

Segregated fund fee rebate program

1. How will clients receive the rebate?

The management fee rebate will be used to purchase additional units of the funds. The rebate is calculated for each fund held and units of that fund are purchased with the rebate.

2. Why issue a rebate instead of lowering the fee?

This allows us to give lower fees to those who have significant assets but don't qualify for high-net-worth (HNW) pricing or for clients who greatly exceed the HNW requirements.

3. Can you select which fund you would like additional units of?

No. The rebate is issued in the form of additional units for the fund held. In the event of a mid-quarter full redemption or switch, the rebate is applied at that time to the original fund before the redemption/switch occurs.

4. What happens if the rebate amount isn't enough to purchase a unit? Are fractional units purchased?

The accrued rebate must meet a minimum threshold before it is paid at the end of the quarter. If this threshold is not met, a rebate won't be paid out but will be accrued and will carry over to the next quarter. Fractional units would be purchased if required when full units can't be purchased.

5. What series is the rebate available for?

The fee rebate will be for Standard Series, Partner Series, Preferred Series 1 and Preferred Partner Series Segregated fund policies.

Estate Protection will be included for aggregation purposes but excluded from receiving rebates.

6. When will the fee rebate be applied to a client's policy?

The rebates are paid quarterly on the last business day of the quarter.

Fee rebates will only be applied if they exceed a minimum \$1.00 threshold measured at the fund level. If not met, the rebate will continue to accrue until the next rebate application date.

In the event of a full fund redemption or switch, the rebate will be paid out prior to the closure of the fund and will be included in the withdrawal amount.

7. How is the rebate calculated?

For Standard series and Partner series segregated funds

For the Standard series and Partner series, to qualify for an investment management fee rebate, you must hold over \$100,000 in eligible holdings. For this rebate, eligible holdings must have the same individual as the primary policyowner and can include jointly owned policies (between you, your spouse, parents and/or children residing at the same address). Joint policies are only included once the necessary consents have been obtained in accordance with our then-current administrative practices. Joint policies can only be used once for aggregation purposes. The current procedure is described below. First, we'll calculate the value of all of your eligible holdings. We'll then calculate what percentage of the value of your eligible holdings are within each of the following tiers:

Tier	Includes this portion of your eligible holdings
1	The first \$100,000 (i.e., the value from \$0 to \$100,000)
2	The remaining value(i.e., the value over \$100,00)

Finally, for each fund you hold, we'll determine the applicable rebate to the investment management fee. For each tier we'll multiply the percentage of the daily value of your eligible holdings within that tier by the daily equivalent of the rebate to the investment management fee in the table below that is applicable to that tier for the funds you hold. The investment management fee rebate equals the sum of these amounts.

Fund	Total Eligible Holdings Market Value Tier 1 (less than \$100,000)	Total Eligible Holdings Market Value Tier 2 (equal to or greater than \$100,000)
All funds (unless otherwise noted below)	nil	0.20%
Short-Term Bond	nil	0.10%
Money Market	nil	nil

How is the daily rebate calculated?

The below rebate amounts represent the daily rebate values. This calculation is completed each day in the quarter, for each eligible fund held within the portfolio.

Example A

Client currently has \$125,000 invested in Standard series funds (80% in tier 1, 20% in tier 2) with the following fund allocations:

1. \$50,000 in Conservative Allocation (20% x 0.20% = 0.04%)
2. \$25,000 in Money Market (20% x NIL = NIL)
3. \$50,000 in Short-Term Bond (20% x 0.10% = 0.02%)

The daily rebates would be calculated as follows*:

- o For Conservative Allocation, the rebate is $\$50,000 \times 0.04\% / 365 = \0.05
- o For Money Market, this class is not eligible for rebate = NIL
- o For Short-Term Bond, the rebate is $\$50,000 \times 0.02\% / 365 = \0.03

Example B

Client currently has \$800,000 invested (12.5% in tier 1, 87.5% in tier 2) with the following fund allocations:

1. \$500,000 in Canadian Income (Estate Protection) (87.5% x NIL= NIL)
2. \$150,000 in Conservative Allocation (Standard series) (87.5% x 0.20% = 0.175%)
3. \$150,000 in Short-Term Bond (Standard series) (87.5% x 0.10% = 0.0875%)

The daily rebates would be calculated as follows*:

- For Canadian Income Estate Protection isn't eligible for rebate = NIL
- For Conservative Allocation, the rebate is $\$150,000 \times 0.175\% / 365 = \0.72
- For Short-Term Bond, the rebate is $\$150,000 \times 0.0875\% / 365 = \0.36

For Preferred series 1 and Preferred partner series segregated funds

For the Preferred series 1 and Preferred partner series, to qualify for the investment management fee rebate you must hold at least \$1,000,000 in one or more approved eligible products. See the section Eligible products in the Information Folder for the eligible products and the eligible owners.

