



**MD Life Insurance
Company**



**MD Insurance
Agency Limited**

MD Stable Income Fund Group Annuity Certificate

This Certificate is issued under the Group Annuity Policy MD Stable Income Fund, issued to The Royal Trust Company as Trustee and Policyholder and MD Insurance Agency Limited as Policy Administrator.

MD LIFE INSURANCE COMPANY (“THE COMPANY”), HEAD OFFICE: OTTAWA, CANADA HEREBY CERTIFIES

That The Royal Trust Company and/or any successor trustee authorized by law to act as the trustee is the trustee of the MDRSP, MDRIF, MDMLTFSA, MDESP and Policyholder under the MD Stable Income Fund Group Annuity Policy (the “Policy”) and that the Company holds the assets attributable to the Policy on a segregated basis in a fund known as the MD Stable Income Fund (“MDSIF”) and pursuant thereto the Company agrees to pay to the Policyholder on behalf of the Members certain benefits hereinafter described subject to the provisions of the Policy. MD Insurance Agency Limited is acting as the Policy Administrator for the Plans. In case of any conflict between this certificate and the Policy, the terms of the Policy shall prevail.

1. MEMBER

Member shall mean a participant in, or holder of, the MD Retirement Savings Plan (MDRSP, formally the Canadian Medical Association Retirement Savings Plan), the MD Retirement Income Fund (MDRIF, formerly the Canadian Medical Association Retirement Income Fund), the MD Management Limited Tax Free-Savings Account, sometimes referred to as the MD TFSA (MDMLTFSA), and the MD Education Savings Plan, sometimes referred to as the MD RESP (MDESP), (individually and collectively, the “Plans”), and/or any investment plan offered by MD Management Limited to which, by its design, Units of MDSIF may be attributed (“Non-Registered Investment Account”).

2. OPERATION OF MDSIF

PREMIUMS

a) The Member may from time to time make payments to the Company as Premiums under the Policy.

ALLOCATION OF UNITS (INVESTMENTS IN MDSIF)

b) The Company shall establish a separate segregated account for the deposit of Premiums received in respect of the Policy.

c) The Company shall apply the Premiums to notionally acquire Units in MDSIF. The number of Units will be determined by dividing the Premium by the Book Value

of a Unit as determined at the Valuation Date coincident with or next following the date the Premium is received. The Units so allocated will be attributable to and recorded as part of the Member Account. The number of Units in a Member Account at any time shall be the number of Units allocated to such Member Account in accordance with paragraphs (c) and (d) hereof less the number of Units redeemed in accordance with the provisions hereof dealing with “Redemption of Units”.

d) Income derived within MDSIF will be calculated and credited on each Valuation Date in the form of Units and allocated to a Member’s Account on a proportionate basis.

REDEMPTION OF UNITS (WITHDRAWALS FROM MDSIF):

e) The Member may withdraw from the Member’s Account Balance such amounts as permitted in accordance with the terms of the Policy in which case the Company shall notionally redeem sufficient Units from the Member’s Account. The number of Units to be redeemed will be determined by dividing the amount of the withdrawal by the Book Value of a Unit as determined on the Valuation Date on which the Units are to be redeemed. Units will be redeemed on the Valuation Date coincident with or next following the date the instructions are received.

INCOME OF MDSIF

f) Income shall include interest income, dividends, amortized realized capital gains and losses due to trading, amortized asset defaults, amortized premiums or discounts and any amounts withheld due to market value adjustment, less expenses. Unrealized gains and losses are excluded from Income.

BOOK VALUE OF UNITS

g) The Book Value of the Units held for and forming the Member Account at any time shall be an amount equal to the number of Units attributable to the Member multiplied by the Book Value of a Unit for MDSIF as published for that Valuation Date.

h) The Book Value of a Unit shall be maintained at \$10.00. Income derived within MDSIF will be credited in the form of Units.

i) The Company shall determine the Book Value of MDSIF on each Valuation Date. In determining the Book Value of MDSIF the assets of MDSIF shall be valued at their acquisition price less principal repayments and adjustments for unamortized balances, together with Income thereon allocated on each Valuation Date since the acquisition. The value of any security that is expressed in a currency other than Canadian dollars will be converted into Canadian dollars at the rate of exchange prevailing on the date of the transaction.

