



PIVOTAL SELECT™ Segregated Funds

Chargeback Sales Charge Options

What is it?

No Load CB (NL-CB) and No Load CB5 (NL-CB5) are sales charge options in Pivotal Select™. When a deposit is made into a NL-CB or NL-CB5 fund the advisor receives upfront commission. If the client chooses to withdraw funds within the chargeback period (3 or 5 years), there is a chargeback of commission to the advisor and the client is not charged any deferred sales charges.

How is commission paid?

| NL-CB | | |
|---------|--|--|
| | FundSERV | Non-FundSERV |
| | Initial commission: 3.5% of the amount deposited. Trailer commission starts one year after deposit and is doubled five years after deposit. | Initial commission: 2.5% of the amount deposited. Trailer commission starts one year after deposit and is doubled five years after deposit. |
| Months | Trailer Rate | Trailer Rate |
| 1 - 12 | 0% | 0% |
| 13 - 48 | 0% Money Market Up to 0.252% Fixed Income Funds Up to 0.504% Balanced, Equity and Portfolio Funds | 0% Money Market Up to 0.180% Fixed Income Funds Up to 0.360% Balanced, Equity and Portfolio Funds |
| 49+ | 0% Money Market Up to 0.504% Fixed Income Funds Up to 1.008% Balanced, Equity and Portfolio Funds | 0% Money Market Up to 0.360% Fixed Income Funds Up to 0.720% Balanced, Equity and Portfolio Funds |

| NL-CB5 | | |
|--------|---|---|
| | FundSERV | Non-FundSERV |
| | Initial commission: 5.6% of the amount deposited. Trailer commission starts one year after deposit. | Initial commission: 4.0% of the amount deposited. Trailer commission starts one year after deposit. |
| Months | Trailer Rate | Trailer Rate |
| 1 - 12 | 0% | 0% |
| 13+ | 0% Money Market Up to 0.252% Fixed Income Funds Up to 0.504% Balanced, Equity and Portfolio Funds | 0% Money Market Up to 0.180% Fixed Income Funds Up to 0.360% Balanced, Equity and Portfolio Funds |

How does the commission chargeback work?

A commission chargeback may be applied when a client withdraws fund units within 3 years (on the NL-CB) or 5 years (NL-CB5) from the date of purchase. The commission chargeback is calculated as a percentage of the initial commission. The rate of the commission chargeback is based on the age of the units being withdrawn. The commission chargeback rate is as follows:

| Months | Commission Chargeback Rate NL-CB | Commission Chargeback Rate NL-CB5 |
|---------|----------------------------------|-----------------------------------|
| 1-12 | 100% | 100% |
| 13 - 24 | 97.2% - 66.4% | 98.3% - 80.0% |
| 25 - 36 | 63.6% - 32.8% | 78.3% - 60.0% |
| 37 - 48 | 0% | 58.3% - 40.0% |
| 49 - 60 | 0% | 38.3% - 20.0% |
| 61+ | 0% | 0% |

Can any money be withdrawn without a commission chargeback prior to the end of the schedule?


Each year the commission chargeback is waived on up to 10% of a client's opening fund unit balance on January 1, plus 10% of fund units purchased throughout the year (including units purchased through preferred pricing rebates). The amount is non-cumulative year-to-year. This applies to all registration types. Please note that chargeback free units are applicable to withdrawals only and are not eligible to be transferred to No Load (NL).

How is the commission chargeback calculated?


Commission chargeback example for NL-CB. (It is important to remember that the calculation of a commission chargeback is based on the number of units, and not on the dollar value).

How is the commission chargeback calculated?


Example 1
Using the NL-CB series of funds, Paul purchases \$10,000 of the Active Balanced fund on May 1 via FundSERV



1,000 units @ \$10.00




Paul redeems 500 units in May of the following year. Paul had 1000 units as of January 1, and made no other purchases or redemptions.