The amount of the investment management fee rebates are based on bands, as set out below.

Fund	Total holdings					
	Band 1	Band 2	Band 3	Band 4	Band 5	Band 6
	\$0 - \$499,999	\$500,000 \$999,999	\$1,000,000 \$2,499,999	\$2,500,000 \$4,999,999	\$5,000,000- \$ 9,999,999	\$10,000,000+

All funds (unless otherwise noted below)	nil	nil	nil	0.05%	0.10%	0.20%
<ul style="list-style-type: none"> • Money Market • Fixed Income funds 	nil	nil	0.05%	0.10%	0.15%	0.15%

For example:

Suppose that you hold the following segregated funds:

Fund	Total holdings (\$)
Canadian Core Bond	1,000,000
Conservative Allocation	500,000
Total household assets	1,500,000

In this case, your rebate would be based on **Band 3** as follows:

Fund	Rebate rate (%)
Canadian Core Bond	0.05
Conservative Allocation	nil

The rebates would be calculated as follows*:

- For Canadian Core Bond the rebate is $\$1,000,000 \times 0.05\% / 365 = \1.37
- For Conservative Allocation the rebate is NIL

At the end of the quarter the amount of the rebate will be automatically allocated in additional units of each of the segregated funds.

Another example:

Suppose that you hold the following segregated funds

Fund	Total holdings (\$)
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Canadian Core Bond	1,000,000
Conservative Allocation	500,000
Canadian Equity Value	2,000,000
Total household assets	3,500,000

In this case, your rebate would be based on **Band 4** as follows:

Fund	Rebate rate (%)
Canadian Core Bond	0.10
Conservative Allocation	0.05
Canadian Equity Value	0.05

The rebates would be calculated as follows*:

- For Canadian Core Bond the rebate is $\$1,000,000 \times 0.10\% / 365 = \2.74
- For Conservative Allocation the rebate is $\$500,000 \times 0.05/365 = \0.68
- For Canadian Equity the rebate is $\$2,000,000 \times 0.05\% / 365 = \2.74

At the end of the quarter the amount of the rebate will be automatically allocated in additional units of each of the segregated funds.

8. Will clients get a special statement when the rebate transaction occurs?

Clients won't receive a transaction confirmation for the additional units that are purchased in their policy. A "fee rebate" transaction line will appear on the client's statement reflecting the activity in their policy.

9. Is the rebate a taxable event annually, or is it only when clients sell assets that the rebates get added to the overall gain (if there is one)?

Canada Revenue Agency considers fee rebates received on holdings in non-registered policies to be taxable in the year received. The rebate will be considered a capital gain and will be reported on a T3 slip annually.

10. If market volatility reduces client's assets below \$100,000 will they still receive a rebate?

A rebate only occurs when the sum of the eligible assets exceeds \$100,000. If for any reason the market value falls below this threshold for a period of time, no fee rebate would apply during that period.

11. What happens if a client's assets are lowered to a zero balance before the quarter end?

Rebates are calculated daily and applied quarterly. In the event of a mid-quarter full redemption or switch, the rebate is applied at that time to the original fund before the redemption/switch occurs.

In some scenarios, such as a total matured unit switch from DSC to FEL, the accumulated accruals from the DSC fund will carry-over to the FEL fund and the total accrual amount will be paid out at quarter end to the FEL fund.

12. How does the aggregation work?

The following table summarizes how the aggregation will work for rebates. A *Household eligible asset form* is required to authorize us to aggregate policies that involve more than one policyowner, including all joint-owner situations.