MARKET VALUE OF THE MDSIF

j) The Market Value of MDSIF shall be determined as the market value of assets comprising MDSIF when that is available from regular public trading (including

recent trade or bid price), recognized securities pricing services and spreads and matrices based on comparable securities, reflecting both realized and unrealized gains and losses as well as reinvested investment income and by adding any uninvested cash and accrued investment income to the net asset value, and deducting any due or accrued expenses. The value of any security that is expressed in a currency other than Canadian dollars will be converted into Canadian dollars at the rate of exchange prevailing on each Valuation Date.

FEES AND EXPENSES OF THE FUND

k) Any expenses incurred by MDSIF, including investment management fees, shall be deducted from MDSIF.

l) Units are to be held in Non-Fee Based Accounts (within Non-Registered Investment Accounts or in Plans) or in Fee-Based Accounts (within Non-Registered Investment Accounts or in Plans) if the fee for the Fee-Based Account has been adjusted to ensure that there is no fee duplication. The Company reserves the right to stop offering MDSIF in Non-Fee-Based Accounts or Fee-Based Accounts at any time. "Non-Fee-Based Account" means a Member Account that is held within an account administered by MD Management Limited (MDML) that does not charge a fee at the account level. "Fee-Based Account" means a Member Account that is held within an account administered by MDML that charges a fee at the account level.

3. WITHDRAWAL RULES OF MDSIF

The Company shall make payments within 60 days from the receipt of the withdrawal request.

UNRESTRICTED WITHDRAWALS

a) On receipt of either the Policyholder's or Member's request in respect of a Plan, or the Member's request in respect of a Non-Registered Investment Account, withdrawals of funds attributable to a Member Account of the nature described in this paragraph (a) may be made on behalf of a Non-Registered Investment Account or a Plan at any time without regard to any and all restrictions imposed under the Policy.

1. Withdrawals on account of the death of the Member.
2. In respect of Plans, refunds of excess contributions under the *Income Tax Act* (Canada).
3. Total withdrawal of a Member's Account, determined on a consolidated basis in respect of such Member, of \$5,000 or less.
4. Withdrawals on behalf of a Member who is in receipt of disability payments under the Canada Pension Plan or Quebec Pension Plan, provided such withdrawals are to purchase an immediate life annuity or to invest in a Registered Retirement Income Fund (RRIF), each to be in such form as is approved under the *Income Tax Act* (Canada) and/or Regulations thereto.

5. In respect of a Plan, minimum annual payments under a RRIF, as required by law.

6. Transfers between a MDRSP attributable to a Member and MDRIF attributable to a Member.

7. Withdrawals from a Member's Account upon marriage breakdown, provided such withdrawals are transferred to the benefit of the spouse of such Member.

WITHDRAWALS UNDER NORMAL WITHDRAWAL ACTIVITY

b) In addition to withdrawals permitted under paragraph (a) of this section, during a Period of Normal Withdrawal Activity, withdrawals may be made subject to the following terms and conditions:

1. A Member may instruct the Policyholder to withdraw, in a lump sum, in any 12-month period, an amount not to exceed 25% of the Member's Account Balance at the beginning of the month of the earliest withdrawal in the previous 11 months, less such Member's Prior Withdrawal Amount.

Any excess of the amount requested to be withdrawn over the amount available under this clause (b) 1. will be paid in an amount equal to a fraction of such excess, where the fraction is calculated as follows.

- i. if the aggregate Book Value of the Units exceeds the Market Value of MDSIF, that fraction is determined by dividing the Market Value of MDSIF by the aggregate Book Value of the Units;
- ii. if the aggregate Book Value of the Units is lower than the Market Value of MDSIF that fraction is 1.

2. In lieu of the lump sum described in clause (b) 1. above, a Member requesting the withdrawal of the entire Member's Account Balance may elect to receive four annual instalments, the first instalment being equal to 25% of the Member's Account Balance, the second instalment being equal to 33 1/3% of the remaining Member's Account Balance one year later, including all Income credited during that year, the third instalment being equal to 50% of the remaining Member's Account Balance one additional year later, including Income, and the final instalment being the remaining Member's Account Balance a second additional year later, including Income.

A Member may cancel all future subsequent instalment payments by written notification to the Policyholder prior to the due dates of the next such instalments.

