NATIONAL BANK

LIFE INCOME FUND FOR NEWFOUNDLAND AND LABRADOR
ADDENDUM

SUPPLEMENTARY AGREEMENT TO THE DECLARATION OF TRUST, ESTABLISHING A LIFE INCOME FUND UNDER THE NATCAN TRUST COMPANY RETIREMENT INCOME FUND

RECITALS

A. The Annuitant is entitled to effect a transfer to the Fund of amounts derived, directly or indirectly, from a pension plan governed by the provisions of the Act, or any other source acceptable under the Act, the Regulation and the Directive (the "Transfer");

B. The Annuitant has established a retirement income fund with the Trustee (the "Retirement Income Fund") and wishes same to receive the Transfer;

C. The Annuitant has obtained the written consent of his or her Spouse prior to the Transfer, provided he or she is a member or former member of the pension plan;

D. The Transfer cannot be made unless the conditions herein are satisfied;

E. The parties now wish to supplement the Retirement Income Fund with the provisions of this Agreement in order to comply with the requisite locking-in conditions. In the event of any conflict between the provisions of the Retirement Income Fund and this Agreement, the provisions of this Agreement shall prevail.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. **Definitions.** All capitalized terms not otherwise defined herein shall have the same meaning as in the Retirement Income Fund, the Act, the Regulation and the Directive. In addition, the following terms shall have the following meaning:
   - a) **"Act"** means the *Pension Benefits Act, 1997* (Newfoundland and Labrador), as amended from time to time;
   - b) **"Annuitant"** means the person identified as such in the Application and is also defined as the "owner" under the Directive;
   - c) **"Declaration"** means the Declaration of Trust governing the Retirement Income Fund;
   - d) **"Directive"** means Directive no. 5 entitled "Life Income Fund Requirements", issued under the Act;
   - e) **"Fiscal Year"**, in connection with this Fund, means a calendar year terminating at midnight on December 31st, and will not exceed 12 months;
   - f) **"Fund"** refers to the Retirement Income Fund established by the Annuitant and the Trustee, as supplemented and modified by this Agreement establishing a LIF that will hold the locked-in money and assets that are the subject of the Transfer;
   - g) **"LIF"** means a registered retirement income fund established in accordance with the Tax Act that is locked-in in accordance with the Regulation and meets the conditions set out in the Directive, known as a life income fund;
   - h) **"Life Annuity Contract"** means an arrangement made to purchase, through a person authorized under the laws of Canada or a province to sell annuities as defined in the Tax Act, a non-commutable pension, in accordance with Directive No. 6, that will not commence before the Annuitant attains the age of 55 years, or, if the Annuitant provides evidence to the satisfaction of the Trustee that the plan or any of the plans from which the money was transferred provided for payment of the pension at an earlier age, that earlier age;
   - i) **"LIRA"** means a locked-in retirement account, being a registered retirement savings plan (within the meaning in the Tax Act) that meets the requirements set out in Directive no. 4;
   - j) **"LRIF"** means a locked-in retirement income fund, being an RIF that meets the requirements set out in Directive no. 17;
   - k) **"Minimum Amount"** means the amount referred to in paragraph 6 c) of this Agreement;
   - l) **"Maximum Amount"** means the amount referred to in section 6 of this Agreement;
   - m) **"Regulation"** means *Newfoundland and Labrador Regulation 114/96* adopted pursuant to the Act, as amended from time to time;
   - n) **"RIF"** means a retirement income fund within the meaning of the Tax Act that is registered under that Act;
   - o) **"Spouse"** shall have the same meaning as that given to the term "principal beneficiary" under the Directive, but does not include any person who is not recognized as a spouse or a common-law partner for the purposes of any provision of the Tax Act respecting RIF;
   - p) **"Tax Act"** means the I*ncome Tax Act* (Canada) and the regulations adopted thereunder;
   - q) **"Transfer"** means the transfer referred to in paragraph A of the Recitals hereto;
   - r) **"Trustee"** means Natcan Trust Company, located at 600 De La Gauchetière West, 28th Floor, Montreal (Québec) H3B 4L2, the carrier of this Fund and also the "financial institution" within the meaning of the Regulation and the Directive.
2. **Purpose of the Fund.** Except as permitted by the law, all money and assets that are the subject of the Transfer, including all investment earnings thereon and gains realized thereof, but excluding all fees, charges, expenses and taxes charged to this Fund, shall be used to pay the Annuitant an income, the amount of which may vary annually. No money that is not locked-in may be transferred or otherwise held under this Fund.
3. **Investments.** The money and assets held under this Fund shall be invested in accordance with the instructions provided by the Annuitant to the Trustee, either directly or through the Agent, in the manner provided in the Declaration. All investments of money or assets held under this Fund must comply with the rules for the investment of RIF money contained in the Tax Act.
4. **Restrictions.** The Annuitant agrees not to assign, charge, anticipate or give as security the money and assets in the Fund.
5. **Value of the Fund.** The fair market value of the assets held under the Fund as determined by the Trustee in good faith shall be used to calculate the balance of the money and assets held under this Fund for any particular time, including on the death of the Annuitant, on the establishment of a Life Annuity Contract or on a transfer of assets from the Fund. Any such determination by the Trustee shall be conclusive for all purposes hereof.
6. **Payments.** Payments to the Annuitant shall be determined under the Declaration and shall comply with the following conditions:
   - a) **Commencement of payments.** Payment out of the Fund must not begin before the earlier of age 55 or the earliest date on which the Annuitant could receive a pension benefit under the Act or the originating pension plan from which money was transferred and not later than the last day of the second Fiscal Year;
   - b) **Annual Payments.** The amount of the income (which may not be less than the Minimum Amount or exceed the Maximum Amount) paid to the Annuitant during a Fiscal Year must be decided by the Annuitant each year by notifying the Trustee no later than January 1st of such Fiscal Year. Such notice expires on December 31st of such Fiscal Year. If the Annuitant does not thereby notify the Trustee, the Annuitant will be deemed to have decided to receive the Minimum Amount and the Trustee will thereby pay the Minimum Amount out of the Fund in such year. For greater certainty, the Trustee does not agree to any interval of more than a year;
   - c) **Minimum Amount.** The amount of income paid out of the Fund during a Fiscal Year must be not less than the minimum amount prescribed for RIF under the Tax Act;
   - d) **Maximum Amount.** Subject to the paragraphs below, the amount of income paid out of the Fund during a Fiscal Year must not exceed the "maximum" amount permitted under the Directive in respect of a LIF, being the greater of (i) and (ii) as follows:

     i) the amount calculated using the formula

     C/F

     in which

     C = the value of the assets in the Fund at the beginning of the Fiscal Year.

     F = the present value, at the beginning of the Fiscal Year, of a pension of which the annuity payment is $1 payable at the beginning of each Fiscal Year between that date and the 31st day of December of the year in which the Annuitant reaches 90 years of age; and

     ii) the amount of the investment earnings, including any unrealized capital gains or losses, of the Fund in the immediately previous Fiscal Year.

     The value "F" above must be established at the beginning of each Fiscal Year of the Fund using an interest rate as follows:

     i) for the first 15 years after the date of the valuation, the greater of 6% per year and the percentage obtained on long-term bonds issued by the Government of Canada for the month of November preceding the date of the valuation, as compiled by Statistics Canada and published in the Bank of Canada Review under identification number V 122487 in the CANSIM System; and

     ii) for the sixteenth and each subsequent year, a rate of 6% per year;
   - e) **Maximum Amount for first Fiscal Year.** For the initial year of the Fund, the "maximum" determined in paragraph 6 d) and section 7 will be adjusted in proportion to the number of months in that Fiscal Year divided by 12, with any part of an incomplete month counting as one month;
   - f) **Maximum Amount on Transfer from another LIF or LRIF.** If a part of the Fund corresponds to amounts transferred directly or indirectly from another LIF or Locked-in retirement income fund of the Annuitant during the Fiscal Year, the "maximum" determined in paragraph 6 d) and section 7 shall be deemed to be zero in respect of the part transferred in;
   - g) **Maximum Amount on Transfer from other Financial Institutions.** Notwithstanding paragraph f), the Trustee may allow money to be paid to the Annuitant provided that the total amount received by the Annuitant from all financial institutions in respect of that part transferred in during the Fiscal Year does not exceed the "maximum" in paragraph 6 d) and section 7 for that part. In this case, the Trustee must receive information, in writing, from the prior financial institution(s) which confirms the amount already paid in the Fiscal Year in respect of that part of the Fund; and
   - h) **Trustee's Responsability.** If money is paid out contrary to the Act or the Directive, the Trustee will provide or ensure the provision of a pension benefit equal in value to the pension benefit that would have been provided had the money not been paid out, unless the payment is attributable to a false declaration by the Annuitant.
7. **Additional Temporary Income.**
   - a) **Entitlement.** Subject to paragraph b) hereunder, the Annuitant is entitled to receive additional temporary income where:

