

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to a U.S. Person. Information has been incorporated by reference in this prospectus from documents filed with the securities commissions or similar authorities in Canada (the permanent information record in Québec). Copies of the documents incorporated by reference may be obtained on request without charge from the Secretary, Canada Life Financial Corporation, 330 University Avenue, Toronto, Canada M5G 1R8 (416) 597-1440.



Initial Public Offering

March 7, 2002

Canada Life Capital Trust™

(a trust established under the laws of Ontario)

\$450,000,000

300,000 Canada Life Capital Securities — Series A (CLiCS™ — Series A)

150,000 Canada Life Capital Securities — Series B (CLiCS™ — Series B)

Canada Life Capital Trust (the “Trust”) is an open-end trust established under the laws of Ontario by The Canada Trust Company (the “Trustee”) pursuant to a declaration of trust dated as of February 6, 2002 (the “Declaration of Trust”). The Trust proposes to issue and sell to investors pursuant to this prospectus (the “Offering”) transferable trust units called Canada Life Capital Securities — Series A, or “CLiCS — Series A”, and Canada Life Capital Securities — Series B, or “CLiCS — Series B”, each of which represents an undivided beneficial ownership interest in the Trust Assets, principally comprised of one senior debenture (the “CLA A Debenture”) issued in respect of the CLiCS — Series A by The Canada Life Assurance Company (“CLA”), a direct, wholly-owned subsidiary of Canada Life Financial Corporation (“CLF”), and one senior debenture (the “CLA B Debenture”) issued in respect of the CLiCS — Series B by CLA (collectively, the CLA A Debenture and the CLA B Debenture are referred to as the “CLA Debentures”). The CLiCS — Series A and the CLiCS — Series B (collectively, the “CLiCS”) will constitute the first two series of the class of Canada Life Capital Securities issued by the Trust. The Trust will also issue securities called Special Trust Securities (the “Special Trust Securities” and, collectively with the CLiCS, the “Trust Securities”) to CLA or its affiliates. See “Description of the Trust Securities”. The Trust is not a trust company and does not carry on business as a trust company and, accordingly, the Trust is not registered under the trust company legislation of any jurisdiction.

The Trust will distribute its Net Distributable Funds on the last day of June and December of each year (each, a “Distribution Date”) commencing June 30, 2002. On each Distribution Date that is a Regular Distribution Date, a holder of CLiCS will be entitled to receive a non-cumulative fixed cash distribution in respect of the particular series of Canada Life Capital Securities held (an “Indicated Yield”). The Indicated Yield per CLiCS — Series A will be \$33.395, representing an annual yield of 6.679% of the \$1,000 initial issue price. The initial Indicated Yield payable on June 30, 2002 in respect of the period from and including March 14, 2002 to but excluding June 30, 2002 will be approximately \$19.76 per CLiCS — Series A, based on an anticipated closing date of March 14, 2002 (the “Closing Date”). The Indicated Yield per CLiCS — Series B will be \$37.645, representing an annual yield of 7.529% of the \$1,000 initial issue price. The initial Indicated Yield payable on June 30, 2002 in respect of the period from and including March 14, 2002 to but excluding June 30, 2002 will be approximately \$22.28 per CLiCS — Series B, based on the Closing Date. The CLA A Debenture will bear interest at a fixed annual rate of 6.679%, payable in equal semi-annual instalments in arrears of \$33.395 for each \$1,000 principal amount of the CLA A Debenture, on the last day of June and December of each year (each, a “CLA Debenture Interest Payment Date”) commencing June 30, 2002. The CLA B Debenture will bear interest at a fixed annual rate of 7.529%, payable in equal semi-annual instalments in arrears of \$37.645 for each \$1,000 principal amount of the CLA B Debenture on each CLA Debenture Interest Payment Date commencing June 30, 2002. Each Distribution Date will be either a Regular Distribution Date or a Distribution Diversion Date. A Distribution Date will be a Regular Distribution Date if CLA has declared Dividends as described under “Description of the Trust Securities — Canada Life Capital Securities — Indicated Yield”. On a Regular Distribution Date, the Trust will pay the Indicated Yield on the CLiCS and the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the Indicated Yield. A Distribution Date will be a Distribution Diversion Date if CLA has not declared Dividends on the basis described in this prospectus. In that case, although the CLA Debentures will pay interest to the Trust on the CLA Debenture Interest Payment Date, the Trust will not pay the Indicated Yield on the CLiCS; instead, it will pay the Net Distributable Funds, if any, as at such Distribution Diversion Date to the holder of the Special Trust Securities.

Price: \$1,000 per CLiCS

	<u>Price to the Public</u>	<u>Underwriters’ Fee⁽¹⁾</u>	<u>Net Proceeds to the Trust⁽²⁾</u>
Per CLiCS — Series A	\$1,000	\$10	\$990
Per CLiCS — Series B	\$1,000	\$10	\$990
Total	\$450,000,000	\$4,500,000	\$445,500,000

Notes:

- (1) The Underwriters’ fee is \$10 for each CLiCS sold. The “Per CLiCS — Series A”, “Per CLiCS — Series B” and “Total” amounts represent the Underwriters’ fee and net proceeds to the Trust based on the expected sales of the CLiCS. See “Plan of Distribution”.
- (2) The Offering expenses of the Trust, estimated at \$600,000, will be paid by the Trust from funds borrowed under the Credit Facility. See “The Trust — Liquidity”.

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On June 30, 2007 and on any Distribution Date thereafter, the Trust, at its option, and with the prior approval (“Superintendent Approval”) of the Superintendent of Financial Institutions (Canada) (the “Superintendent”), may redeem any outstanding series of CLiCS, in whole or in part, without the consent of the holders, for an amount in cash per CLiCS equal to the applicable Early Redemption Price, if the CLiCS — Series A are redeemed prior to June 30, 2012 or if the CLiCS — Series B are redeemed prior to June 30, 2032, and the Redemption Price, if the CLiCS — Series A are redeemed on or after June 30, 2012 or if the CLiCS — Series B are redeemed on or after June 30, 2032. See “Description of the Trust Securities — Canada Life Capital Securities — Trust Redemption Right”.

Upon the occurrence of a Regulatory Event or a Tax Event (each, a “Special Event”), the Trust, at its option, and with Superintendent Approval, may redeem all but not less than all of the CLiCS, without the consent of the holders, for an amount in cash per CLiCS equal to the applicable Early Redemption Price, if the CLiCS — Series A are redeemed prior to June 30, 2012 or if the CLiCS — Series B are redeemed prior to June 30, 2032, and the Redemption Price, if the CLiCS — Series A are redeemed on or after June 30, 2012 or if the CLiCS — Series B are redeemed on or after June 30, 2032. See “Description of the Trust Securities — Canada Life Capital Securities — Trust Special Event Redemption Right”.

Holders of CLiCS will have the right at any time to exchange all or part of their CLiCS for newly issued Class A Shares Series 2 of CLA (“CLA Class A Shares Series 2”), in the case of holders of CLiCS — Series A, or Class A Shares Series 4 of CLA (“CLA Class A Shares Series 4”), in the case of holders of CLiCS — Series B (collectively, the CLA Class A Shares Series 2 and the CLA Class A Shares Series 4 are referred to as the “Holder Exchange CLA Shares”). See “Description of the Trust Securities — Canada Life Capital Securities — Holder Exchange Right”. On and after December 31, 2012, so long as any Loss Absorption Event that has occurred is not then continuing, the CLA Class A Shares Series 2 will be exchangeable, at the option of a holder, into common shares of CLF (“CLF Common Shares”). On and after December 31, 2032, so long as any Loss Absorption Event that has occurred is not then continuing, the CLA Class A Shares Series 4 will be exchangeable at the option of a holder, into CLF Common Shares. See “Description of Share Capital of CLA — Certain Provisions of the CLA Class A Shares Series 2, 3, 4 and 5”.

If a Loss Absorption Event were to occur, all of the then outstanding CLiCS will be automatically exchanged, without the consent of the holders, for newly issued Class A Shares Series 3 of CLA (“CLA Class A Shares Series 3”), in the case of holders of CLiCS — Series A, or Class A Shares Series 5 of CLA (“CLA Class A Shares Series 5”), in the case of holders of CLiCS — Series B (collectively, the CLA Class A Shares Series 3 and the CLA Class A Shares Series 5 are referred to as the “Automatic Exchange CLA Shares”). See “Description of the Trust Securities — Canada Life Capital Securities — Automatic Exchange”. On and after December 31, 2012, so long as any Loss Absorption Event which has occurred is not then continuing, the CLA Class A Shares Series 3 will be exchangeable, at the option of a holder, into CLF Common Shares. On and after December 31, 2032, so long as any Loss Absorption Event which has occurred is not then continuing, the CLA Class A Shares Series 5 will be exchangeable, at the option of a holder, into CLF Common Shares. See “Description of Share Capital of CLA — Certain Provisions of the CLA Class A Shares Series 2, 3, 4 and 5”. The Holder Exchange CLA Shares and the Automatic Exchange CLA Shares are collectively referred to as the “CLA Preferred Shares”.

On and after the fifth anniversary date following the Closing Date, the CLiCS may be purchased at any time, in whole or in part, by the Trust, at the direction of the holder of the Special Trust Securities. The purchases may be made in the open market or by tender or private contract at any price. Any such purchases will require Superintendent Approval. CLiCS purchased by the Trust will be cancelled and will not be reissued.

An investment in CLiCS could be replaced in certain circumstances, without the consent of the holder, by an investment in the Automatic Exchange CLA Shares. Investors should therefore carefully consider the disclosure with respect to CLA included and incorporated by reference in this prospectus. An investment in CLiCS is subject to certain risks. See “Risk Factors”. The Trust is a newly-formed entity and, accordingly, it is not possible to determine earnings coverages with respect to the CLiCS.

It is not expected that the CLiCS will be listed on any stock exchange. There can be no assurance that an active trading market will develop or be sustained or that the CLiCS may be resold at or above the initial public offering price.

The Trust is expected to be a registered investment for purposes of the *Income Tax Act* (Canada) (the “Tax Act”). So long as the Trust is a registered investment under the Tax Act, CLiCS will be qualified investments, and will not be foreign property, for Deferred Income Plans. See “Eligibility for Investment”.

The Underwriters, as principals, conditionally offer the CLiCS as described under “Plan of Distribution” and subject to prior sale if, as and when issued by the Trust and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Trust, CLA and CLF by McCarthy Tétrault LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. This prospectus also qualifies for distribution the Exchange Provisions, the Subscription Right, the CLF Common Share Exchange Right, the CLA Preferred Shares Redemption Right and the Conversion Right.

Subscriptions for the CLiCS will be received by the Underwriters subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Closing Date will be March 14, 2002 or such later date as the Trust and the Underwriters may agree, but in any event not later than April 4, 2002. The CLiCS will be issued in “book-entry only” form and, accordingly, physical certificates representing CLiCS will not be available except in limited circumstances. See “Description of the Trust Securities — Canada Life Capital Securities — Book-Entry Only Form”. Persons participating in this Offering may engage in transactions that stabilize, maintain or otherwise affect the price of the CLiCS. For a description of those activities, see “Plan of Distribution”.

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ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, subject to compliance with the prudent investment standards and the general investment provisions and restrictions of the statutes referred to below and, where applicable, the regulations thereunder and, in certain cases, subject to satisfaction of additional requirements relating to investment or lending policies or goals and, in certain cases, the filing of such policies or goals, the CLiCS to be issued by the Trust, if issued on the date hereof, would not be precluded as investments under or by the following statutes:

<i>Insurance Companies Act</i> (Canada)	<i>Supplemental Pension Plans Act</i> (Québec)
<i>Pension Benefits Standards Act, 1985</i> (Canada)	<i>an Act respecting insurance</i> (Québec) (other than by a guarantee fund corporation)
<i>Trust and Loan Companies Act</i> (Canada)	<i>an Act respecting trust companies and savings companies</i> (Québec) (for a trust company investing its own funds and funds received as deposits and for a savings company)
<i>Financial Institutions Act</i> (British Columbia)	
<i>Insurance Act</i> (Alberta)	
<i>Loan and Trust Corporations Act</i> (Alberta)	
<i>Pension Benefits Act</i> (Ontario)	

Based on certain factual information provided by the Trust and the Underwriters to counsel, at the time of closing, the Trust will qualify as a registered investment for purposes of the Tax Act effective from such time. In the opinion of such counsel, so long as the Trust is a registered investment under the Tax Act, the CLiCS will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans (each, a “Deferred Income Plan”). In addition, so long as the Trust is a registered investment under the Tax Act, the CLiCS will not be foreign property for purposes of Part XI of the Tax Act.

THE CLiCS, WHILE EXCHANGEABLE FOR CLA PREFERRED SHARES, WHICH, IN TURN, ARE EXCHANGEABLE UNDER CERTAIN CIRCUMSTANCES FOR CLF COMMON SHARES, DO NOT REPRESENT OBLIGATIONS OF OR INTERESTS IN, AND ARE NOT GUARANTEED OR INSURED BY, CLA, CLF, THE CANADA TRUST COMPANY OR COMPUTERSHARE TRUST COMPANY OF CANADA OR ANY OF THEIR RESPECTIVE AGENTS OR AFFILIATES. THE CLiCS ARE NOT INSURED OR GUARANTEED BY THE CANADA DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY OR INSTRUMENTALITY.