WITHDRAWALS UNDER HIGH WITHDRAWAL ACTIVITY

c) In addition to withdrawals permitted under paragraph (a) of this section, during a Period of High Withdrawal Activity, withdrawals may be made subject to the following terms and conditions:

1. A Member may instruct the Policyholder to withdraw, in a lump sum, an amount not exceeding that portion of the Member's Prior Account Balance determined by dividing one by the Applicable Number of Instalments, less such Member's Prior Withdrawal Amount.

2. A Member may instruct the Policyholder to withdraw the entire Member's Account Balance in annual instalments. The first instalment to be paid shall be that portion of the Member's Account Balance equal to the fraction determined by dividing one by the Applicable Number of Instalments, and each subsequent instalment shall be that portion of the then remaining Member's Account Balance, including all Income credited since the previous instalment, equal to the fraction determined by dividing one by the number of instalments then remaining, including the current instalment. The amount of the first instalment shall not, in any case, be greater than the maximum amount available in a lump sum as determined under clause (c) 1. above.

However, in case of a MDRSP Plan already in instalment mode as established under Section 3(b)2. above, and in case of a MDRIF, if the previously requested payments that are currently in progress, if annualized, exceed the amount determined under clause (c) 1. above, the payments shall continue as established.

A Member may cancel all future subsequent instalment payments by written notification to the Policyholder prior to the due dates of the next such instalments.

4. INVESTMENT RISKS ASSOCIATED WITH MDSIF

The following principal risks are relevant to MDSIF: credit risk, foreign currency risk, market risk, sovereign risk, derivative risk, liquidity risk, securities lending risk, emerging market risk, high yield bond risk, fixed income investment risk and foreign securities risk. MDSIF does not use leverage.

a) Credit Risk: The financial stability or credit rating of the issuer of fixed income instruments and the recoverability of a mortgage will affect the book and Market Value of MDSIF.

For example a large loss on a fixed income security or a mortgage could result in temporary negative Income to MDSIF thereby reducing the number of Units held by the Member.

b) Foreign Currency Risk: The Canadian dollar value of MDSIF is affected by changes in the exchange rate with foreign currencies where MDSIF's securities are held. If the Canadian dollar declines in value against the foreign currency, the value of the investment, expressed in Canadian dollars, will increase. If the Canadian dollar rises in value against the foreign currency, there is a negative impact on the MDSIF's return.

c) Market Risk: The market value of investments generally will change from day to day in accordance with economic and stockmarket conditions.

d) Sovereign Risk: Government entities may refuse or be unable to make interest payments, repay principal or abide by other debt covenants. Legal or formal institutional framework related to a sovereign default may not exist or favour government interests.

e) Derivative Risk: A derivative is a contract between two parties, the value of which is derived from an underlying asset such as a security or currency. Some examples of derivatives are options, futures, forward contracts and swap contracts. Options are instruments that grant owners the right, but not the obligation, to buy or sell an asset or commodity at a fixed price, either on a fixed date or up until a specific date. Futures and forward contracts represent an agreement to buy or sell an asset or commodity at a fixed price on a future date. Swap contracts are agreements between parties to exchange the returns on assets over a fixed period of time. Derivatives are used for hedging and non-hedging purposes. MDSIF's total exposure to any issuer by direct investment or derivative transactions is limited to 10% of the book value of the MDSIF.

Hedging—Involves attempting to protect a security price, currency exchange rate or interest rate from changes that negatively impact the value of the MDSIF. For futures contracts, forward contracts and swap contracts, there is no guarantee that a market will exist when MDSIF wants to buy or sell a contract. Therefore, there is a chance MDSIF won't be able to realize its profits or limit its losses by converting its derivative investments to cash. The other party to a derivative contract may not be able to honour its obligations under the contract. If the Fund has deposited money with a derivatives dealer and that dealer goes bankrupt, MDSIF may lose these deposits. Derivatives used in foreign markets may be less liquid than derivatives used in Canada. Investment exchanges can impose trading limits on derivatives which could prevent MDSIF from carrying out the derivative contract. There is no guarantee that MDSIF's use of derivatives will be effective.