     i) the maximum amount of income the Annuitant is entitled to receive for the calendar year in which the application is made, calculated as "B" hereunder, is less than 40% of the Year's Maximum Pensionable Earnings ("**YMPE**") under the *Canada Pension Plan* for the calendar year in which the application is made; and

     ii) the Annuitant has not reached his or her 65th birthday at the beginning of the Fiscal Year in which he or she makes application for additional temporary income.
   - b) **Maximum Temporary Income.** The amount of the additional temporary income paid out of the Fund in a Fiscal Year must not exceed the "maximum" using the formula

     A-B

     in which

     A = 40% of the YMPE for the calendar year in which an application is made.

     B = the maximum amount of income the Annuitant is entitled to receive from all LIFs, LRIFs, Life Annuity Contracts and pension plans governed by the Act or established under or governed by an act of Canada or another Province or Territory, except income from a pension under the *Canada Pension Plan*, for the calendar year in which the application is made.
   - c) **Application form.** An application for additional temporary income shall be:

     i) on a form approved by the Superintendent;

     ii) where the Annuitant is a former member of a pension plan, accompanied by the written consent of his or her Spouse; and

     iii) submitted to the Trustee at the beginning of the Fiscal Year of the Fund, unless otherwise permitted by the Trustee.

8. **Permitted Withdrawals.** A withdrawal, commutation or surrender of money, in whole or in part, held under this Fund is not permitted and will be void, except in the following circumstances:

   a) Shortened Life Expectancy Withdrawal. The Annuitant may withdraw all or part of the money in the Fund as a lump sum or series of payments, in accordance with section 9 of the Directive, if the following conditions are met:
      i) a medical practitioner certifies that due to mental or physical disability the life expectancy of the Annuitant is likely to be shortened considerably; and
      ii) if the Annuitant is a former member of a pension plan, such payment may only be made if his or her Spouse has waived the joint and survivor pension entitlement in the form and manner acceptable to the Superintendent.

   b) Withdrawal of Small Amount. The Annuitant may withdraw in a lump sum payment equal to the value of the entire Fund on application to the Trustee, in accordance with sections 10 and 11 of the Directive, if, at the time the Annuitant signs the application, the following conditions are met:
      i) he or she has reached the earlier of age 55 or the earliest date on which the member or former member would have been entitled to receive a pension benefit under the plan from which money was transferred;
      ii) the value of all assets in all LIFs, LRIFs and LIRAs owned by him or her and governed by Newfoundland and Labrador pension benefits legislation is less than 40% of the YMPE for that calendar year; and
      iii) he or she has not, within the same Fiscal Year, elected to receive additional temporary income under section 7 hereof or, where a part of this Fund corresponds to amounts transferred directly or indirectly from another LIF or LRIF, elected to receive additional temporary income from that LIF or LRIF.

   Such application shall be made on a form approved by the Superintendent, and if the Annuitant is a former member of a pension plan, be accompanied by a waiver by his or her Spouse of the joint and survivor pension entitlement in the form and manner required by the Superintendent.

   The Trustee may rely upon the information provided by the Annuitant in any application made pursuant to this Section 8 and such application shall constitute sufficient authorization to pay the Annuitant from the Fund in accordance thereof.

9. **Permitted Transfers:** The Annuitant may transfer all or part of the balance of the Fund:
   a) to another LIF;
   b) to a LRIF;
   c) to purchase an immediate Life Annuity Contract that meets the requirements of the Superintendent; or
   d) before December 31st in the year in which the Annuitant reaches the age at which a pension benefit is required to begin under the Tax Act, to a LIRA.