FORWARD — LOOKING STATEMENTS

This prospectus, including those documents incorporated by reference, includes forward-looking statements with respect to CLF and its consolidated subsidiaries (the “Company”), including its business operations and strategy and financial performance and condition. These statements generally can be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, or “continue” or the negative thereof or similar variations. Although management believes that the expectations reflected in such forward-looking statements are reasonable and represent the Company’s internal projections, expectations and belief at this time, such statements involve known and unknown risks and uncertainties which may cause the Company’s actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from the Company’s expectations include, among other things, general economic and market factors, including interest rates, business competition, changes in government regulations or in tax laws, difficulties in developing or enhancing new or existing distribution channels or products, and other factors discussed or referenced in the “Risk Factors” section. See “Risk Factors”.

DOCUMENTS INCORPORATED BY REFERENCE

CLF has no material assets or liabilities other than its beneficial holding of all of the outstanding voting securities of CLA. Based upon this and other relevant matters, CLA has obtained a decision document dated July 8, 1999 under the Mutual Reliance Review System for Exemptive Relief Applications from the securities regulatory authorities or regulators in each of the provinces and territories of Canada (other than the Province of Quebec) and a decision dated September 8, 2000 issued by the Commission des valeurs mobilières du Québec (the “Securities Commissions Decisions”), pursuant to which:

- (a) the requirements to disclose material changes and to file annual and interim financial statements (collectively, the “Continuous Disclosure Requirements”) do not apply to CLA, subject to certain specified conditions including that CLF comply with the Continuous Disclosure Requirements; and
- (b) the requirement that CLA file an annual information form (“AIF”) under National Instrument 44-101 and sections 18, 84 and 85 of the *Securities Act* (Québec), as the case may be, has been waived subject to CLF having filed an AIF.

If at any time CLF acquires material assets or liabilities other than its holding of all of the outstanding voting securities of CLA, CLA will not be able to rely on the Securities Commissions Decisions and CLA will have to directly comply with all applicable Continuous Disclosure Requirements under applicable securities laws.

The following documents with respect to CLF and its subsidiaries, filed with the various securities commissions or similar authorities in each of the provinces and territories of Canada, are specifically incorporated by reference in and form an integral part of this prospectus:

- (a) AIF of CLF dated February 11, 2002 for the year ended December 31, 2001;
- (b) Proxy Circular dated February 22, 2001 in respect of CLF’s annual meeting of shareholders held on April 12, 2001, excluding those sections entitled “Human Resources Committee Report on Executive Compensation” and “Share Performance Graph”;
- (c) Audited comparative consolidated financial statements of CLF, and the related notes thereto, as at and for the years ended December 31, 2001 and 2000 and the Auditors’ Report dated February 4, 2002 (the “Consolidated Financial Statements”);
- (d) Management’s Discussion and Analysis of financial results for the years ended December 31, 2001 and 2000 (“MD&A”);
- (e) Material change report of CLF dated October 23, 2001;
- (f) Material change report of CLF dated December 13, 2001;
- (g) Material change report of CLF dated December 18, 2001; and
- (h) Material change report of CLF dated January 8, 2002.

Any statement contained in this prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this prospectus to the extent that

a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

Copies of the documents incorporated by reference herein may be obtained on request without charge from Roy Linden, Secretary of CLF, 330 University Avenue, Toronto, Ontario M5G 1R8, telephone (416) 597-1440. For the purpose of the Province of Québec, this prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may also be obtained from the Secretary of CLF.

SUMMARY

The following summary information should be read in conjunction with the full text of this prospectus and is qualified in its entirety by the more detailed information appearing elsewhere or incorporated by reference in this prospectus. In this prospectus, “CLF” refers to Canada Life Financial Corporation, “CLA” refers to The Canada Life Assurance Company and the “Company” refers to CLF and its consolidated subsidiaries, including CLA.

THE OFFERING

Issuer:	Canada Life Capital Trust, an open-end trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust.
Offering:	300,000 Canada Life Capital Securities — Series A and 150,000 Canada Life Capital Securities — Series B, each being a series of a class of units of the Trust (each unit, a “CLiCS — Series A” or “CLiCS — Series B”, respectively).
Amount of Offering:	\$450,000,000
Price:	\$1,000 per CLiCS.
Ratings:	The CLiCS are rated A yn by Dominion Bond Rating Service Limited (“DBRS”) and A by Standard & Poor’s Corporation (“S&P”). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization.
Use of Proceeds:	The gross proceeds from the Offering of approximately \$450,000,000, will be used by the Trust to acquire the CLA Debentures from CLA. CLA, in turn, intends to use the proceeds from the issue of the CLA Debentures for general corporate purposes. CLA expects that the proceeds from the sale of the CLiCS will be included in the Tier 1 capital of CLA (assuming the Superintendent approves the inclusion of CLiCS as Tier 1 capital of CLA). See “Use of Proceeds”.
Debentures of CLA:	The CLA A Debenture will bear interest at a fixed annual rate of 6.679%, payable in equal semi-annual instalments in arrears of \$33.395 per \$1,000 principal amount of the CLA A Debenture on each CLA Debenture Interest Payment Date commencing June 30, 2002. The CLA B Debenture will bear interest at a fixed annual rate of 7.529%, payable in equal semi-annual instalments in arrears of \$37.645 per \$1,000 principal amount of the CLA B Debenture on each CLA Debenture Interest Payment Date commencing June 30, 2002. The initial interest payment due on June 30, 2002 will be approximately \$19.76 per \$1,000 principal amount of the CLA A Debenture and approximately \$22.28 per \$1,000 principal amount of the CLA B Debenture, assuming a Closing Date of March 14, 2002. The CLA Debentures will have a maturity date of June 30, 2052. In addition to the CLA Debentures, the Trust may acquire other Eligible Investments. See “Description of the CLA Debentures”. The proceeds from the subscription by CLA for Special Trust Securities of \$1,000,000, pursuant to an agreement between CLA and the Trust (the “Subscription Agreement”), together with the \$22,100,000 to be borrowed by the Trust under the Credit Facility will be used by the Trust to pay its expenses of the Offering and to acquire the Funding Debenture from CLA. See “The Trust — Liquidity”.
Indicated Yield:	Each CLiCS — Series A entitles the holder to receive the Indicated Yield of \$33.395 on each Regular Distribution Date commencing June 30, 2002, representing an annual yield of 6.679%. Each CLiCS — Series B entitles the holder to receive the Indicated Yield of \$37.645 on each Regular Distribution Date commencing June 30, 2002, representing an annual yield of 7.529%. The

initial Indicated Yield payable on June 30, 2002 will be approximately \$19.76 per CLiCS — Series A and approximately \$22.28 per CLiCS — Series B, assuming a Closing Date of March 14, 2002. A Distribution Date will be a “Regular Distribution Date” unless (i) CLA fails to declare Dividends on its Class A Shares Series 1 (the “CLA Class A Shares Series 1”) or (ii) if there are Public Preferred Shares outstanding (in which case clause (i) will not apply), CLA fails to declare Dividends on any of the Public Preferred Shares in accordance with their respective terms, in either case, in the three-month period immediately prior to the commencement of the Distribution Period ending on the day preceding that Distribution Date (the “Dividend Reference Period”) (each such failure being a “Distribution Diversion Event”). Under the Declaration of Trust, June 30, 2002 is a Regular Distribution Date. The periods commencing on and including the Closing Date to but excluding June 30, 2002 and thereafter from and including each Distribution Date to but excluding the next Distribution Date are referred to as “Distribution Periods”. 18,000 CLA Class A Shares Series 1 have been issued to CLF at an issue price of \$25 each.

Whether or not the Indicated Yield on the CLiCS will be payable by the Trust on any Distribution Date will be determined prior to the commencement of the Distribution Period ending on the day preceding that Distribution Date. On each Regular Distribution Date, the Trust will pay the Indicated Yield to the holders of CLiCS and the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the Indicated Yield.

If a Distribution Diversion Event occurs, the Distribution Date occurring on the day immediately following the end of the first Distribution Period following the Distribution Diversion Event will be a Distribution Diversion Date. In that case, although the CLA Debentures will pay interest on the CLA Debenture Interest Payment Date, the Trust will not pay the Indicated Yield on the CLiCS on the Distribution Diversion Date; instead, it will distribute the Net Distributable Funds of the Trust, if any, as at such Distribution Diversion Date to the holder of the Special Trust Securities. See “Description of the Trust Securities — Canada Life Capital Securities — Indicated Yield”.

“Public Preferred Shares” means, at any time, preferred shares of CLA which, at that time (i) have been issued to the public (excluding any preferred shares of CLA held beneficially by affiliates of CLA), (ii) are listed on a recognized stock exchange, and (iii) have an aggregate liquidation entitlement of at least \$100 million, provided, however, if, at any time, there is more than one class of Public Preferred Shares outstanding, then the most senior class or classes of outstanding Public Preferred Shares shall, for all purposes, be the Public Preferred Shares.

Where CLA does not have Public Preferred Shares outstanding, CLF will agree under the Share Exchange Agreements not to declare or pay Dividends during any Distribution Period on any of its preferred shares (the “CLF Preferred Shares”), if any CLF Preferred Shares are outstanding, and on the CLF Common Shares (collectively, the “CLF Dividend Restricted Shares”) unless CLA has declared and paid a Dividend on the CLA Class A Shares Series 1 during the Dividend Reference Period preceding that Distribution Period.

“Net Distributable Funds” means, at any time, the amount by which the sum of (i) income and gains derived by the Trust from the Trust Assets and (ii) amounts received by the Trust from CLA that are designated by CLA as

such, in each case that have not previously been distributed to holders of Canada Life Capital Securities or the holder of the Special Trust Securities, exceeds expenses of the Trust and any required liability for expenses established by the Trust.

“Dividend” means a cash dividend declared in the ordinary course by (i) CLA on the CLA Class A Shares Series 1 or on the Public Preferred Shares, if any such shares are outstanding, or (ii) CLF on the CLF Preferred Shares, if any such shares are outstanding, and on the CLF Common Shares.

Voting Rights:

The CLiCS are non-voting except in limited circumstances. See “Description of the Trust Securities — Canada Life Capital Securities — Voting Rights”.

Trust Redemption Right:

On June 30, 2007 and on any Distribution Date thereafter, the Trust, at its option, and with Superintendent Approval, and on not less than 30 nor more than 60 days’ prior written notice, may redeem any outstanding series of CLiCS in whole or in part, without the consent of the holders, for an amount in cash per CLiCS equal to (i) the greater of (A) \$1,000 per CLiCS, together with any Unpaid Indicated Yield to the date of redemption (the “Redemption Date”) stated in the notice (the “Redemption Price”), and (B) the applicable CLiCS Canada Yield Price (the greater of (A) and (B) being the “Early Redemption Price”), if the CLiCS — Series A are redeemed prior to June 30, 2012 or if the CLiCS — Series B are redeemed prior to June 30, 2032, and (ii) the Redemption Price, if the CLiCS — Series A are redeemed on or after June 30, 2012 or if the CLiCS — Series B are redeemed on or after June 30, 2032 (the “Trust Redemption Right”). See “Description of the Trust Securities — Canada Life Capital Securities — Trust Redemption Right”.

“CLiCS Canada Yield Price” means a price per CLiCS calculated to provide an annual yield thereon to June 30, 2012 equal to the applicable Government of Canada Yield plus 0.27%, in the case of the CLiCS — Series A, or to June 30, 2032 equal to the applicable Government of Canada Yield plus 0.39%, in the case of the CLiCS — Series B, determined on the Business Day immediately preceding the date on which the Trust has given notice of the redemption of the CLiCS (whether pursuant to the Trust Redemption Right or the Trust Special Event Redemption Right) or the Business Day immediately preceding the date of the termination of the Trust, as the case may be, plus the Unpaid Indicated Yield. For this purpose, it is assumed that the Indicated Yield will be paid on each Distribution Date to and including June 30, 2012, in the case of the CLiCS — Series A, and June 30, 2032, in the case of the CLiCS — Series B.

“Government of Canada Yield” means, on any date, the average of the yields determined by any two registered Canadian investment dealers selected by CLA as being the annual yield to maturity on such date, compounded semi-annually, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on the date of redemption or termination, as the case may be, with a maturity date of June 30, 2012, in the case of the CLiCS — Series A, and June 30, 2032, in the case of the CLiCS — Series B.

“Business Day” means a day on which the Trustee is open for business in Toronto, Ontario other than a Saturday, Sunday or statutory or civic holiday in Toronto, Ontario.

“Unpaid Indicated Yield” means in respect of each outstanding series of Canada Life Capital Securities, at any time, an amount per Canada Life

Capital Securities of that series equal to the sum of the Accumulated Unpaid Indicated Yield and the Current Indicated Yield.

“Accumulated Unpaid Indicated Yield” means in respect of each outstanding series of Canada Life Capital Securities, at any time, an amount, if any, per Canada Life Capital Securities equal to the Indicated Yield payable by the Trust thereon in respect of all previous Regular Distribution Dates remaining unpaid by the Trust.

“Current Indicated Yield” means in respect of each outstanding series of Canada Life Capital Securities, at any time, in respect of the current Distribution Period, an amount per Canada Life Capital Securities of that series equal to the Indicated Yield pro-rated for the number of days elapsed from and including the first day of the Distribution Period to but excluding the Redemption Date, provided that there has not been a Distribution Diversion Event with respect to such Distribution Period.