Non-hedging—MDSIF may use derivatives to gain exposure to an investment, rather than purchasing the investment directly, to provide lower transaction or custodial fees, improved liquidity, leveraged returns or enhanced diversification. In addition to the risks detailed in the hedging section, derivatives used to gain effective exposure are also subject to the following risks:

- i. Derivatives can drop in value similar to other investments;
- ii. A derivative's price may be more volatile than that of its underlying security; and
- iii. A derivative's price can be impacted by factors, such as speculative investing, other than its underlying security.

f) Liquidity Risk: Some companies are not well known, have few shares outstanding, or can be significantly affected by political and economic events. Securities issued by these companies may be difficult to buy or sell and their value may rise and fall substantially. Other issues trade infrequently and may be similarly difficult to buy or sell and their value may rise and fall substantially.

g) Securities Lending Risk: In securities-lending transactions, MDSIF lends securities it holds for a set period of time to borrowers who post acceptable collateral. To engage in securities lending, MDSIF appoints a qualified agent under a written agreement which addresses, among other requirements, the responsibility for administration and supervision of the securities-lending program. There is a risk that the other party in the securities-lending transaction may not live up to its part of the transaction, leaving MDSIF holding collateral which could be worth less than the loaned securities if the value of the loaned securities increases relative to the value of the cash or other collateral, resulting in a loss to MDSIF. To limit this risk:

- MDSIF must hold collateral equal to no less than 102% of the value of the loaned securities (where the amount of collateral is adjusted each trading day to make sure that the value of the collateral does not go below the 102% minimum level);
- The collateral to be held may consist only of cash, qualified securities or securities that can be immediately converted into identical securities to those that are on loan;
- MDSIF cannot loan more than 50% of the net asset value of MDSIF (not including the collateral held by MDSIF).

h) Emerging Market Risk: In emerging market countries, securities markets may be smaller than in more developed countries, making it more difficult to sell securities in order to take profits or avoid losses. Companies in these markets may have limited product lines, markets or resources, making it difficult to measure the value of the company. Political instability and possible corruption, as well as lower standards of regulation for business practices, increase the possibility of fraud and other legal problems. The value of these investments may rise and fall substantially.

i) High Yield Bond Risk: Issuers of high-yield bonds (typically categorized as below investment grade) may be less financially secure than issuers of higher rated fixed-income securities and have a corresponding greater chance of default, particularly in periods of economic downturn. Markets for high-yield bonds may be impacted by volatility and low liquidity.

j) Fixed Income Investments Risk

- In general, the value of a fixed-income investment moves inversely with interest rates. If interest rates rise, the value of a fixed-income investment will usually fall. If interest rates decline, the value of a fixed-income investment will generally increase. The magnitude of the decline will be greater for longer-term fixed-income securities than for shorter-term fixed-income securities.
- It is possible that some issuers of debt securities could default on their obligations under the security. Alternatively, an issuer may suffer adverse changes in financial condition that could lower the credit rating of its debt securities, which can affect liquidity and make it more difficult for MDSIF to sell the security.

- Many types of debt securities are subject to prepayment risk. Prepayment risk occurs when the issuer of a security can repay principal prior to the security's maturity. Securities subject to prepayment risk can offer less potential for gains when the credit quality of the issuer improves.
- If there are changes in the market's perception of the issuers of debt securities, or in the creditworthiness of the parties involved, then the value of the securities may be affected. In addition, there is a risk that there may be a mismatch in timing between the cash flow of the underlying assets backing the security and the repayment obligation of the security upon maturity.

k) Foreign Securities Risk: The performance of the MDSIF's investing in foreign markets will be affected by market conditions and by general economic and financial conditions in those countries where the MDSIF's investments are traded.

There may be less information available and less stringent regulatory requirements for issuers of securities in other countries, securities trading on foreign markets may be less liquid and their prices may change more dramatically than securities that trade in Canada and the United States, and they may be exposed to the effects of political or social instability.

Foreign securities are subject to the law and regulations of foreign countries, which can affect foreign convertibility, repatriation of assets and the trading and settlement of securities transactions.

5. GENERAL PROVISIONS

a) Beneficiary: Subject to the applicable law, a Member may through the Policyholder, by filing written notice, on a prescribed form created for that purpose, with the Company, appoint or change a beneficiary or beneficiaries to receive the benefits under the Policy upon the Member's death. For a Plan, a member must designate the trustee of the Plan as the beneficiary. Any benefits payable hereunder, after the death of the Member, shall be payable to such beneficiary, or beneficiaries, if living, otherwise to the estate of the Member.

