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## DUCA CREDIT UNION LENDING ARRANGEMENT

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### ACKNOWLEDGMENT AND AGREEMENT WITH EQUITABLE®

Applicant(s)/Contract Owner Name(s): \_\_\_\_\_

Contract Number (if known, or Segregated Fund Application Number): \_\_\_\_\_

The undersigned Applicant/Contract Owner (the "Owner") intends to enter into a lending arrangement (the "Lending Arrangement") with DUCA Financial Services Credit Union Ltd. (the "Lender").

Pursuant to the Lending Arrangement, the Owner intends to grant the Lender a security interest in, and collateral assignment of, one or more insurance contracts issued by The Equitable Life Insurance Company of Canada ("Equitable") to the Owner (the "Contract").

For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Owner acknowledges and agrees in favour of Equitable that:

1. Notwithstanding funds from the Lending Arrangement between the Lender and the Owner are being used to purchase the Contract, it is not a pre-condition to ownership of the Contract that the Owner enter into the Lending Arrangement in order to purchase or continue to own the Contract.
2. Equitable is not affiliated with the Lender and makes no recommendation as to whether the Owner should enter into the Lending Arrangement.
3. The Owner has discussed with the Owner's insurance advisor the risks associated with borrowing to purchase life insurance products, including:
  - The value of segregated fund investments may decrease over time.
  - Borrowing to invest magnifies both gains and losses. For example, if \$100,000 of segregated funds are purchased with \$25,000 from available cash and \$75,000 from borrowing, and the value of the segregated fund investments declines by 10% to \$90,000, the Owner's interest in the segregated funds after subtracting the outstanding loan has declined by 40% (i.e. from \$25,000 to \$15,000).
  - The loan principal and all accumulated interest will need to be paid to the Lender in full, regardless of whether the value of the segregated fund investments are sufficient.
4. The Owner has consulted with the Owner's own tax, legal, insurance and financial advisors and has decided to proceed with the Lending Arrangement based on the advice received from those advisors. Equitable does not provide tax, legal, insurance or financial advice.
5. The Owner has received advice as to any tax implications that may now or in the future result from the Owner's dealings with the Lender, including any surrender of the Contract. The Owner understands that tax legislation is subject to change.
6. The loan agreement associated with the Lending Arrangement will contain conditions pursuant to which the Lender can, among other things:
  - require repayment of the loan; and
  - surrender the Contract and obtain the value of the Contract.



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### ACKNOWLEDGMENT AND AGREEMENT WITH EQUITABLE (continued)

7. Equitable will pay the value of the Contract to the Lender at the Lender's request. Equitable will not make any inquiries as to the state of the loan obligations between the Owner and the Lender, or any other inquiries of the Owner or the Lender, before paying the value of the Contract to the Lender. The Owner understands that income tax may be payable on the surrender of the Contract and that the Owner will be liable for this tax notwithstanding that the Lender may receive all of the proceeds on the surrender of the Contract.
8. Equitable will provide information regarding the Contract to the Lender at the Lender's request. This may include information about the contract owner, beneficiary, annuitant, investment accounts, value, death benefit, payment status, whether the Contract is active and other information reasonably requested by the Lender.
9. The terms of the Lending Arrangement may contain provisions relating to Equitable's credit rating and the loan may be impacted by a change in Equitable's credit rating. Equitable shall not be responsible for any impact to the Lending Arrangement or the Owner as a result of a change in Equitable's credit rating.
10. The Owner has inquired with its insurance advisor about, and has received full disclosure from its insurance advisor regarding, the relationship between the Owner's insurance advisor and the Lender and any potential conflicts of interest that may exist.
11. The Owner agrees that Equitable shall have no liability to the Owner in connection with:
  - the Lending Arrangement and any matters in any way relating to or arising from the Lending Arrangement;
  - any actions taken by Equitable upon the instructions of the Lender with respect to the Contract; and
  - any tax owing by the Owner of the Contract on surrender of the Contract.
12. Nothing in this document affects the terms and conditions of the Contract and the Contract shall govern in the event of any conflict with this document.
13. This Acknowledgment and Agreement shall be governed by the law that governs the Contract.

### AUTHORIZATION

This Acknowledgment and Agreement is dated this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

Applicant(s)/Contract Owner Full Legal Name(s): \_\_\_\_\_

Signature: \_\_\_\_\_ Signature (if applicable): \_\_\_\_\_

Title (if applicable): \_\_\_\_\_ Title (if applicable): \_\_\_\_\_