Trust Special Event Redemption Right:

Upon the occurrence of a Special Event, the Trust, at its option, and with Superintendent Approval, and on not less than 30 nor more than 90 days' prior written notice, may redeem at any time all but not less than all of the CLiCS, without the consent of the holders, for an amount in cash per CLiCS equal to (i) the applicable Early Redemption Price, if the CLiCS — Series A are redeemed prior to June 30, 2012 or if the CLiCS — Series B are redeemed prior to June 30, 2032, and (ii) the Redemption Price, if the CLiCS — Series A are redeemed on or after June 30, 2012 or if the CLiCS — Series B are redeemed on or after June 30, 2032 (the “Trust Special Event Redemption Right”). See “Description of the Trust Securities — Canada Life Capital Securities — Trust Special Event Redemption Right”.

Holder Exchange Right:

Holders of CLiCS will have the right, at any time, on not less than three and not more than 90 days' prior written notice to the Trust, CLA and the Exchange Trustee, to surrender all or part of their CLiCS to the Trust at a price (the “Surrender Price”), for each CLiCS, equal to 40 newly issued CLA Class A Shares Series 2, in the case of CLiCS — Series A, or 40 newly issued CLA Class A Shares Series 4, in the case of CLiCS — Series B (the “Holder Exchange Right”). CLA will have the right, at any time before the exchange is completed, to arrange for a substituted purchaser to purchase CLiCS tendered for exchange so long as the holder of the CLiCS so tendered has not withheld consent to the purchase of its CLiCS. If a substituted purchaser is found, the price to be paid to the holders of the CLiCS so tendered will be not less than 91% of the closing price of such CLiCS on the last trading day immediately before the date fixed for purchase and such purchase price is intended to represent a fair equivalent in cash of the Surrender Price. Since the CLiCS will not be listed on any public securities exchange, the “closing price” of any CLiCS for that trading day will be the average of the last institutional bid price of such CLiCS as quoted by two major Canadian investment dealers selected by CLA for this purpose.

The CLA Class A Shares Series 2 will pay semi-annual non-cumulative cash dividends, as and when declared by the board of directors of CLA (the “CLA Board of Directors”), equal to \$0.51875 per share, representing an annual yield of 4.15%. The CLA Class A Shares Series 4 will pay semi-annual non-cumulative cash dividends, as and when declared by the CLA Board of Directors, equal to \$0.65000 per share, representing an annual yield of 5.20%.

The Holder Exchange Right will be effected through the conversion by the Trust of the corresponding principal amount of the CLA Debenture which corresponds to the series of CLiCS being exchanged into Holder Exchange

CLA Shares. The Trust, as holder of the CLA Debentures, will have the right, at any time, to convert all or part of the CLA Debentures into corresponding Holder Exchange CLA Shares. Immediately following that conversion, the Trust will arrange through The Canadian Depository for Securities Limited or its nominee (“CDS”) to credit the accounts of the holders of CLiCS exercising the Holder Exchange Right with the requisite number of Holder Exchange CLA Shares, and the CLiCS surrendered for exchange will be cancelled. See “Description of the Trust Securities — Canada Life Capital Securities — Holder Exchange Right”, “Description of the Trust Securities — Canada Life Capital Securities — Capital Reorganizations and Amalgamations”, “Description of Share Capital of CLA — Certain Provisions of the CLA Class A Shares Series 2, 3, 4 and 5” and “Description of the CLA Debentures”.

Automatic Exchange:

Each CLiCS will be exchanged automatically (the “Automatic Exchange”), without the consent of the holders, for 40 CLA Class A Shares Series 3, in the case of CLiCS — Series A, and 40 CLA Class A Shares Series 5, in the case of CLiCS — Series B, upon the occurrence of any one of the following events: (i) an application for a winding-up order in respect of CLA pursuant to the *Winding-up and Restructuring Act* (Canada) (the “Winding-Up Act”) is filed by the Attorney General of Canada or a winding-up order in respect of CLA pursuant to the Winding-Up Act is granted by a court; (ii) the Superintendent advises CLA in writing that the Superintendent has taken control of CLA or its assets pursuant to the *Insurance Companies Act* (Canada) (the “Insurance Act”); (iii) the Superintendent advises CLA in writing that CLA has a Net Tier 1 Capital Ratio of less than 75% or an MCCR Ratio of less than 120%; (iv) the CLA Board of Directors advises the Superintendent in writing that CLA has a Net Tier 1 Capital Ratio of less than 75% or an MCCR Ratio of less than 120%; or (v) the Superintendent directs CLA, pursuant to the Insurance Act, to increase its capital or provide additional liquidity and CLA elects to cause the Automatic Exchange as a consequence of the issuance of such direction or CLA does not comply with such direction to the satisfaction of the Superintendent within the time specified (each, a “Loss Absorption Event”). Following the Automatic Exchange, holders of CLiCS will cease to have any claim or entitlement in relation to the Trust Assets.

The Automatic Exchange CLA Shares will pay semi-annual non-cumulative cash dividends, as and when declared by the CLA Board of Directors, equal to \$0.61875 per share, representing an annual yield of 4.95% in the case of the CLA Class A Shares Series 3 and \$0.72500 per share, representing an annual yield of 5.80% in the case of the CLA Class A Shares Series 5.

The Automatic Exchange will be effected through the automatic conversion of each \$1,000 principal amount of the CLA Debentures then held by the Trust into 40 CLA Class A Shares Series 3, in the case of the CLA A Debenture, and 40 CLA Class A Shares Series 5, in the case of the CLA B Debenture. Immediately following that conversion, each holder of CLiCS will be deemed to have surrendered its CLiCS to the Trust for a price, for each CLiCS, equal to 40 Automatic Exchange CLA Shares of the series which corresponds to the holder’s series of CLiCS. The Trust will arrange through CDS to credit the accounts of the holders of CLiCS with the requisite number of Automatic Exchange CLA Shares in accordance with their respective entitlements and the CLiCS will be cancelled. **If the Automatic Exchange were to occur and Automatic Exchange CLA Shares were ultimately issued in exchange for the CLiCS, the cost-effective nature of the consolidated capital raised by CLA through the issuance of the CLiCS (assuming the Superintendent approves**

the inclusion of the CLiCS as Tier 1 capital of CLA) would be lost. Accordingly, it is in the interest of CLF and CLA to ensure that a Loss Absorption Event does not occur, although the events that could give rise to a Loss Absorption Event may be beyond their control. See “Description of the Trust Securities — Canada Life Capital Securities — Automatic Exchange” and “Description of Share Capital of CLA — Certain Provisions of the CLA Class A Shares Series 2, 3, 4 and 5”.

Exchange Rights of the Holder Exchange CLA Shares and Automatic Exchange CLA Shares:

On the last day of June and December of each year, commencing on December 31, 2012, in the case of the CLA Class A Shares Series 2 and CLA Class A Shares Series 3, and commencing on December 31, 2032, in the case of the CLA Class A Shares Series 4 and CLA Class A Shares Series 5, (each, an “Exchange Date”), and provided that a Loss Absorption Event has not occurred and is not then continuing, each Holder Exchange CLA Share and each Automatic Exchange CLA Share will be exchangeable, at the option of the holder, on not more than 90 and not less than 60 days’ prior written notice before the date fixed for exchange, for that number of fully-paid and freely tradeable CLF Common Shares determined by dividing \$25, together with any declared and unpaid dividends on the Holder Exchange CLA Share or the Automatic Exchange CLA Share, as applicable, to the date of exchange (the “Cash Exchange Price”), by the greater of \$1.00 and 95% of the weighted average trading price of the CLF Common Shares on the Toronto Stock Exchange (“TSE”) or, if not then listed on that exchange, on another exchange or market chosen by the board of directors of CLF (the “CLF Board of Directors”) on which the CLF Common Shares are then traded, during the 20 consecutive trading-day period ending on the fourth trading day immediately prior to the date of exchange (the “Common Share Exchange Rate”). See “Description of Share Capital of CLA — Certain Provisions of the CLA Class A Shares Series 2, 3, 4 and 5”.

Purchase for Cancellation:

On and after the fifth anniversary date of the Closing Date, any series of CLiCS may be purchased at any time, in whole or in part, by the Trust, at the direction of the holder of the Special Trust Securities. The purchases may be made in the open market or by tender or private contract at any price. Any such purchases will require Superintendent Approval. CLiCS purchased by the Trust will be cancelled and will not be reissued.

Rights on Termination of the Trust:

As long as any CLiCS are outstanding, the Trust may only be terminated with the approval of the holder of the Special Trust Securities and with Superintendent Approval (i) upon the occurrence of a Special Event prior to June 30, 2007 or (ii) for any reason on June 30, 2007 or on December 31, 2007 or on the last day of June and December of each year thereafter. The Declaration of Trust will provide that holders of CLiCS are not entitled to initiate proceedings for the termination of the Trust.

Pursuant to the Share Exchange Agreements, CLF and CLA will agree for the benefit of holders of CLiCS that, as long as any CLiCS are outstanding, neither CLF nor CLA will approve the termination of the Trust unless the Trust has sufficient funds to pay the Early Redemption Price or the Redemption Price, as applicable. Holders of CLiCS and the holder of the Special Trust Securities will rank *pari passu* in the distribution of the property of the Trust in the event of a termination of the Trust, after the discharge of the claims of creditors, if any. See “Description of the Trust Securities — Canada Life Capital Securities — Rights on Termination of the Trust”.

Dividend Stopper Undertaking:

Pursuant to the Share Exchange Agreements, CLA and CLF will agree for the benefit of holders of CLiCS that, if the Trust fails on any Regular Distribution

Date to pay the Indicated Yield on the CLiCS in full, CLA will not pay Dividends on the “CLA Dividend Restricted Shares”, being the Public Preferred Shares, or, if CLA Dividend Restricted Shares are not outstanding, CLF will not pay Dividends on the CLF Dividend Restricted Shares, in each case, until the 12th month following the Trust’s failure to pay the Indicated Yield in full on the CLiCS (the “Dividend Payment Resumption Month”), unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to the holders of the CLiCS (the “Dividend Stopper Undertaking”). Any Indicated Yield (or portion thereof) that the Trust fails to pay to the holders of CLiCS on a Regular Distribution Date will form part of the Accumulated Unpaid Indicated Yield of that series. **It is in the interest of CLA and CLF to ensure, to the extent within their control, that the Trust pays the Indicated Yield on the CLiCS on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertaking.** See “Description of the Trust Securities — Canada Life Capital Securities — Dividend Stopper Undertaking” and “Risk Factors”.

The following table indicates the relationship among the Dividend Reference Period, the Distribution Period, the Distribution Date and the Dividend Payment Resumption Month.

<u>Dividend Reference Period</u>	<u>Commencement of the Current Distribution Period⁽¹⁾</u>	<u>Distribution Date</u>	<u>Dividend Payment Resumption Month⁽²⁾</u>
Three month period prior to the Closing Date . .	Closing Date	June 30, 2002	June 2003
March 31, 2002 to June 29, 2002	June 30, 2002	December 31, 2002	December 2003
September 30, 2002 to December 30, 2002	December 31, 2002	June 30, 2003	June 2004

(1) The entitlement of holders of CLiCS to the Indicated Yield and the determination of whether a Distribution Date will be a Regular Distribution Date or a Distribution Diversion Date will be determined prior to the commencement of any Distribution Period.

(2) The Dividend Payment Resumption Month is only relevant if the Trust fails to pay the Indicated Yield in full on the CLiCS on any Regular Distribution Date.

Additional CLF and CLA Covenants:

In addition to the Dividend Stopper Undertaking, CLF and CLA will agree for the benefit of the holders of CLiCS, pursuant to the Share Exchange Agreements, that:

- (i) all the outstanding Special Trust Securities will be owned at all times by CLA;
- (ii) as long as any CLiCS are outstanding, neither CLF nor CLA will take any action to cause the termination of the Trust except as set forth under “Description of the Trust Securities — Canada Life Capital Securities — Rights on Termination of the Trust” and only with Superintendent Approval;
- (iii) as long as any CLiCS are outstanding, and provided that CLA does not have outstanding Public Preferred Shares, CLF will not declare or pay Dividends during a Distribution Period on any of the CLF Dividend Restricted Shares unless CLA has declared and paid a Dividend on the CLA Class A Shares Series 1 during the Dividend Reference Period preceding that Distribution Period; and
- (iv) neither CLF nor CLA will assign or otherwise transfer any of its obligations under the Share Exchange Agreements, except in the case of a merger, amalgamation, reorganization or a sale of substantially all of the assets of CLF or CLA, as the case may be. See “Description of the Trust Securities — Canada Life Capital Securities — Share Exchange Agreements”.

It is in the interest of CLA and CLF to ensure, to the extent within their control and while CLA does not have Public Preferred Shares outstanding, that CLA declares and pays a dividend on the CLA Class A Shares Series 1 so as to avoid triggering the obligation under clause (iii) above.

Book-Entry Only Form:

The CLiCS will be issued under the book-entry only system operated by CDS and must be purchased or transferred through participants (“Participants”) in the depository service of CDS. Participants include securities brokers and dealers, banks and trust companies. Accordingly, physical certificates representing the CLiCS will not be available except in the limited circumstances described under “Description of the Trust Securities — Canada Life Capital Securities — Book-Entry Only Form”.