Units redeemed: 500
Age of units: 13 months
Commission chargeback rate: 97.2% (based on time invested)
Free units: 100 (10% of the 1,000-unit balance)
Units subject to chargeback: 400 units (500 units being withdrawn minus 100 free units)

Initial commission: \$350
(\$10,000 x 3.5% initial commission)

Commission chargeback to the advisor: \$136.08
(400/1000 x 97.2% x \$350)



What happens to the 10% chargeback free units if there is a switch to a different fund?

Paul has 1,000 units of the Equitable Life Active Balanced Portfolio using the NL-CB series. We know that 100 units of this fund may be withdrawn without a commission chargeback. But let's say Paul transfers 500 units of the Equitable Life Active Balanced Portfolio to the Equitable Life Dynamic U.S. Monthly Income Fund.

What happens to the 10% chargeback free units if there is a switch to a different fund?

Example 2

The calculation of the chargeback free units switched to the new fund is based on the unit value of both funds at the time of the switch.

The current unit price of the Equitable Life Active Balanced Portfolio is \$13.250 and the current unit price of the Equitable Life Dynamic U.S. Monthly Income Fund is \$12.045.



Equitable Life Active Balanced Fund



50% ASSETS

Equitable Life Dynamic U.S. Monthly Income Fund



50% ASSETS

$(\text{units being switched out}) \times (\text{unit price of original fund}) / (\text{unit price of new fund})$

Chargeback Fee: $100 \times 13.25 / 12.045 = 110$ chargeback free units of Equitable Life Dynamic U.S. Monthly Income Fund



The end result: the Equitable Life Active Balanced Portfolio no longer holds any chargeback free units and the Equitable Life Dynamic U.S. Monthly Income Fund holds all the chargeback free units (110 units). Please note that a switch to another fund may result in fewer chargeback free units depending on the unit price of the target fund at the time of the switch.

What happens if Paul switches all 1,000 units to the Equitable Life Dynamic U.S. Monthly Income Fund and the Equitable Life Bissett Canadian Equity Fund equally (50/50)?

The chargeback free units are not split evenly between the two new funds. A first in first out (FIFO) logic is applied and the first switch of 50% to the Equitable Life Dynamic U.S. Monthly Income Fund will include the chargeback free units (as in Example 2). The second switch of the remaining 50% going to the Equitable Life Bissett Canadian Equity Fund does not include any chargeback free units.

The current unit price of the Equitable Life Active Balanced Portfolio is \$13.250, the current unit price of the Equitable Life Dynamic U.S. Monthly Income Fund is \$12.045 and the current unit price of the Equitable Life Bissett Canadian Equity Fund is \$11.350.

What happens if Paul switches all 1,000 units to the Equitable Life Dynamic U.S. Monthly Income Fund and the Equitable Life Bissett Canadian Equity Fund equally (50/50)?

Example 3

The calculation of the chargeback free units being switched is based on the fund unit values of the Equitable Life Active Balanced Portfolio and the Equitable Life Dynamic U.S. Monthly Income Fund only. The Equitable Life Bissett Canadian Equity Fund is not a factor in the calculation.



Equitable Life Dynamic U.S. Monthly Income Fund



50% ASSETS

Equitable Life Bissett Canadian Equity Fund



50% ASSETS

100 (units being switched out) x 13.250 (unit price of original fund) / 12.045 (unit price of new fund)

Chargeback Fee: $100 \times 13.25 / 12.045 = 110$ chargeback free units of Dynamic U.S. Monthly Income Fund



The end result: the Equitable Life Dynamic U.S. Monthly Income Fund holds all the chargeback free units (110 units) and the Equitable Life Bissett Canadian Equity Fund has zero chargeback free units.

Please note that on January 1st of each year, the 10% chargeback free units is reset on a per fund basis. This means that 10% of the units of each fund can be withdrawn without incurring a chargeback regardless of which fund had chargeback free units in the previous calendar year.

Advisors wishing to track chargeback free units must maintain their own records, as the calculation of chargebacks or grace units is not available through Equitable Life's head office. If an advisor believes that the client is planning to withdraw funds in the short term, it may make more sense to invest on a no load basis.