In the event a beneficiary is not the spouse of the Member, any benefits payable after the death of the Member to such a beneficiary shall be commuted.

b) Assignment and Commutation: The benefits under the Policy shall not be assigned, and except as provided in paragraph (a) above shall not be commuted.

c) Currency and Place of Payment: All payments under the Policy shall be in lawful money of Canada.

d) Annuity Option: Subject to the provisions hereof, the Company shall assist a Member with a Non-Registered Investment Account or a MDMLTFS, in the provision and purchase for their benefit, at any time as instructed by the Member, an annuity, and as it relates to Members with a Plan, in the provision and purchase for their benefit, an annuity as at the Retirement Date.

The Retirement Date shall be the first day of a calendar month in any year selected by the Member provided that, where MDSIF is held in a MDRSP, such day shall not be later than the first day of December of the calendar year in which the Member attains seventy-one (71) years of age. The amount of the Member's annuity shall be an amount equal to that which may be purchased by the Book Value of Units allocated to and representing the Member's Account Balance, subject to any withdrawal restrictions outlined in Section 3, determined as at the instruction date for Members with Non-Registered Investment Accounts and as at Retirement Date for Members with Plans.

For Members with Plans, the annuity shall be paid to the Member monthly, commencing on the Retirement Date and continuing until one hundred and twenty (120) monthly payments have been made and thereafter so long as the Member lives. However, the Member may elect that the annuity be of any annuity option then generally available from the Company that meets the definition of "qualified investment" under the *Income Tax Act* (Canada) and its Regulations for the respective Plans.

If the amount of the monthly payment to be made under the annuity is less than the minimum amount set by the Company from time to time (currently \$50.00), the Company may, at its discretion, pay the annuity on the equivalent quarterly, semi-annual or annual basis as applicable.

For members with Non-Registered Investment Accounts or MDMLTFAs, the annuity shall be paid to the Member at intervals as chosen by the Member from the options provided by the annuity chosen, and commence on the date of the purchase of the annuity and continue as outlined in the Annuity so chosen.

If the amount of the monthly payment to be made under the annuity is less than the minimum amount as set by the Insurer providing the annuity from time to time, the Member expressly agrees to receive the equivalent annuity payment on a quarterly, semi-annual or annual basis as applicable.

The amount of any annuity purchased for the Member shall be determined in accordance with the Company's then current rates for such policies.

The Company shall have the right to require evidence of age and sex of the Member prior to commencement of any annuity and evidence satisfactory to the Company of survival of the Member on the due date of each annuity payment. No annuity or other benefit shall be payable until receipt by the Company of such evidence.

e) Discontinuance of Premiums: The Policyholder may notify the Company in writing that no further Premiums are to be received under the Policy, in which case the Policy shall remain in force and, subject to any legislation or regulations applicable to the Plans, and/or Non-Registered Investment Accounts, and the

Members thereof, the Company will continue to hold the assets under the Policy and to provide benefits, rights and privileges to all Plans, Non-Registered Investment Accounts and Members in accordance with the terms of the Policy.

f) Transfer to Another Insurer: The Policyholder may notify the Company in writing that all or part of the MDSIF, or monies derived therefrom, is to be transferred to one or more insurer(s) (the "Replacement Insurer") who shall be designated by the Policyholder, provided that such Replacement Insurer shall be required as a condition to such transfer to provide rights and privileges which in the sole opinion of the Policyholder are at least equal to or better than the rights and privileges contained in the Policy. In the event the Policyholder provides notice to the Company of a partial transfer, the Company and the Policyholder shall determine the amount and the methods of transfer on a fair and equitable basis.

g) Termination of the Plans: If the Policyholder notifies the Company in writing that the Plans are to be discontinued the Company shall, if replacement Plans are not put in place, process a withdrawal of Member's Account Balances pursuant to Section 3 (c), and any legislation and regulations applicable to the Members, reserving the right to make payments within 60 days from the receipt of such notification.