Special Trust Securities:

On the Closing Date, CLA will subscribe for 1,000 Special Trust Securities for an issue price of \$1,000 per unit.

THE TRUST

The Trust is an open-end trust established under the laws of Ontario by the Trustee pursuant to the Declaration of Trust. The Trust’s business objective is to acquire and hold Trust Assets that will generate income for distribution to holders of Trust Securities. Immediately after the issuance by the Trust of the CLiCS pursuant to the Offering, the subscription by CLA for the Special Trust Securities, the acquisition by the Trust of the CLA Debentures and the acquisition by the Trust of the Funding Debenture financed by funds borrowed by the Trust from CLA under the Credit Facility, the Trust will have approximately \$468,000,000 in Trust Assets, \$300,000,000 of capital attributable to the CLiCS — Series A, \$150,000,000 of capital attributable to the CLiCS — Series B, \$1,000,000 of capital attributable to the Special Trust Securities and \$22,100,000 of funds borrowed under the Credit Facility, less \$5,100,000 of the Offering expenses of the Trust.

RISK FACTORS

The purchase of CLiCS and the holding of CLA Preferred Shares and CLF Common Shares are subject to certain risks and prospective investors should carefully consider the risk factors and other information in this prospectus before purchasing CLiCS. See “Risk Factors”.

THE TRUST

General

The Trust is an open-end trust established under the laws of Ontario by the Trustee pursuant to the Declaration of Trust. The Trust has been formed for the purpose of issuing the Trust Securities and acquiring the Trust Assets in order to generate income for distribution to holders of Trust Securities.

The principal office of the Trust is located at 330 University Avenue, Toronto, Ontario, M5G 1R8.

The Trust is not a trust company and does not carry on business as a trust company and, accordingly, the Trust is not registered under the trust company legislation of any jurisdiction. Trust Securities are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.

Business of the Trust

The Trust’s only business is to invest its assets. The Trust’s investment objective is to acquire and hold Trust Assets in order to generate income for distribution to holders of Trust Securities. The initial assets of the Trust will consist primarily of the CLA Debentures, which are to be purchased pursuant to an agreement between the Trust and CLA (the “Debenture Purchase Agreement”). The Trust assets may also include any securities into which the CLA Debentures are converted, cash, amounts receivable from third parties and other Eligible Investments (together with the CLA Debentures, the “Trust Assets”). Each CLA Debenture is a senior unsecured obligation of CLA that ranks on a parity with all other unsecured and unsubordinated liabilities of CLA, except for policyholder liabilities and liabilities of certain other claimants which rank in priority to the CLA Debentures as provided in the Winding-Up Act. The CLA Debentures contain provisions that will permit the conversion of each CLA Debenture, in whole or in part, to reflect the operation of the Holder Exchange Right and the Automatic Exchange (the “Exchange Provisions”) from time to time in respect of the CLiCS to which the applicable CLA Debenture corresponds.

“Eligible Investments” means the Funding Debenture or any property, including money, securities, amounts receivable from third parties, mortgages, an interest in an Eligible Investment, and any debt obligation that is a qualified investment under the Tax Act for Deferred Income Plans, except where the qualification of such property contains conditions regarding the annuitant, the beneficiary, the employer or the subscriber under the plan unless the Trust is satisfied that such conditions are satisfied, except that, following the maturity of both CLA Debentures, Eligible Investments will not include debt of CLA or of any person related to CLA within the meaning of the Tax Act.

Capitalization

As a newly-formed entity, the Trust has no prior operating history. Immediately after the issuance by the Trust of the CLiCS pursuant to the Offering, the subscription by CLA for the Special Trust Securities, the acquisition by the Trust of the CLA Debentures and the acquisition by the Trust of the Funding Debenture financed by funds borrowed by the Trust from CLA under the Credit Facility, the Trust will have approximately \$468,000,000 in Trust Assets, \$300,000,000 of capital attributable to the CLiCS — Series A, \$150,000,000 of capital attributable to the CLiCS — Series B, \$1,000,000 of capital attributable to the Special Trust Securities and \$22,100,000 of funds borrowed under the Credit Facility, less \$5,100,000 of the Offering expenses of the Trust.

Conflicts of Interest

Due to the nature of the Trust’s relationship with CLF and CLA and their affiliates, it is possible that conflicts of interest will arise with respect to certain transactions, including the subscription by the Trust for the CLA Debentures and the Funding Debenture and the Trust’s potential acquisition of other Trust Assets from CLA. It will be the Trust’s policy that the terms of any financial dealings with CLA or any of its affiliates will be consistent with those available from third parties.

Conflicts of interest between the Trust and CLA and its affiliates may also arise in connection with actions taken by CLA, as holder of the Special Trust Securities. It is intended that any agreements and transactions between the Trust, on the one hand, and CLF, CLA and their affiliates, on the other hand, including the Administration Agreement, will be fair to the parties.

Liquidity

The Trust will only borrow funds from CLA or its affiliates pursuant to an unsecured, non-interest-bearing, credit facility extended by such entity to the Trust (the “Credit Facility”). The Trust will use the Credit Facility only for the purposes of ensuring liquidity in the normal course of the Trust’s activities, to facilitate the payment by the Trust of the expenses of the Offering and to finance the purchase of a debenture from CLA (the “Funding Debenture”).

Administrative Agent

The Trustee will enter into an agreement (the “Administration Agreement”) with CLA, as “Administrative Agent”, pursuant to which the Trustee will delegate to CLA certain of its obligations in relation to the administration of the Trust, including the day-to-day operations of the Trust and such other matters as may be requested from time to time by the Trustee. The Administrative Agent will be entitled to receive a reasonable administration fee consistent with market terms and conditions.

The Administration Agreement will continue for an initial term of 30 years and after that will be renewed automatically on an annual basis. The Trustee will have the right to terminate the Administration Agreement at any time on 90 days’ prior written notice on the occurrence of one or more events generally related to the failure of the Administrative Agent to perform its obligations under the Administration Agreement in a proper and timely manner.

Exemptions from Certain Continuous Disclosure Requirements

As a result of the Offering, the Trust will become a reporting issuer in each of the provinces and territories of Canada where such concept exists; however, the Trust has applied to the securities regulatory authorities in those provinces and territories (the “Commissions”), as appropriate, for exemptions from certain continuous disclosure requirements prescribed by applicable securities legislation for reporting issuers.

If granted, the exemptions will likely be conditional on holders of CLiCS receiving the interim unaudited and annual audited financial statements and annual report of CLF (in accordance with the Securities Commissions Decisions), and CLF continuing to file with the Commissions its interim unaudited and annual audited financial statements, annual filing or management information circular and, where applicable, its annual report. For a description of the Securities Commissions Decisions see “Documents Incorporated By Reference”. If these exemptions are granted, the Trust will not be required to file with the Commissions interim unaudited and annual audited financial statements, including management’s discussion and analysis of the financial conditions and results of operation of the Trust, an information circular or an annual filing in lieu thereof (collectively, an “annual filing”), an AIF of the Trust, and, where applicable, an annual report, and holders of CLiCS will not receive such financial statements and annual reports of the Trust. It is expected, however, that the Trust will remain subject to the requirement to file material change reports in the event of any material change in the affairs of the Trust.

Exemptive relief is being sought by the Trust based on the following terms and conditions of the CLiCS and for the following reasons. The operating activity of the Trust will consist of acquiring and holding Trust Assets for the purpose of generating income for distribution to holders of CLiCS and Special Trust Securities. Accordingly, the information relating to the financial condition and operations of a reporting issuer that is contained in an AIF and an annual filing will not, in respect of the Trust, be meaningful to holders of CLiCS. The payment of the Indicated Yield on CLiCS is dependent on the payment of Dividends by CLA because the Indicated Yield will not be payable if CLA fails to declare Dividends (see “Description of the Trust Securities — Canada Life Capital Securities — Indicated Yield”). Furthermore, in certain circumstances, including at a time when CLA’s financial condition is deteriorating or proceedings for the winding-up of CLA have been commenced (see “Description of the Trust Securities — Canada Life Capital Securities — Automatic Exchange”), the CLiCS will be automatically exchanged for Automatic Exchange CLA Shares. As a result of the foregoing and because CLiCS are also exchangeable for Holder Exchange CLA Shares under other circumstances, details of CLA’s financial condition (as opposed to that of the Trust) will be of interest to holders of CLiCS.

CAPITALIZATION OF THE TRUST

The following table sets out the capitalization of the Trust as at February 6, 2002 and at that date adjusted to reflect the closing of the Offering and the issuance of Special Trust Securities.

	Outstanding as at February 6, 2002	Outstanding as at February 6, 2002 after giving effect to the Offering
	(unaudited)	
CLiCS — Series A	—	\$ 300,000,000
CLiCS — Series B	—	150,000,000
Special Trust Securities	—	1,000,000
Original Settlement Amount ⁽¹⁾	\$ 1,000	—
Net Offering Expenses ⁽²⁾	—	\$ (5,100,000)
Trust Capital	\$ 1,000	\$ 445,900,000

(1) Amount settled on the Trust's formation.

(2) The net Offering expenses of the Trust (including the Underwriters' fee) are estimated to be \$5,100,000 and will be paid by the Trust with funds borrowed under the Credit Facility.

This table should be read in conjunction with the financial statements of the Trust appearing elsewhere in this prospectus.

CLF AND CLA

CLF was incorporated under the Insurance Act on June 21, 1999 for the purpose of becoming the parent holding company of CLA following CLA's demutualization. Currently, the only business of CLF is the holding of all of the common shares of CLA through which the Company conducts all of its activities. CLF is a reporting issuer or its equivalent in each of the provinces and territories of Canada. The only securities of CLF that trade publicly are the CLF Common Shares and a series of preferred shares designated as Preferred Shares Series B. See "Description of Share Capital of CLF".

CLA is Canada's oldest domestic life insurer. CLA was established on August 21, 1847 and was incorporated on April 25, 1849. In 1962, CLA became a mutual life insurance company governed by the predecessor to the Insurance Act. In 1994, CLA amalgamated with its wholly-owned subsidiary, New York Life Insurance Company of Canada, pursuant to Letters Patent of Amalgamation dated April 1, 1994 issued under the Insurance Act. On July 1, 1999, CLA amalgamated with its wholly-owned subsidiary, Crown Life Insurance Company of Canada ("Crown Canada") pursuant to Letters Patent of Amalgamation issued under the Insurance Act. Crown Canada was formed to acquire the Canadian insurance business of Crown Life. On November 4, 1999, CLA became a stock life insurance company pursuant to Letters Patent of Conversion issued under the Insurance Act. All of the shares issued by CLA are currently held by CLF.

The Company is a diversified international company offering a wide range of protection and wealth management products to individuals and groups, principally in Canada, the United Kingdom, the United States and Ireland. At December 31, 2001, the Company ranked as the fourth largest Canadian life insurance company, based on consolidated premiums, premium equivalents and new deposits as well as total general fund, segregated funds and other assets under administration. The Company's protection products include life insurance, disability insurance, critical illness insurance, dental insurance, creditor insurance and medical insurance that is supplementary to government sponsored health plans.

CLA conducts its business activities in principally four geographic markets, Canada, the United Kingdom, the United States and Ireland, directly and through directly and indirectly owned subsidiaries. CLA is a reporting issuer or its equivalent in each of the provinces and territories of Canada. The only securities of CLA that trade publicly are two classes of subordinated debentures. The first class of subordinated debentures was issued on September 19, 1996 by way of private placement and matures on September 19, 2011. The second class of subordinated debentures was issued in two series on December 11, 1998 by way of private placement and was subsequently exchanged by the holders on December 11, 1999 for an equal principal amount of subordinated debentures in two series having identical terms except that they were qualified by a prospectus filed in each of the provinces and territories of Canada on October 27, 1999. The Series A Debentures of this class mature on December 11, 2013. The Series B Debentures of this class mature on December 11, 2028.

The Company is subject to regulation and supervision of its protection and wealth management businesses by governmental authorities in the jurisdictions in which it conducts business. The jurisdictions in which the Company carries on its protection business have laws and regulations governing the financial aspects of insurers, including standards of solvency, reserves, reinsurance, capital adequacy, investment activities and restrictions on the declaration and payment of dividends on shares. Both CLF and CLA are governed by the Insurance Act. The Act is administered by the Office of the Superintendent of Financial Institutions ("OSFI") which is charged with the responsibility of overseeing the Company's solvency and corporate governance. The Company's business is also subject to Canadian provincial laws and regulations. In the United States, the Company's business is primarily regulated by each of the states in which it conducts business. In the United Kingdom, the Company is subject to national regulation, primarily by the Financial Services Authority. In Ireland, the primary regulator is the Central Bank.

The head office for both CLA and CLF is located at 330 University Avenue, Toronto, Ontario, Canada M5G 1R8. The Company has divisional head offices in Toronto, Ontario, Canada; Potters Bar, Hertfordshire, England; Atlanta, Georgia, United States; and Blackrock, Dublin, Republic of Ireland.

Consolidated Capitalization of CLF

The following table sets forth the consolidated capitalization of CLF at December 31, 2001 and the adjusted consolidated capitalization of CLF at December 31, 2001 after giving effect to the Offering.