   The Annuitant may at any time request, in a form deemed satisfactory by the Trustee, that such a permitted transfer be made.

   The Trustee may deduct from the property being transferred all amounts to be retained in application of paragraphs 146.3(2)(e.1) or (e.2) of the Tax Act, as applicable, as well as any fees and disbursements to which the Trustee is entitled.

   The transfer pursuant to this Section 9 shall be effected within 30 days from the Annuitant's application for transfer. Once the transfer is completed in compliance with all conditions relating thereto, the Trustee and the Agent shall be released from any liability in connection thereof.

   Notwithstanding the above, the Trustee shall never be obliged to refund in advance the investments whose term has not expired and may, at its entire discretion, delay the requested transfer accordingly. If the assets in the Fund consist of identifiable and transferable securities, the Trustee may transfer the securities with the consent of the Annuitant.

10. **Marriage Breakdown:** This Agreement is subject, with any necessary modifications, to the division of pension benefits on marriage breakdown provisions in Part VI of the Act.

11. **Death of the Annuitant:** On the death of the Annuitant who is a former member who has a Spouse, the surviving Spouse, or where there is no surviving Spouse or the surviving Spouse has waived entitlement in the form and manner acceptable to the Superintendent, a designated beneficiary, or where there is no designated beneficiary, the estate of the member or former member is entitled to receive a lump sum payment of the full value of the Fund. Where the Annuitant is not a former member, a lump sum payment of the full value of the Fund shall be paid to the designated beneficiary or, where there is no such beneficiary, to the Annuitant's estate. Such payment is subject to subsection 60(l) of the Tax Act.

12. **Amendment:** The Trustee shall not amend this Agreement except where the it has given the Annuitant at least 90 days notice of a proposed amendment.

    An amendment that would result in a reduction in the Annuitant's benefits under this Agreement is permitted only where:
    a) the Trustee is required by law to make the amendment; and
    b) the Annuitant is entitled to transfer the balance in the Fund under the terms of the Agreement that existed before the amendment is made.

    When making an amendment, the Trustee shall notify the Annuitant of the nature of the amendment and allow him or her at least 90 days after the notice is given to transfer all or part of the balance in the Fund.

    All notices under this section 12 shall be sent by registered mail to the Annuitant's address as set out in the records of the Trustee.

13. **Statements**
    a) At the beginning of each Fiscal Year, the following information must be provided to the Annuitant:
       i) in relation to the previous Fiscal Year: the sums deposited; the amount of the investment earnings, including any unrealized capital gains or losses; the payments made out of the Fund; and the fees charged;
       ii) the value of the assets in the Fund;
       iii) the Minimum Amount that must be paid out of the Fund to the Annuitant during the current Fiscal Year;
       iv) the Maximum Amount of income as per paragraph 6 d) of this Agreement that may be paid out of the Fund to the Annuitant during the current Fiscal Year; and
       v) if applicable, notification that the Annuitant may be entitled to receive additional temporary income as per paragraph 7 a) of this Agreement during the current Fiscal Year.
    b) If the balance of the Fund is transferred as described in Section 9 hereof, the Annuitant must be given the information described in this Section 13 determined as of the date of the transfer;
    c) If the Annuitant dies, the person entitled to receive the balance must be given the information described in this Section 13, determined as of the date of the Annuitant's death.

14. **Representations and Warranties of the Annuitant:** The Annuitant represents and warrants the following to the Trustee:
    a) That the pension legislation applicable and governing the Transfer at such time is the Act and Regulation;
    b) That the amounts transferred herein are locked-in amounts resulting directly or indirectly from the commuted value of the Annuitant's pension entitlements and the Annuitant is entitled to effect the Transfer pursuant to the Act or the Regulation;
    c) That the provisions of the pension plan do not prohibit the Annuitant from entering in this Agreement and, in the event that such prohibition does exist, the Trustee and the Agent shall not be liable for the consequences to the Annuitant of executing this Agreement nor for anything done by them in accordance with the provisions hereof; and
    d) That the commuted value of the pension benefits that was transferred herein was not determined on a basis that differentiated on the basis of sex, unless otherwise indicated in writing to the Trustee.

15. **Governing law:** This Agreement shall be governed by the laws applicable in the Province of Newfoundland and Labrador.