See Section 9.8 – Fundamental Changes).

The management fee covers the charges related to professional investment management and the administration of a Fund.

The management fee is subject to applicable taxes (e.g. the Goods and Services Tax ("GST") or in some jurisdictions, the Harmonized Sales Tax ("HST")). Management fees are calculated and accrued on a daily basis and paid to Empire Life on the next business day. The management fee for each Fund in a Fund Class is calculated as a percentage of the Fund's net asset value attributable to that Fund Class, which in turn reduces the Fund Class Unit value.

#### 9.6.2 Operational Expenses

Operational expenses are the fees and charges necessary for a Fund to operate. Operational expenses are accrued on a daily basis and paid to Empire Life monthly.

#### 9.6.3 MER

The MER is the total cost of investing in a Fund in a Fund Class. The MER for each Fund in a Fund Class is outlined in the Fund Fact statement.

The MER includes the management fee and operational expenses. The MER is paid by the Fund Class before the Fund Class Unit value is calculated. The MER for each Fund in a Fund Class is expressed as a percentage of the Fund's average daily net asset value attributable to that Fund Class. The MER for a Fund is disclosed annually in the audited Financial Statements.

### 9.7 Application of Earnings

All earnings of a Fund are retained in that Fund and used to increase the market value of the Fund Class Units. Earnings may include but are not limited to interest, capital gains, dividends, and distributions. Reinvestment of earnings is required by the terms of our individual variable insurance contracts.

### 9.8 Fundamental Changes

A fundamental change includes:

1) an increase in the management fee of a Fund;
2) a change in the fundamental investment objectives of a Fund;
3) a decrease in the frequency that Fund Class Units are valued; and
4) an increase in the Class Plus Fee if the increase is higher than the maximum allowable.

We will provide notice to you at least 60 days prior to making any fundamental change. The notice will outline what changes we intend and when they will be effective. Within the notice we will provide you with the opportunity to switch to a similar fund that is not subject to the fundamental change or to withdraw the market value of the Fund Class Units at the credit of your contract in the affected Fund. In this event any applicable fees and charges will be waived provided your notice to us advising of the option you have selected is received at least five days prior to the end of the notice period. You may also choose to remain in the affected Fund. Switches to or deposits into the affected Fund may not be permitted during the notice period.

## 10. RSP ENDORSEMENT

NOTE: These provisions only apply to your contract if you have requested that the contract be registered as an RSP under the *Income Tax Act* (Canada).

The following provisions form part of your contract and, if applicable, override anything to the contrary within the Contract Provisions if you have requested that your contract be registered under the *Income Tax Act* (Canada) and any applicable provincial income tax legislation.

1) "You" and "your" refer to the Contract Owner and Annuitant. "Annuitant" is as defined in the *Income Tax Act* (Canada).

2) "Spouse" or "common-law partner" is a person who is recognized as a spouse or common-law partner for the purposes of any provision of the *Income Tax Act* (Canada) respecting RSPs.
3) Retirement income payments under the contract may not be assigned in whole or in part.
4) In the event of your death prior to the settlement of the contract, the proceeds will be payable in one sum.
5) The right to select a retirement income is limited to those described in subsection 146(1) of the *Income Tax Act* (Canada).
6) Annuity payments to you, or to your spouse or common-law partner shall be in the form of equal annual or more frequent periodic payments and as specified in the *Income Tax Act* (Canada). Annuity payments may not be surrendered, commuted or assigned. However, in the event of your death, any remaining annuity payments must be commuted and paid in one sum to the beneficiary, if other than your spouse or common-law partner. If the beneficiary is your spouse or common-law partner, payment of the annuity will continue under the terms of the settlement selected and subject to the terms of the *Income Tax Act* (Canada).
7) Notwithstanding paragraph 146(2)(a) of the *Income Tax Act* (Canada), if the Company is given proof that there is tax payable under Part X.1 of the *Income Tax Act* (Canada), or, if applicable, a similar clause of a provincial act, then the Company will refund to the contributor all amounts required to reduce the amount otherwise payable. However, the refund may not exceed the market value of the contract. The Company may require return of the contract for endorsement.
8) No "advantage" as defined under subsection 207.01(1) of the *Income Tax Act* (Canada) that is conditional in any way on the existence of this contract may be extended to, or received or receivable by you or any person with whom you are not dealing at arm's length.
9) Your contract must mature on or before the latest date specified in the *Income Tax Act* (Canada) for Retirement Savings Plans.
10) No deposits may be made following the Maturity Date of your contract.
11) Prior to the Maturity Date and during your lifetime, you may request to withdraw some or all of the market value of the Fund Class Units at the credit of your contract. The withdrawal will be made subject to the terms of this contract and the *Income Tax Act* (Canada).