	<u>As at December 31, 2001</u>	
	<u>Actual</u>	<u>Adjusted</u> (unaudited)
<i>(in millions of Canadian dollars)</i>		
Subordinated Debt		
8.00% Subordinated note due September 19, 2011 ⁽¹⁾	\$ 250	\$ 250
5.80% Subordinated note due December 11, 2013 ⁽²⁾	200	200
6.40% Subordinated note due December 11, 2028 ⁽³⁾	<u>100</u>	<u>100</u>
Total Subordinated Debt	<u>550</u>	<u>550</u>
Canada Life Capital Securities (the Offering)		
Canada Life Capital Securities — Series A	—	\$ 300
Canada Life Capital Securities — Series B	<u>—</u>	<u>150</u>
Total Canada Life Capital Securities	<u>\$ —</u>	<u>450</u>
Total Equity		
Participating policyholders' equity	\$ 40	\$ 40
Common Shares	317	317
Preferred Shares Series B	145	145
Shareholders' retained earnings ⁽⁴⁾	<u>2,921</u>	<u>2,921</u>
Total shareholders' equity	<u>\$3,383</u>	<u>\$3,383</u>
Total equity	<u>\$3,423</u>	<u>\$3,423</u>
Total Capitalization	<u>\$3,973</u>	<u>\$4,423</u>

(1) Represents the 8% notes due September 19, 2011, bearing interest at a fixed rate of 8% until 2006 and thereafter at a rate equal to the Canadian 90-day Bankers Acceptance Rate plus 1%.

(2) Represents the 5.8% notes due December 11, 2013, bearing interest at a fixed rate of 5.8% until 2008 and thereafter at a rate equal to the Canadian 90-day Bankers Acceptance Rate plus 1%.

(3) Represents the 6.4% notes due December 11, 2028, bearing interest at a fixed rate of 6.4%.

(4) The adjusted column does not reflect the Underwriters' fee of \$4,500,000 and Offering expenses of approximately \$600,000 in connection with the Offering.

Minimum Continuing Capital and Surplus Requirements

The Insurance Act requires a federally incorporated insurance company to maintain adequate capital and liquidity in relation to its operations. OSFI has established the Minimum Continuing Capital and Surplus Requirements (the "MCCSR"), under which a life insurance company is required to maintain on a consolidated basis a minimum amount of capital. This is calculated by reference to, and varies with, the risk characteristics of each category of on-and off-balance sheet assets and liabilities held by the insurance company. The MCCSR calculation requires application of quantitative factors to assets and liabilities, as well as to certain off-balance sheet items, based on six risk components: (i) asset default risk; (ii) off-balance sheet exposures; (iii) mortality/morbidity risk and lapse risk; (iv) interest margin pricing risk; (v) the risk of changes in the interest rate environment; and (vi) segregated fund guarantee risk. The total capital required is the sum of the calculated capital requirement for each of the six risk components.

OSFI uses the total capital required and compares it to the amount of available capital in assessing an insurance company's financial strength. The principal elements of available capital include reported surplus, unamortized deferred realized and unrealized gains and losses on investments not taken into account in the valuation of liabilities, qualifying preferred shares, qualifying innovative capital instruments, qualifying non-controlling interests in subsidiaries arising on consolidation, and subordinated debt. Goodwill is deducted from available capital. Funds raised by a life insurance company through borrowing or through issuing shares are treated

as different categories of available capital for MCCR purposes depending on the characteristics of the instrument issued.

MCCR categorizes available capital as Tier 1 or Tier 2, both of which are determined by reference to the appropriate guidelines on capital adequacy issued from time to time by the Superintendent (the “Capital Guidelines”). Tier 1 capital generally includes a company’s common share capital, surplus accounts, innovative capital instruments, non-cumulative preferred shares, non-controlling interests in subsidiaries arising on consolidation from Tier 1 capital instruments, realized unamortized investment gains and losses on surplus assets. “Net Tier 1 Capital” is Tier 1 capital reduced by negative reserves, cash value deficiencies and goodwill. Preferred shares such as limited term preferred shares or cumulative preferred shares are considered as part of Tier 2 capital. Subordinated debt is generally considered part of Tier 2 available capital as long as it has a minimum term to maturity of five years and does not contain restrictive covenants or default clauses that would allow the holder to trigger payments in circumstances other than insolvency, bankruptcy, or winding-up of the issuer. In addition, Tier 2 capital principally includes some qualifying non-controlled interests, 75% of the cash value deficiencies and negative reserves and unrealized unamortized net investment gains and losses on widely traded surplus assets. Tier 2 capital is limited to no more than 100% of Net Tier 1 Capital. In addition, the portion of Tier 2 capital from subordinated debt and preferred shares which can be redeemed at the option of the holder, with the approval of the Superintendent, is generally limited to 50% of Net Tier 1 Capital. Innovative Tier 1 instruments and non-cumulative preferred shares shall not, in aggregate, exceed 25% of Net Tier 1 Capital. In addition, innovative Tier 1 instruments shall not, at the time of issuance, comprise more than 15% of Net Tier 1 Capital.

OSFI can intervene and assume control of an insurance company if it deems the amount of available capital insufficient. In doing so, OSFI will consider such factors as the company’s operating experience, the mix, quality and concentration of assets, the profile of insurance and the retention limits. The MCCR formula may be adjusted by OSFI in the future, as experience with the formula develops and the risk profile of Canadian life insurers changes.

OSFI introduced a new MCCR required capital element for segregated fund guarantees as at December 31, 2000. The increased capital requirement was phased in over two years, with 50% of the requirement reflected at the end of 2000 and 100% of the requirement reflected at the end of 2001.

The “Net Tier 1 Capital Ratio” and the “MCCR Ratio” are calculated by reference to the Capital Guidelines. The following table sets forth the Net Tier 1 Capital Ratios and MCCR Ratios of CLA as at the dates indicated.

	December 31		
	2001	2000 ⁽¹⁾	1999
Net Tier 1 Capital Ratio	119%	120%	110%
MCCR Ratio	190%	196%	190%

(1) The Net Tier 1 Capital and MCCR ratios as at December 31, 2000 have been calculated on a pro forma basis, taking into account the retroactive restatement of the 2000 annual financial statements after the adoption, in 2001, of the new Standards of Practice for the Valuation of Policy Liabilities of Life Insurers issued by the Canadian Institute of Actuaries and as required by the Canadian Institute of Chartered Accountants. Prior to the restatement, the Net Tier 1 Capital and MCCR ratios as at December 31, 2000 were 121% and 205%, respectively. The ratios for 1999 have not been restated.

CLA has applied to OSFI for approval to include the CLiCS as Tier 1 capital of CLA pursuant to the Innovative Tier 1 Capital Guidelines to the MCCR released in August, 2001. If OSFI approves the Offering as Tier 1 capital, it will provide CLA with cost-effective Tier 1 capital for Canadian insurance regulatory purposes.

The Net Tier 1 Capital Ratio and MCCR Ratio levels of CLA as at December 31, 2001, after giving effect to the Offering, would have been 141% and 212%, respectively.

DESCRIPTION OF THE TRUST SECURITIES

Canada Life Capital Securities

The following is a summary of the rights, privileges, restrictions and conditions attaching to the CLiCS. This summary is qualified in its entirety by the provisions of the Declaration of Trust. For information concerning CLA Preferred Shares into which, in certain circumstances, the CLiCS are exchangeable, see “Description of Share Capital of CLA — Certain Provisions of the CLA Class A Shares Series 2, 3, 4 and 5” and for information with respect to the CLA Debentures, see “Description of the CLA Debentures”.

Indicated Yield

Holders of CLiCS will be entitled to receive the Indicated Yield, being a cash amount of \$33.395 per CLiCS — Series A and \$37.645 per CLiCS — Series B, in respect of each Distribution Period on the Distribution Date immediately following that Distribution Period unless a Distribution Diversion Event has occurred. The initial Indicated Yield, payable on June 30, 2002, will be approximately \$19.76 per CLiCS — Series A and approximately \$22.28 per CLiCS — Series B, assuming a Closing Date of March 14, 2002.

A Distribution Date will be a Regular Distribution Date unless (i) CLA fails to declare Dividends on the CLA Class A Shares Series 1 or (ii) if there are Public Preferred Shares outstanding (in which case clause (i) will not apply), CLA fails to declare Dividends on any of the Public Preferred Shares in accordance with their respective terms, in either case, during the Dividend Reference Period. Accordingly, whether or not the Indicated Yield on the CLiCS will be payable by the Trust on any Distribution Date will be determined prior to the commencement of the Distribution Period ending on the day preceding that Distribution Date. On each Regular Distribution Date, the Trust will pay the Indicated Yield to the holders of CLiCS and the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the Indicated Yield. If CLA does not declare a Dividend during the relevant Dividend Reference Period, a Distribution Diversion Event will occur.

If a Distribution Diversion Event occurs, the Distribution Date occurring on the day immediately following the end of the first Distribution Period following the Distribution Diversion Event will be a Distribution Diversion Date. In that case, although the CLA Debentures will pay interest to the Trust on the CLA Debenture Interest Payment Date, the Trust will not pay the Indicated Yield on the CLiCS on the Distribution Diversion Date; instead, it will pay the Net Distributable Funds, if any, as at such Distribution Diversion Date to the holder of the Special Trust Securities.

If the Net Distributable Funds of the Trust are insufficient to enable the Trust to pay the full amount of the Indicated Yield on the CLiCS and any future Canada Life Capital Securities issued on a Regular Distribution Date (the amount of such insufficiency being the “Indicated Yield Deficit”), there will be added to the Accumulated Unpaid Indicated Yield in respect of each series of the Canada Life Capital Securities an amount determined by multiplying the Indicated Yield Deficit by the percentage that the Indicated Yield on the particular series of Canada Life Capital Securities represents of the aggregate Indicated Yield on all series of Canada Life Capital Securities in respect of such Regular Distribution Date (the “Indicated Yield Ratio”) and the Trust will pay to holders of each series of Canada Life Capital Securities the amount of the Net Distributable Funds determined by multiplying the Net Distributable Funds by the Indicated Yield Ratio in respect of the particular series of Canada Life Capital Securities. The Trust may pay the Accumulated Unpaid Indicated Yield to the holders of the Canada Life Capital Securities at any time; however, the Trust will not be obligated, and holders of Canada Life Capital Securities will not have any right to cause the Trust, to pay such amount until the occurrence of an event giving rise to the obligation of the Trust to pay the Early Redemption Price or the Redemption Price, as the case may be. See “Description of the Trust Securities — Canada Life Capital Securities — Rights on Termination of the Trust.”

Voting Rights

The CLiCS are non-voting except in the limited circumstances set out in the Declaration of Trust involving changes to the terms and conditions of the CLiCS. The Declaration of Trust provides that those terms and conditions may be changed if authorized by the holders of the Special Trust Securities. If the amendment would (i) give rise to a Regulatory Event without Superintendent Approval, or (ii) in the opinion of the Trustee, relying on a certificate of the Administrative Agent, be materially prejudicial to the rights of holders of a series of CLiCS, such amendment must also be approved by the holders of CLiCS especially affected by that amendment, given by way of

an Extraordinary Resolution. The holder of the Special Trust Securities must approve any such change and, in addition, any such change that would affect the status of the CLiCS as capital of CLA is subject to Superintendent Approval. The terms “Extraordinary Resolution” and “Series Extraordinary Resolution” mean, in effect, a resolution passed by the holders of Canada Life Capital Securities or a particular series of Canada Life Capital Securities (including the CLiCS), respectively, representing not less than 66⅔% of the Canada Life Capital Securities or series of Canada Life Capital Securities, respectively, represented and voted at a meeting of holders of Canada Life Capital Securities or series of Canada Life Capital Securities, respectively, or a resolution in writing signed by the holders of Canada Life Capital Securities or series of Canada Life Capital Securities, respectively, representing not less than 66⅔% of the outstanding Canada Life Capital Securities or series of Canada Life Capital Securities, respectively. The quorum at any such meeting will be two or more holders of Canada Life Capital Securities or series of Canada Life Capital Securities, respectively, present in person or represented by proxy and owning or representing not less than 25% of the aggregate number of Canada Life Capital Securities or series of Canada Life Capital Securities, respectively, then outstanding, provided that if a quorum is not present and the meeting is adjourned, at the meeting following such adjournment those holders present in person or represented by proxy will constitute a quorum even though they may represent less than 25% of the aggregate number of Canada Life Capital Securities or series of Canada Life Capital Securities, respectively, then outstanding. The Declaration of Trust provides that where changes affect the terms and conditions of a particular series of CLiCS differently than any other series of Canada Life Capital Securities then outstanding, the terms and conditions may be changed only if authorized by the holders of that series of CLiCS by way of a Series Extraordinary Resolution. Notwithstanding the foregoing, the Trustee may, without the consent of holders of CLiCS or series of CLiCS, respectively, execute instruments supplemental to the Declaration of Trust and any other relevant instruments for certain limited purposes, including curing ambiguities or defects, and making any modification that, in the opinion of the Trustee, would not be prejudicial to the interest of holders of CLiCS and making such changes as may be required to conform with applicable regulatory requirements from time to time.