h) Amendment of the Policy: The Policy may be changed, altered or modified by agreement in writing between the Policyholder and the Company, without the approval of or notice to the Member, provided however that any such change, alteration or modification shall not have the effect of making the rights and privileges any less favourable to the Member. Any change, alteration or modification having adverse effect shall only be effective following at least sixty (60) days prior notice to the Member.

i) Assumption of Policy: The Policyholder may require, and the Company may, with the consent of the Policyholder, assign the obligations and entitlements of the Company to another insurer, following which the Policy shall continue in full force and in effect.

j) Termination of the Policy: The Policy may be terminated at any time, by written agreement as between the Company and the Policyholder in which case the market value of all the assets pursuant to the Policy shall be paid out to all Members.

k) Actions or Proceedings: Every action or proceeding against an insurer for the recovery of insurance money payable under the Policy is absolutely barred unless commenced within the time set out in the Insurance Act (for actions or proceedings governed by the laws of Alberta, British Columbia, and Manitoba), the Limitations Act, 2002 (for actions or proceedings governed by the laws of Ontario), or other applicable legislation.

6. DEFINITIONS

a) Applicable Number of Instalments: Applicable Number of Instalments shall mean a number equal to the lesser of 1. and 2. as defined below, but not less than four in any case:

1. six;
2. the lowest integer exceeding twice the number of years of the average term to maturity of investments within the segregated portfolio assets of the Policy as at the date of request for withdrawal.

b) Member's Account Balance: Member's Account Balance shall mean the Book Value of MDSIF attributable to a Member on any particular Valuation Date that is equal to the number of Units allocated to the credit of the Member's Account multiplied by the Book Value of a Unit on the Valuation Date.

c) Member's Prior Account Balance: Member's Prior Account Balance shall mean a Member's Account Balance at the beginning of the month of the earliest withdrawal taken into account under (d) below in the previous 11 calendar months, provided that to the extent no such withdrawal has occurred during such period, then such Member's Prior Account Balance shall be such Member's Account Balance at the beginning of the current month.

d) Member's Prior Withdrawal Amount: Member's Prior Withdrawal Amount shall mean the sum of any and all withdrawals (other than withdrawals expressly enumerated in Section 3 (a) hereof) made by the Plan or Non-Registered Investment Account of such Member during the previous 11 calendar months.

e) MD Stable Income Fund or MDSIF: MD Stable Income Fund or MDSIF shall mean the assets attributable to the Policy, to which Premiums and the Income derived therefrom have been allocated in accordance with the Policy, to be held by the Company on a segregated basis that is separate from the Company's general funds.

f) Period of High Withdrawal Activity: Period of High Withdrawal Activity shall mean such a period of time commencing upon the occurrence of the event described in 1. below and continuing without interruption until and including the date of the occurrence of the event described in 2. below:

1. The date on which the aggregate of all Member's Account Balances or parts thereof requested to be withdrawn in any given month and those so requested in the preceding two months exceeds 7% of the aggregate of all Member's Account Balances held under the Policy at the beginning of the given month;

2. The last day of a given month when the aggregate of all Member's Account Balances or parts thereof requested to be withdrawn in such month and the preceding two months is less than 5% of the aggregate of all Member's Account Balances held under the Policy at the end of such three-month period;

The Member's Account Balances and withdrawal amounts referred to in the above subparagraphs shall exclude all withdrawals described in Section 3 (a).

g) Period of Normal Withdrawal Activity: Period of Normal Withdrawal Activity shall mean such periods of time that do not constitute a Period of High Withdrawal Activity.

h) Retirement Date: The Retirement Date shall be the first day of a calendar month in any year selected by the Member provided that such day shall not be later than the first day of December of the calendar year in which the Member attains seventy-one (71) years of age or such later date, as requested by Member in a MDRSP.

i) Maturity Date: The Maturity Date shall be the first day of a calendar month in any year selected by the Member provided that such day shall not be later than the first day of December of the calendar year in which the Member attains one hundred and twenty (120) years of age.

j) Valuation Date(s): Valuation Dates shall generally mean every business day of the year and in respect of which a determination of the Book Value of MDSIF shall be made. However, the Company may defer determination of the Book Value of MDSIF in case of emergency beyond the Company's control, when it is impractical to determine such value.



Christine Allison
President & Chief Executive Officer



Katie Shulha
Chief Financial Officer