Canada Life™

Glossary of Terms

“Break Fee”

A payment made by a company to be acquired to the intended acquiring party in the event a better offer is received from a third party by the company to be acquired, resulting in the initial buyer “losing” its target acquisition.

“Non-cumulative”

Refers to the fact that dividends that are not paid do not have to be brought current before current/future dividends payable are paid.

“Preferred Shares”

A security that reflects the attributes of both common share equity securities and fixed income debt securities.

Returns on preferred shares are fixed by a dividend rate, similar to an interest rate on a bond. Like bonds, the market value of preferred shares increases when interest rates fall, and vice versa.

Unlike interest on bonds however, the issuer isn’t legally obligated to pay dividends, although failure to do so would be detrimental to the issuer. Like common share dividends, preferred share dividends typically receive more advantageous tax treatment than interest income does.

Preferred shareholders stand ahead of common shareholders and behind debt holders in the event of dissolution or insolvency of the issuer.

“Perpetual Preferred Shares “

These are preferred shares that the issuer is not required to repay the face amount of to the holder on a pre-determined date. Shareholders however can sell these securities to third parties to obtain a return capital.

“Proration” or “pro rata”

On a proportional basis or in proportion. The Great-West Life transaction provides for proration in the event too many shareholders elect one or more of the specific forms of consideration offered relative to the maximum amounts Great-West is prepared to pay.

Example:

A shareholder wants 100% cash. Other shareholders also want cash, with the result that there is a total demand for cash in excess of $4.3 billion, the maximum cash amount Great-West is willing to pay. So, the shareholder gets 60% cash and the 40% balance in the form of one or more of the $3.0 billion of other securities available for payment of Canada Life shares. The result might be that the shareholder receives 60% in the form of cash, 11% in Great-West preferred shares and the 29% balance in Great-West common shares. The original election has been pro-rated amongst the various securities offered in payment by Great-West.

“Retraction”

Refers to the right of a holder of a security to force the issuer to redeem (repay) that security on a specified date at a specified price.

“Ten Year Soft Retractable Preferred Shares”

The “softness” refers to the fact that the issuer of the preferred share has a right to redeem (repay) the security prior to the retraction right being exercised.

Because the terms of retraction are considered disadvantageous to the issuer (e.g., the retraction calls for conversion into common shares at a discount to market), it is assumed that the preferred shares will be redeemed before the holder can exercise the retraction right.

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