Trust Redemption Right

On June 30, 2007 and on any Distribution Date thereafter, the Trust, at its option, and with Superintendent Approval, and on not less than 30 nor more than 60 days’ prior written notice, may redeem any outstanding series of CLiCS in whole or in part, without the consent of the holders, for an amount in cash per CLiCS equal to (i) the applicable Early Redemption Price, if the CLiCS — Series A are redeemed prior to June 30, 2012 or if the CLiCS — Series B are redeemed prior to June 30, 2032, and (ii) the Redemption Price, if the CLiCS — Series A are redeemed on or after June 30, 2012 or if the CLiCS — Series B are redeemed on or after June 30, 2032.

Any partial redemption will be carried out by lot or in some other equitable manner.

Trust Special Event Redemption Right

Upon the occurrence of a Regulatory Event or a Tax Event, the Trust, at its option, and with Superintendent Approval, and on not less than 30 nor more than 90 days’ prior written notice, may redeem at any time, all but not less than all of the CLiCS, without the consent of the holders, for an amount in cash per CLiCS, equal to (i) the applicable Early Redemption Price, if the CLiCS — Series A are redeemed prior to June 30, 2012 or if the CLiCS — Series B are redeemed prior to June 30, 2032, and (ii) the Redemption Price, if the CLiCS — Series A are redeemed on or after June 30, 2012 or if the CLiCS — Series B are redeemed on or after June 30, 2032.

“Regulatory Event” means (assuming the Superintendent approves the inclusion of the CLiCS as Tier 1 capital of CLA) the receipt by the Trust or CLA of a notice or advice from the Superintendent that the CLiCS no longer qualify as eligible Tier 1 capital under the Superintendent’s interpretation of the MCCSR.

“Tax Event” means the receipt by CLA or the Trust of an opinion of independent counsel of recognized standing in Canada experienced in such matters (who may be counsel to CLA or the Trust) to the effect that, as a result of (i) any amendment to, clarification of, or change (including any announced prospective change) in, the laws, or any regulations thereunder, of Canada or any political subdivision or taxing authority thereof or therein, affecting taxation, (ii) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of an intention to adopt such procedures or regulations) by any legislative body, court, governmental authority or agency or regulatory body having appropriate jurisdiction (collectively, “Administrative Action”) or (iii) any amendment to, clarification of, or change in, the official position or the interpretation of any Administrative Action or any interpretation or

pronouncement that provides for a position with respect to such Administrative Action that differs from the previously generally accepted position, in each case, by any legislative body, court, governmental authority or agency or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective or such pronouncement or decision is announced on or after March 7, 2002, there is more than an insubstantial risk that (A) the treatment of any of CLA's or the Trust's items of income or expense (including the treatment by CLA or the Trust of interest on the CLA Debentures or of distributions made on the CLiCS or the Special Trust Securities) or treatment of the CLA Debentures or other property of the Trust, in each case as reflected in tax returns filed (or to be filed), will be challenged by a taxing authority, and that such challenge could subject CLA or the Trust to more than a *de minimis* amount of additional taxes, duties or other governmental charges or civil liabilities or (B) the Trust is, or will be, subject to more than a *de minimis* amount of taxes, duties or other governmental charges or civil liabilities.

Holder Exchange Right

Holders of CLiCS will have the right, at any time, on not less than three and not more than 90 days' prior written notice to the Trust, CLA and the Exchange Trustee, to surrender all or part of their CLiCS to the Trust at a price, for each CLiCS, equal to 40 newly issued CLA Class A Shares Series 2, in the case of CLiCS — Series A, or 40 newly issued CLA Class A Shares Series 4, in the case of CLiCS — Series B. The Trust will have the right, at any time before the exchange is completed, to arrange for a substituted purchaser to purchase CLiCS tendered for surrender to the Trust so long as the holder of the CLiCS so tendered has not withheld consent to the purchase of its CLiCS. If a substituted purchaser is found, the price to be paid to a holder of CLiCS so tendered will be not less than 91% of the closing price of such CLiCS on the last trading day immediately before the date fixed for purchase and such purchase price is intended to represent a fair equivalent in cash of the Surrender Price. Since the CLiCS will not be listed on any public securities exchange, the "closing price" of any CLiCS for that trading day will be the average of the last institutional bid price of such CLiCS as quoted by two major Canadian investment dealers selected by CLA for this purpose.

The CLA Class A Shares Series 2 will pay semi-annual non-cumulative cash dividends, as and when declared by the CLA Board of Directors, equal to \$0.51875 per share, representing an annual yield of 4.15%. The CLA Class A Shares Series 4 will pay semi-annual non-cumulative cash dividends, as and when declared by the CLA Board of Directors, equal to \$0.65000 per share, representing an annual yield of 5.20%. The Holder Exchange Right will be effected through the conversion by the Trust of the corresponding principal amount of the CLA Debenture which corresponds to the series of CLiCS being exchanged into Holder Exchange CLA Shares. The Trust, as holder of the CLA Debentures, will have the right at any time to convert all or part of a CLA Debenture into the corresponding Holder Exchange CLA Shares. Immediately following that conversion, the Trust will arrange through CDS to credit the accounts of the holders of CLiCS exercising the Holder Exchange Right with the requisite number of Holder Exchange CLA Shares and the CLiCS surrendered for exchange will be cancelled.

As long as the CLiCS are held in the CDS book-entry only system, beneficial owners of CLiCS may exercise the Holder Exchange Right by providing instructions to the Participants through whom they hold CLiCS. In turn, such Participants will communicate those exchange instructions to the Trustee through CDS. Participants may be required to include a declaration on behalf of any beneficial holder of CLiCS purporting to exercise the Holder Exchange Right for the purpose of establishing whether any such beneficial holder would as a result of the exercise of the Holder Exchange Right be an Ineligible Person. Where CLiCS are not held in the CDS book-entry only system, the Holder Exchange Right may be effected by the registered holder of CLiCS depositing with the Trustee, within the time periods referred to above, certificates representing the CLiCS with a duly completed exchange panel in the form contemplated by the Declaration of Trust.

Pursuant to the Share Exchange Agreements, CLA will agree to issue, and CLF will agree to purchase or arrange for the purchase of, for nominal consideration, a sufficient number of one or more new series of CLA Class A preferred shares such that, on the exercise of the Holder Exchange Right, no person other than CLF will be a Significant Shareholder of the CLA Class A preferred shares.

"Significant Shareholder" means any person who beneficially owns directly, or indirectly through entities controlled by such person or persons associated with or acting jointly or in concert with such person, shares of any class of CLA or CLF in excess of 10% of the total number of outstanding shares of that class.

Upon the exercise of the Holder Exchange Right, the Trust reserves the right not to deliver Holder Exchange CLA Shares to any person whose address is in, or whom the Trust or CLA has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such delivery would require the Trust, CLA or CLF to take any action to comply with securities, insurance or analogous laws of such jurisdiction (an “Ineligible Person”). In such circumstances, the Trustee will hold all Holder Exchange CLA Shares that would otherwise be delivered to Ineligible Persons, as agent for Ineligible Persons, and the Trustee will attempt to sell such Holder Exchange CLA Shares (to parties other than CLA and its affiliates) on behalf of such Ineligible Persons. Such sales, if any, will be made at any time and any price. None of CLA, CLF or the Trustee will be subject to any liability for failing to sell Holder Exchange CLA Shares on behalf of any such Ineligible Persons or at any particular price on any particular day. The net proceeds received by the Trustee from the sale of any Holder Exchange CLA Shares will be divided among the Ineligible Persons in proportion to the number of Holder Exchange CLA Shares that would otherwise have been deliverable to them, after deducting the costs of sale and any applicable withholding taxes. The Trustee will make payment of the aggregate net proceeds to CDS (if the CLiCS are then held in the book-entry only system) or to the registrar and transfer agent (in all other cases) for distribution to such Ineligible Persons in accordance with the customary practice and procedures of CDS (“CDS Procedures”) or otherwise.

Automatic Exchange

Each CLiCS will be exchanged automatically, without the consent of the holders, for 40 CLA Class A Shares Series 3, in the case of CLiCS — Series A, and 40 CLA Class A Shares Series 5, in the case of CLiCS — Series B, upon the occurrence of a Loss Absorption Event. The Automatic Exchange CLA Shares will pay semi-annual non-cumulative cash dividends, as and when declared by the CLA Board of Directors, equal to \$0.61875 per share, representing an annual yield of 4.95% in the case of the CLA Class A Shares Series 3 and \$0.72500 per share, representing an annual yield of 5.80% in the case of the CLA Class A Shares Series 5. The Automatic Exchange will be deemed to occur as of 8:00 a.m. (Eastern time) on the date that a Loss Absorption Event occurs. The Automatic Exchange will be effected through the automatic conversion of each \$1,000 principal amount of the CLA Debentures then held by the Trust into 40 CLA Class A Shares Series 3, in the case of the CLA A Debenture, and 40 CLA Class A Shares Series 5, in the case of the CLA B Debenture. Upon an Automatic Exchange and the deemed surrender of the CLiCS by their holders, the Exchange Trustee will arrange through CDS to credit the accounts of the holders of CLiCS with the requisite number of Automatic Exchange CLA Shares in accordance with their respective entitlements and the CLiCS will be cancelled. CLA will mail notice of the occurrence of the Loss Absorption Event to the Trust within 10 days of such event. If for any reason the Automatic Exchange does not result in the exchange of all CLiCS then outstanding for Automatic Exchange CLA Shares, the Trust will redeem each CLiCS not so surrendered for 40 Automatic Exchange CLA Shares. The Trust will have the right, pursuant to the Subscription Right, to have CLA issue to the Trust a sufficient number of Automatic Exchange CLA Shares for that purpose.

Upon an Automatic Exchange, the Trust reserves the right not to deliver Automatic Exchange CLA Shares to any Ineligible Person or to any person who would as a result of such delivery become a Significant Shareholder. In such circumstances, the Trust will hold all Automatic Exchange CLA Shares that would otherwise be issued to Ineligible Persons or Significant Shareholders, as their agent, and the Trust will attempt to sell such Automatic Exchange CLA Shares (to parties other than CLA and its affiliates) on their behalves. Such sales, if any, will be made at any time and any price. None of CLA, CLF or the Trustee will be subject to any liability for failing to sell Automatic Exchange CLA Shares on behalf of any such Ineligible Persons or Significant Shareholders or at any particular price on any particular day. The net proceeds received by the Trust from the sale of any Automatic Exchange CLA Shares will be divided among Ineligible Persons and the Significant Shareholders in proportion to the number of Automatic Exchange CLA Shares that would otherwise have been deliverable to them, after deducting the costs of sale and any applicable withholding taxes. The Trustee will make payment of the aggregate net proceeds to CDS (if the CLiCS are then held in the book-entry only system) or to the registrar and transfer agent (in all other cases) for distribution to such Ineligible Persons and Significant Shareholders in accordance with CDS Procedures or otherwise.

If an Automatic Exchange were to occur and Automatic Exchange CLA Shares are issued in exchange for CLiCS, the cost-effective nature of the consolidated capital raised by CLA through the issuance of the CLiCS (assuming the Superintendent approves the inclusion of the CLiCS as Tier 1 capital of CLA) would be lost.

Accordingly, it is in the interest of CLF and CLA to ensure that a Loss Absorption Event does not occur, although the events that could give rise to a Loss Absorption Event may be beyond their control.

Non-Resident Ownership Restrictions

Non-residents of Canada within the meaning of the Tax Act may not own in the aggregate more than 50% of the Canada Life Capital Securities outstanding at any time. The Trust will not accept any subscription for Canada Life Capital Securities from any person, issue any Canada Life Capital Securities to any person or register or otherwise recognize a transfer of any Canada Life Capital Securities to any person if, after giving effect thereto, more than 50% of the outstanding Canada Life Capital Securities would be held or beneficially owned, directly or indirectly, by non-residents of Canada. The Declaration of Trust includes a mechanism to permit the Trust to sell Canada Life Capital Securities held by such persons, upon notice, including CLiCS, in order to remedy any contravention of this restriction.

Extinguishment of Rights of Holders

As of the time of exchange, each holder of CLiCS surrendered for exchange will cease to be a holder thereof and all rights of such holder as a security holder of the Trust will cease. Such holder after that time will be deemed to be for all purposes and will be for all purposes a holder of Holder Exchange CLA Shares or Automatic Exchange CLA Shares, as the case may be (unless payment in the form of Holder Exchange CLA Shares or Automatic Exchange CLA Shares is not made). The CLiCS surrendered for exchange will be cancelled and will not be reissued.

Purchase for Cancellation

On and after the fifth anniversary date of the Closing Date, any series of CLiCS may be purchased at any time, in whole or in part, by the Trust, at the direction of the holder of the Special Trust Securities. The purchases may be made in the open market or by tender or private contract at any price. Any such purchases will require Superintendent Approval. CLiCS purchased by the Trust will be cancelled and will not be reissued.

Rights on Termination of the Trust

As long as any CLiCS are outstanding, the Trust may only be terminated with the approval of the holder of the Special Trust Securities and with Superintendent Approval (i) upon the occurrence of a Special Event prior to June 30, 2007, or (ii) for any reason on June 30, 2007 or on December 31, 2007, or on the last day of June and December of each year thereafter. The Declaration of Trust provides that holders of CLiCS are not entitled to initiate proceedings for the termination of the Trust.