## 11. RIF ENDORSEMENT

NOTE: These provisions only apply to your contract if you have requested that the contract be registered as a RIF under the *Income Tax Act* (Canada).

The following provisions form part of your contract and, if applicable, override anything to the contrary within the Contract Provisions if you have requested that your contract be registered under the *Income Tax Act* (Canada) and any applicable provincial income tax legislation.

1) "You" and "your" refer to the Contract Owner and Annuitant. "Annuitant" is as defined in the *Income Tax Act* (Canada).
2) "Spouse" or "common-law partner" is a person who is recognized as a spouse or common-law partner for the purposes of any provision of the Income Tax Act (Canada) respecting RIFs.
3 No payments will be made from the contract except as provided within the Contract Provisions and as provided under Section 146.3 of the *Income Tax Act* (Canada).
4) Neither the ownership or any payment due may be assigned, in whole or in part.
5) On your death, except where your spouse or common-law partner becomes entitled to receive retirement income payments under the terms of your contract or the provisions of your will, we will pay the Death Benefit as provided in the Contract Provisions.
6) We will transfer, in whole or in part, at your direction, the market value of your contract as determined in accordance with the Contract Provisions, together with all information necessary for the continuance of the RIF, to another company who has agreed to be a carrier of another RIF for you. We will pay to you the balance of the minimum payment required under the RIF for the year in which the transfer is made in accordance with the *Income Tax Act* (Canada).
7) We will not accept deposits other than money transferred from one of the allowable sources as described under the *Income Tax Act* (Canada).
8) No "advantage" as defined under subsection 207.01(1) of the *Income Tax Act* (Canada) that is conditional in any way on the existence of this contract may be extended to, or received or receivable by you or any person with whom you are not dealing at arm's length.

## 12. TFSA ENDORSEMENT

NOTE: These provisions only apply to this contract if the Owner has made an election to register this contract as a TFSA under the *Income Tax Act* (Canada).

The following provisions form part of the contract, and if applicable, override anything to the contrary within the Contract Provisions.

1) This contract will cease to be a TFSA if it is not administered in accordance with the conditions in subsection 146.2(2) of the *Income Tax Act* (Canada), when the contract ceases to be a qualified arrangement, as defined in subsection 146.2(1) or when the last Owner dies.
2) The contract will be maintained for the exclusive benefit of the Owner. Any right of a person to receive a payment out of or under the contract will be disregarded except if payment is being made in respect of the Owner's death.
3) No one other than the Owner or the Company will have any rights under the contract relating to the amount and timing of distributions and the investing of funds.
4) A contract ceases to be a TFSA on the death of the Owner unless the Owner's spouse or common-law partner has been named successor owner.
5) No one other than the Owner may make deposits to the contract.
6) If the Company is given proof that there is tax payable under section 207.02 or 207.03 of the *Income Tax Act* (Canada) then the Company will refund to the Owner all amounts required to reduce the amount otherwise payable. However, the refund may not exceed the market value of the contract.
7) No deposits may be made after the Maturity Date of the contract.
8) On receipt of notice from the Owner we will transfer, in whole or in part, the market value of this contract as determined in accordance with the Contract Provisions to another TFSA of the Owner.
9) This contract is intended to be a TFSA for the purposes of the *Income Tax Act* (Canada). This contract will be administered, and all contributions, distributions, transfers, refunds and other payments under this contract shall be made in accordance with the *Income Tax Act* (Canada), including the conditions applicable to a qualifying arrangement that are set out in subsection 146.2(2) of the *Income Tax Act* (Canada). We reserve the right to amend this contract if such an amendment is required for this contract to maintain its TFSA status.

The Empire Life Insurance Company (Empire Life) offers competitive individual and group life and health insurance, investment and retirement products to help you build wealth and protect your financial security.

Empire Life is among the top 10 life insurance companies in Canada[1] and is rated A (Excellent) by A.M. Best Company[2]. Our vision is to be the leading, independently-owned, Canadian financial services company committed to simplicity, being easy to do business with and having a personal touch.

[1] Source: Office of the Superintendent of Financial Institutions (OSFI) and annual reports, based on general and segregated fund assets

[2] As at June 29, 2012



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**INP-0185-ENG-01/13**