Standard series and Partner series	Preferred series 1 and Preferred partner series
<p>For the Standard series and Partner series, to qualify for an investment management fee rebate, you must hold over \$100,000 in eligible holdings. For this rebate, eligible holdings include segregated fund policies (not including legacy policies) only and must have the same individual as the primary policyowner and can include jointly owned policies. Jointly owned policies are only included once the necessary consents have been obtained in accordance with our then current administrative practices. Jointly owned policies can only be used once for aggregation purposes. If we determine that you are eligible for an investment management fee rebate, we'll calculate it according to the procedures set out in our then-current administration rules.</p>	<p>For the Preferred series 1 and Preferred partner series, to qualify for the investment management fee rebate you must hold at least \$1,000,000 in one or more approved investment products ("eligible product"). Eligible products can include either segregated funds or other approved investment products. Eligible products must be held as follows (collectively referred to as "total holdings"):</p> <ul style="list-style-type: none"> • In your name; • In your spouse's name; • In joint names between you and your spouse; • In the name of or in trust for dependent children (under the age of 25 and living in the same household as you); • In your parent's name (when living in the same household as you); or • In a corporate name if you own more than 50% of the voting shares of the corporation

<p>Corporate Policies</p>	<p>Corporate policies can qualify for management fee rebates on their own (if the total assets within a policy in the eligible series exceeds \$100,000).</p> <p>For Standard series and Partner Series:</p> <p><input type="checkbox"/> Assets in corporate policies won't be aggregated with other assets for the \$100,000 threshold.</p>	<p>Assets in corporate policies will be aggregated with other eligible assets for the \$1,000,000 threshold.</p>
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Joint Policyowner	<p>The SIN associated with a policy is based on the primary policyowner.</p> <p>For jointly owned policies, the primary policyowner is the first policyowner listed in the application.</p>	<p>The SIN associated with a policy is based on the primary policyowner.</p> <p>For jointly owned policies, the primary policyowner is the first policyowner listed in the application.</p>
Other policy types	<p>Formal and testamentary trust, association/club/partnership, Individual Pension Plan (IPP), Retirement Compensation Agreement (RCA) policies can qualify for management fee rebates on their own (if the total assets within the policy exceed \$100,000).</p> <p>For Standard series and Partner series, assets in these policies won't be aggregated with other assets for the \$100,000 threshold.</p>	<p>Assets in formal and testamentary trust, association/club/partnership, Individual Pension Plan (IPP), Retirement Compensation Agreement (RCA) policies will be aggregated with other assets for the \$1,000,000 threshold.</p>
Codes	<p>Based on matching SIN and dealer-rep code. Assets held with different advisors, or under different advisor codes, can't be combined for aggregation purposes.</p>	<p>Based on matching SIN and dealer-rep code. Assets held with different advisors, or under different advisor codes, can't be combined for aggregation purposes.</p>

13. Are jointly-owned policies assumed to be 50/50 per client, for aggregation purposes?

The SIN associated with a policy is based on the primary policyowner.

For jointly-owned policies, the primary policyowner is the first policyowner listed in the application. For aggregation for rebates, a signed *Household eligible asset form* is required to include jointly-owned policies.

14. How do rebates impact net invested and rate of return?

Impact to net invested: Management fee rebates aren't direct contributions to the policy and are essentially a reimbursement of management fees in the form of additional units. Rebates aren't factored into net invested as they're not considered a cash flow, and are grouped into the "no impact to net invested category" for performance reporting.

Impact to rate of return: Management fee rebates aren't considered a direct contribution, they won't be factored in as a deposit for rate of return calculations, but the additional units will be reflected in the overall market value of the affected policy and will therefore have a direct impact on the "Market value at end of the period" (MVE).

15. Do rebates qualify as contributions and will a client receive a contribution receipt to their registered investment policy?

No. Management fee rebates don't qualify as contributions to a registered policy.

16. How are rebates displayed on statements and system?

A fee rebate section will be added to client statements reporting the amount earned in current and previous statement periods. A policy lifetime total won't be available. Rebate amounts reported will reset each calendar year. As well rebate amounts will be clearly displayed on Investment Centre as a "fee rebate".

17. Where can I see the rebates paid out to a client?

'Fee rebate' is on the Client Portfolio to report the rebates received by a client during the year. Rebate amounts are reported at the end of each quarter, and reset following the first rebate payment in a new calendar year. Total rebate amounts received for a policy lifetime won't be available.

18. Will trade confirmations be issued?

No, trade confirmations won't be issued for the management fee rebates.

19. Can a client elect to have the rebates paid out in cash?

No. There isn't a cash distribution option for management fee rebates.