Holders of each series of outstanding Canada Life Capital Securities and holders of Special Trust Securities will rank *pari passu* in the distribution of the property of the Trust in the event of a termination of the Trust, after the discharge of claims of creditors, if any. The entitlement of the holder of the CLiCS on a termination of the Trust will be determined by multiplying the applicable Early Redemption Price (if the termination is as a result of action taken by CLA and occurs prior to June 30, 2012, in the case of the CLiCS — Series A, or June 30, 2032, in the case of the CLiCS — Series B, or the Redemption Price (in all other cases), in either case, by a fraction, the numerator of which is the value of the Trust Assets to be distributed to holders of Trust Securities and the denominator of which is an amount equal to the sum of (i) the aggregate applicable Early Redemption Prices of all CLiCS then outstanding if the termination is as a result of action taken by CLA and occurs prior to June 30, 2012 or the applicable Early Redemption Price of all CLiCS — Series B then outstanding, if the termination is as a result of action taken by CLA and occurs on or after June 30, 2012 and prior to June 30, 2032, (ii) the aggregate Redemption Prices of all CLiCS then outstanding and not provided for under (i) above, and (iii) an amount equal to the aggregate subscription price for all Special Trust Securities then outstanding (such fraction being the “Termination Distribution Ratio”). Should additional series of Canada Life Capital Securities be issued, then the Termination Distribution Ratio will be adjusted to reflect the issuance of such additional Canada Life Capital Securities and to recognize that all outstanding series of Canada Life Capital Securities will rank *pari passu*. The entitlement of CLA, as the holder of the Special Trust Securities, will be determined by multiplying CLA’s subscription price for all Special Trust Securities then outstanding by the Termination Distribution Ratio.

So long as any CLiCS are outstanding, neither CLF nor CLA will approve the termination of the Trust unless the Trust has sufficient funds to pay the Early Redemption Price or the Redemption Price, as applicable. See “Description of the Trust Securities — Canada Life Capital Securities — Share Exchange Agreements.”

Dividend Stopper Undertaking

If the Trust fails on any Regular Distribution Date to pay the Indicated Yield on the CLiCS in full, CLA and CLF have agreed for the benefit of holders of CLiCS that (i) CLA will not pay Dividends on the CLA Dividend Restricted Shares or (ii) if CLA Dividend Restricted Shares are not outstanding, CLF will not pay Dividends on the CLF Dividend Restricted Shares, in each case, until the Dividend Payment Resumption Month, unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to the holders of all outstanding series of CLiCS. Any Indicated Yield (or portion thereof) that the Trust fails to pay to the holders of any outstanding series of CLiCS on a Regular Distribution Date will form part of the Accumulated Unpaid Indicated Yield of that series. It is in the interest of CLF and CLA to ensure, to the extent within their control, that the Trust pays the Indicated Yield on all outstanding series of CLiCS on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertaking.

The following table indicates the relationship among the Dividend Reference Period, the Distribution Period, the Distribution Date and the Dividend Payment Resumption Month.

<u>Dividend Reference Period</u>	<u>Commencement of the Current Distribution Period⁽¹⁾</u>	<u>Distribution Date</u>	<u>Dividend Payment Resumption Month⁽²⁾</u>
Three month period prior to the Closing Date	Closing Date	June 30, 2002	June 2003
March 31, 2002 to June 29, 2002	June 30, 2002	December 31, 2002	December 2003
September 30, 2002 to December 30, 2002 . . .	December 31, 2002	June 30, 2003	June 2004

- (1) The entitlement of holders of CLiCS to the Indicated Yield and the determination of whether a Distribution Date will be a Regular Distribution Date or a Distribution Diversion Date will be determined prior to the commencement of any Distribution Period.
- (2) The Dividend Payment Resumption Month is only relevant if the Trust fails to pay the Indicated Yield in full on the CLiCS on any Regular Distribution Date.

Share Exchange Agreements

On closing of the Offering, the Trust, CLF, CLA and the Exchange Trustee, as trustee for the holders of the CLiCS and holders of the CLA Preferred Shares, will enter into the Share Exchange Agreement CLiCS — Series A and the Share Exchange Agreement CLiCS — Series B (collectively, the Share Exchange Agreement CLiCS — Series A and the Share Exchange Agreement CLiCS — Series B are referred to as the “Share Exchange Agreements”) providing for, among other things:

- (a) the Dividend Stopper Undertaking;
- (b) the grant by CLA to the Trust of the right to subscribe for Holder Exchange CLA Shares or Automatic Exchange CLA Shares, as the case may be, in order to enable the Trust to redeem the CLiCS pursuant to the Holder Exchange Right or an Automatic Exchange (the “Subscription Right”);
- (c) the grant by CLF to the Exchange Trustee, for the benefit of holders of CLA Preferred Shares, of the right to exchange such shares for CLF Common Shares (the “CLF Common Share Exchange Right”);
- (d) the grant by CLF to CLA of the right to subscribe for CLF Common Shares to redeem outstanding CLA Preferred Shares (the “CLA Preferred Shares Redemption Right”); and
- (e) the purchase by CLF, or as arranged by CLF, for nominal consideration, of a sufficient number of one or more new series of CLA Class A Shares such that, on the exercise of the Holder Exchange Right, no person other than CLF will be a Significant Shareholder of the CLA Class A Shares.

The issuance of Holder Exchange CLA Shares, Automatic Exchange CLA Shares and CLF Common Shares pursuant to these rights is subject to Superintendent Approval and the obtaining of an exemption under applicable securities legislation in certain of the provinces and territories of Canada. Applications for Superintendent Approval and these exemptions have been made by CLA. In addition, CLF and CLA will take all necessary corporate action before the Closing Date to enable them to comply with their obligations in respect of these rights.

The Share Exchange Agreements will also provide that, as long as any CLiCS are outstanding, and provided that CLA does not have Public Preferred Shares outstanding, CLF will not declare or pay Dividends during a given Distribution Period on any of the CLF Dividend Restricted Shares unless CLA has declared and paid a Dividend on the CLA Class A Shares Series 1 during the Dividend Reference Period preceding that Distribution Period.

CLF and CLA will also agree in the Share Exchange Agreements to take or refrain from taking certain actions so as to ensure that holders of CLiCS will receive the benefit of the Exchange Provisions, including obtaining the requisite approval of holders of the CLiCS to any amendment to the provisions of the Holder Exchange CLA Shares and Automatic Exchange CLA Shares (other than any amendments relating to CLA Class A Shares as a class).

The Share Exchange Agreements will also provide that:

- (a) all the outstanding Special Trust Securities will be owned at all times by CLA;
- (b) as long as any CLiCS are outstanding, neither CLF nor CLA will take any action to cause the termination of the Trust unless the Trust has sufficient funds to pay the Early Redemption Price or the Redemption Price, as applicable, and only with Superintendent Approval; and
- (c) neither CLF nor CLA will assign or otherwise transfer any of its obligations under the Share Exchange Agreements, except in the case of a merger, amalgamation, reorganization or a sale of substantially all of the assets of CLF or CLA, as the case may be.

Capital Reorganizations and Amalgamations

If there is a capital reorganization, merger or amalgamation of CLA, the Share Exchange Agreements will provide that holders of CLiCS will be entitled to receive, pursuant to the Exchange Provisions, after the capital reorganization, merger or amalgamation, the number of CLA Preferred Shares or other securities or consideration of CLA or of a corporation resulting, surviving or continuing from the capital reorganization, merger or amalgamation that such holder would have received had its CLiCS been exchanged, pursuant to the Exchange Provisions, for Holder Exchange CLA Shares or Automatic Exchange CLA Shares, as applicable, immediately prior to the record date of the capital reorganization, merger or amalgamation. Similarly, the terms and conditions of the CLA Debentures will provide that the holder of the CLA Debentures will be entitled to receive, after the capital reorganization, merger or amalgamation, the number of CLA Preferred Shares or other securities or consideration of CLA or of a corporation resulting, surviving or continuing from the capital reorganization, merger or amalgamation that such holder would have received had the CLA Debentures been converted into Holder Exchange CLA Shares or Automatic Exchange CLA Shares, as applicable, immediately prior to the record date of the capital reorganization, merger or amalgamation. The entitlement of the Trust under the Subscription Right will be similarly adjusted.

Additional Securities of the Trust

The Trust may issue, at any time and from time to time, additional Special Trust Securities of any series or Canada Life Capital Securities of another series without the authorization of holders of CLiCS. If the Trust issues additional series of Canada Life Capital Securities, the rights, privileges, restrictions and conditions attached to those additional series may vary materially from those of the CLiCS. If the Trust issues such securities, the rights of the holders of CLiCS to receive the Indicated Yield from the Net Distributable Funds of the Trust on any Regular Distribution Date and the right of the holders of CLiCS to receive property of the Trust on termination of the Trust will rank at least *pari passu* with the rights of the holders of Canada Life Capital Securities of one or more other series.

Trust Assets

Initially, the principal assets of the Trust will be the CLA Debentures, which will mature on June 30, 2052. If any CLiCS — Series A remain outstanding as of the date of maturity of the CLA A Debenture or if any CLiCS — Series B remain outstanding as of the date of maturity of the CLA B Debenture, the Trust will invest the proceeds received on repayment of the applicable CLA Debenture in Eligible Investments acquired from CLA. Each of the Trust, CLA and CLF have agreed, subject to Superintendent Approval, to enter into agreements by which the assets in which the Trust may invest such proceeds after June 30, 2052 will be held by the Trust for the purpose of meeting its obligations to the holders of any Canada Life Capital Securities outstanding at that time.

Book-Entry Only Form

Except as otherwise provided below, the CLiCS will be issued in “book-entry only” form and must be purchased or transferred through Participants in the depository service of CDS. Participants include securities brokers and dealers, banks and trust companies. On the Closing Date, the Trust will arrange for a global certificate representing each series of CLiCS to be delivered to, and registered in the name of, CDS. Except as described below, no holder of CLiCS will be entitled to a certificate or other instrument from the Trust or CDS evidencing that holder’s ownership thereof, and no holder will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such holder. Each holder of CLiCS will receive a customer confirmation of purchase from the registered dealer from which the CLiCS are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order.

CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the CLiCS. If (i) the book-entry only system ceases to exist, (ii) the Trust determines that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the CLiCS and the Trust is unable to locate a qualified successor, or (iii) the Trust at its option elects, or is required by applicable law or the rules of any securities exchange, to withdraw the CLiCS from the book-entry only system, then physical certificates representing the CLiCS will be issued to holders thereof or their nominees.

None of CLF, CLA, the Trustee, the Exchange Trustee or the Underwriters will assume any liability for (i) any aspect of the records relating to the beneficial ownership of the CLiCS held by CDS or the payments or deliveries relating thereto, (ii) maintaining, supervising or reviewing any records relating to the CLiCS, or (iii) any advice or representation made by or with respect to CDS relating to the rules governing CDS or any action to be taken by CDS or at the direction of Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS, and persons, other than Participants having an interest in the CLiCS, must look solely to Participants, for payments or deliveries made by or on behalf of the Trust, CLA or CLF to CDS in respect of the CLiCS.

Transfers

Transfers of ownership of CLiCS will be effected only through records maintained by CDS for such CLiCS with respect to interests of Participants and on the records of Participants with respect to interests of persons other than Participants. Holders of CLiCS who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the CLiCS, may do so only through Participants. The ability of a holder to pledge CLiCS or otherwise take action with respect to such holder’s interest in CLiCS (other than through a Participant) may be limited due to the lack of a physical certificate. See “Risk Factors — Risk Factors Specifically Associated with the CLiCS — Liquidity of and Dealings in CLiCS”. Neither the Trustee nor the Exchange Trustee will be required to register transfers or make exchanges of CLiCS during the period beginning on the close of business on the day which is 15 days prior to a Distribution Date (or the next Business Day if such day is not a Business Day) through to and including such Distribution Date.

Payments and Deliveries

The Trust will make, or cause to be made, payments of the Indicated Yield in respect of CLiCS to CDS as the registered holder of the CLiCS and the Trust understands that the payments will be forwarded by CDS to Participants in accordance with CDS Procedures. Deliveries of Holder Exchange CLA Shares in respect of the exercise of the Holder Exchange Right or deliveries of Automatic Exchange CLA Shares upon an Automatic Exchange will be made by or on behalf of the Trust to CDS as the registered holder of the CLiCS and the Trust understands that such shares will be forwarded by CDS to Participants in accordance with CDS Procedures. As long as CDS is the registered owner of the CLiCS, CDS will be considered the sole owner of the CLiCS for the purposes of receiving payments on the CLiCS, including payment of the Indicated Yield and the Early Redemption Price or Redemption Price on a redemption of the CLiCS by the Trust, or the delivery of CLA Preferred Shares upon the exercise or operation of the Exchange Provisions. As long as the CLiCS are held in the CDS book-entry only system, the responsibility and liability of the Trustee, CLA and/or CLF in respect of the CLiCS is limited to making payment of any amount due on the CLiCS and/or making delivery of CLA Preferred Shares in respect thereof to CDS or its nominee, as registered holder of CLiCS.

Special Trust Securities

Voting Rights

The Declaration of Trust will provide that the Special Trust Securities are voting. The holder of Special Trust Securities will be entitled to vote in respect of, among other things (i) the termination of the Trust, as set forth under “Description of the Trust Securities — Canada Life Capital Securities — Rights on Termination of the Trust”, (ii) the removal and replacement of the Trustee and (iii) the removal and replacement of the Administrative Agent.

Distributions

On any Regular Distribution Date, the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the Indicated Yield on the CLiCS. On a Distribution Date that is a Distribution Diversion Date, the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust and payment of the Indicated Yield will not be made on the CLiCS. On a CLA Debenture Interest Payment Date that is also a Distribution Diversion Date, the interest then due and payable on the CLA Debentures will be paid to the Trust which will then distribute such amount to the holder of the Special Trust Securities as the Net Distributable Funds.

Redemption

The Trust, with the consent of the holder of the Special Trust Securities, may redeem all or part of the Special Trust Securities at any time but will not redeem all unless there are no CLiCS outstanding. Any such redemption will require Superintendent Approval.

Rights on Termination of the Trust

In the event of a termination of the Trust, after the discharge of the obligations of the Trust to creditors, the holder of the Special Trust Securities will be entitled to participate, *pari passu* with the holders of the CLiCS, in the distribution of the remaining property of the Trust. On a termination of the Trust, the holder of the Special Trust Securities will be entitled to receive an amount equal to the subscription price of the Special Trust Securities then outstanding multiplied by the Termination Distribution Ratio.

DESCRIPTION OF SHARE CAPITAL OF CLF

CLF has authorized share capital consisting of an unlimited number of CLF Common Shares and an unlimited number of CLF Preferred Shares. As of December 31, 2001, CLF had approximately 160,400,000 CLF Common Shares and 6,000,000 CLF Preferred Shares Series B issued and outstanding.

CLF Common Shares

The holders of CLF Common Shares are entitled to one vote in respect of each CLF Common Share at all meetings of shareholders and to receive dividends if, as and when declared by the board of directors of CLF, subject to the attributes of the CLF Preferred Shares. In the event of the liquidation, dissolution or winding-up of CLF, the holders of the CLF Common Shares are entitled to participate rateably in any distribution of the assets of CLF after payment of all CLF's debts and liabilities and of all sums to which holders of any CLF Preferred Share may be entitled, as described below. There are no conversion rights, special liquidation rights, pre-emptive rights or subscription rights attaching to the CLF Common Shares.

CLF Preferred Shares

Class Conditions

The following sets forth certain general terms and provisions of the CLF Preferred Shares. The following is a summary of certain provisions attaching to the CLF Preferred Shares as a class.

Directors' Right to Issue in One or More Series

The CLF Preferred Shares may be issued at any time or from time to time in one or more series. Before any shares of a series are issued, the CLF Board of Directors must fix the number of shares that will form such series, if any, and, subject to any limitations set out in the by-laws of CLF or in the Insurance Act, determine the designation, rights, privileges, restrictions and conditions to be attached to the CLF Preferred Shares of such series, the whole subject to the filing with OSFI of the particulars of such series.

Ranking

Each series of CLF Preferred Shares would rank on a parity with every other series of CLF Preferred Shares and in priority to the CLF Common Shares and any other shares ranking junior to the CLF Preferred Shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of CLF, whether voluntary or involuntary, or any other distribution of the assets of CLF among its shareholders for the purpose of winding up its affairs.

Voting Rights

Except as hereinafter referred to or as required by law or as specified in the rights, privileges, restrictions and conditions attached from time to time to any series of CLF Preferred Shares, holders of such CLF Preferred Shares, as a class, would not be entitled, as such, to receive notice of, to attend or to vote at any meeting of the shareholders of CLF.

Restrictions

CLF may not, without the approval of the holders of the CLF Preferred Shares, create any class of shares ranking in priority to or on a parity with the CLF Preferred Shares.

Approval of Holders

The rights, privileges, restrictions and conditions attached to each series of the CLF Preferred Shares may be added to, changed or removed but only with the approval of the holders of such series of CLF Preferred Shares, or, in some cases, with the approval of the holders of the CLF Preferred Shares voting together as a class.

Any approval to be given by the holders of the CLF Preferred Shares may be given by a resolution carried by the affirmative vote of not less than 66⅔% of the votes cast at a meeting of holders of CLF Preferred Shares at which a majority of the then outstanding CLF Preferred Shares is represented or, if no quorum is present at such meeting, at any adjourned meeting at which no quorum requirements would apply.

The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting, and the conduct thereof, shall be those from time to time required by the Insurance Act as in force at the time of the meeting and those, if any, prescribed by the by-laws of CLF with respect to meetings of shareholders.

CLF Preferred Shares Series B Conditions

The CLF Preferred Shares Series B are the only preferred shares of CLF issued and outstanding. On December 28, 2001, 6,000,000 CLF Preferred Shares Series B were issued at an issue price of \$25.00 per share. Holders of these shares are entitled to non-cumulative dividends of 6.25% per annum. These shares are non-voting in normal circumstances, are not redeemable by the holder and are not redeemable by CLF prior to December 31, 2006.

In the event of the liquidation, dissolution or winding-up of CLF, the holders of the CLF Preferred Shares Series B will be entitled to receive \$25.00 per CLF Preferred Shares Series B, together with all declared and unpaid dividends to and including the date fixed for payment, before any amount is paid or any assets of CLF are distributed to the holders of any shares ranking junior to the CLF Preferred Shares Series B, which includes the CLF Common Shares.

So long as any of the CLF Preferred Shares Series B are outstanding, CLF has agreed, among other things, that it will not, without the approval of the holders of the CLF Preferred Shares Series B, pay any dividends on any CLF Common Shares or any other shares ranking junior to the CLF Preferred Shares Series B (other than stock dividends in any shares ranking junior to the CLF Preferred Shares Series B) unless all dividends up to and including the dividend payment date for the last completed period for which dividends shall be payable shall have been declared and paid or set apart for payment in respect of all cumulative shares of CLF ranking prior to or *pari passu* with the CLF Preferred Shares and there shall have been paid or set apart for payment all declared dividends in respect of each series of non-cumulative CLF Preferred Shares (including the CLF Preferred Shares Series B) then issued and outstanding and on all other non-cumulative shares ranking prior to or *pari passu* with the CLF Preferred Shares.

Price Range and Trading Volume of CLF Common Shares

The following table sets forth the market price range and trading volume of CLF Common Shares on the TSE for the periods indicated.

	The Toronto Stock Exchange CLF Common Shares (\$ Price Range		
	High	Low	Volume (000s)
2000			
1 st Quarter	23.95	20.30	28,708
2 nd Quarter	31.25	22.55	31,382
3 rd Quarter	35.45	29.05	15,014
4 th Quarter	44.60	33.00	14,306
2001			
1 st Quarter	43.90	38.60	14,680
2 nd Quarter	45.82	39.61	13,360
3 rd Quarter	47.26	39.70	17,195
4 th Quarter	47.00	39.86	22,600
2002			
January	44.40	41.50	5,995
February	43.14	38.30	6,222
March (1-6 inclusive)	41.99	40.37	2,666

On March 6, 2002 the closing price was \$41.99 per CLF Common Share on the TSE.

Dividend Policy

CLF declared quarterly dividends on CLF Common Shares, in the amount of \$0.12 per CLF Common Share on May 3, 2000, August 9, 2000 and November 8, 2000. On February 7, 2001, CLF announced an increase of its quarterly dividend to \$0.13 per CLF Common Share and dividends at that rate have been declared on February 7, 2001, May 2, 2001, August 8, 2001 and November 7, 2001. On February 6, 2002, CLF announced an increase of its quarterly dividend to \$0.15 per CLF Common Share and dividends at that rate have been declared on February 6, 2002. CLF declared quarterly dividends on CLF Preferred Shares Series B in the amount of \$0.398116 per CLF Preferred Share Series B on February 6, 2002. The declaration and payment of future dividends and the amount thereof will be subject to the discretion of the CLF Board of Directors, and will be dependent upon the results of operations, financial condition, cash requirements and future prospects of, and regulatory restrictions on the payment of dividends by, the Company and other factors deemed relevant by the CLF Board of Directors. In certain circumstances, CLF may not declare dividends on the CLF Common Shares and the CLF Preferred Shares Series B. See “Description of the Trust Securities — Canada Life Capital Securities — Dividend Stopper Undertaking”.

Since CLF is an insurance holding company that conducts all its operations through regulated insurance subsidiaries (or companies owned directly or indirectly by these subsidiaries), its ability to pay future dividends will depend on the receipt of sufficient funds from its regulated insurance subsidiaries. These subsidiaries are also subject to certain regulatory restrictions under laws in Canada, the United States and certain other countries that may limit their ability to pay dividends or make other upstream distributions. See “Insurance Act Restrictions”.

DESCRIPTION OF SHARE CAPITAL OF CLA

CLA has authorized share capital consisting of an unlimited number of common shares (the “CLA Common Shares”), an unlimited number of Class A Shares (“CLA Class A Shares”), an unlimited number of Class B Shares (“CLA Class B Shares”), an unlimited number of Class C Shares (“CLA Class C Shares”), an unlimited number of Class D Shares (“CLA Class D Shares”), an unlimited number of Class E Shares (“CLA Class E Shares”) and an unlimited number of Class F Shares (the “CLA Class F Shares”) (the CLA Class A Shares, the CLA Class B Shares, the CLA Class C Shares, the CLA Class D Shares, the CLA Class E Shares and the CLA Class F Shares may, collectively, be referred to as the “preferred shares of CLA”). As of the date hereof, all the issued and outstanding CLA Common Shares are held by CLF. No preferred shares of CLA are outstanding other than 18,000 CLA Class A Shares Series 1 held by CLF. Prior to the Closing Date, CLA will create and reserve for issuance CLA Class A Shares Series 2, CLA Class A Shares Series 3, CLA Class A Shares Series 4 and CLA Class A Shares Series 5 issuable pursuant to the Exchange Provisions.

CLA Common Shares

CLF, as the sole holder of the CLA Common Shares, is entitled to one vote in respect of each CLA Common Share at all meetings of shareholders and policyholders of CLA, except any meeting of only policyholders or at which only holders of another specified class or series of shares are entitled to vote. Subject to the prior rights of the holders of the preferred shares of CLA, and the holders of any other class of shares of CLA entitled to receive dividends in priority to the CLA Common Shares, the holders of the CLA Common Shares are entitled to receive dividends if, as and when declared by the board of directors of CLA out of the assets of the Company properly applicable to the payment of dividends in such amounts and payable in such manner as such board may from time to time determine. In the event of the liquidation, dissolution or winding-up of CLA or other distribution of assets of CLA among its policyholders and shareholders for the purpose of winding-up its affairs, the holders of the CLA Common Shares shall, subject to the rights of the holders of the preferred shares of CLA, and the holders of any other class of shares of CLA entitled to receive the assets of CLA upon such a distribution in priority to or rateably with the holders of the CLA Common Shares, be entitled to participate rateably in any distribution of the remaining property of CLA. The Insurance Act requires that one third of the directors of CLA are to be elected by the policyholders of CLA, with the balance being elected by the CLA shareholder.

Certain Provisions of the Preferred Shares of CLA

The rights, privileges, restrictions and conditions attached to the CLA Class A Shares, CLA Class B Shares and CLA Class C Shares are identical, in all material respects, save and except that the CLA Class C Shares have an express provision prohibiting the issue or transfer of any CLA Class C Shares to any person, or the acquisition of

any such shares by any person, who, together with any individual or entity controlling that person, and all entities controlled by that person, would beneficially own more than 10% of all the issued and outstanding CLA Class C Shares at that time.

The rights, privileges, restrictions and conditions attached to the CLA Class D Shares, CLA Class E Shares and CLA Class F Shares are identical in all material respects, save and except that the CLA Class F Shares have an express provision prohibiting the issue or transfer of any CLA Class F Shares to any person, or the acquisition of any such shares by any person, who, together with any individual or entity controlling that person, and all entities controlled by that person, would beneficially own more than 10% of all the issued and outstanding CLA Class F Shares at that time.

The following sets forth certain general terms and provisions of the preferred shares of CLA.

Directors' Right to Issue in One or More Series

The preferred shares of CLA of each class may be issued at any time or from time to time in one or more series. Before any shares of a series are issued, the board of directors of CLA shall fix the number of shares that will form such series, if any, and shall, subject to any limitations set out in the by-laws of CLA or in the Insurance Act, as amended from time to time, determine the designation, rights, privileges, restrictions and conditions to be attached to such series, the whole subject to the filing with OSFI of the particulars of such series.

Voting Rights

Except as hereinafter referred to or as required by law or as specified in the rights, privileges, restrictions and conditions attached from time to time to any series of preferred shares of CLA, the holders of a class of preferred shares of CLA would not be entitled, as a class, to receive notice of, to attend or to vote at any meeting of the shareholders or policyholders of CLA. If a class of preferred shares of CLA, or any series thereof, shall become entitled to voting rights, the holder of each such share shall have the right to one vote per share at all class or series meetings of the holders of such class of preferred shares of CLA, or a series thereof, as the case may be.

Approval of Holders

The rights, privileges, restrictions and conditions attached to each class of preferred shares of CLA may be added to, changed or removed but only with the approval of the holders of such class of preferred shares of CLA.

Any approval to be given by the holders of a class of preferred shares of CLA may be given by a resolution carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at a meeting of holders of such preferred shares of CLA at which at least 25% of the then outstanding preferred shares of CLA of that class is represented or, if no quorum is present at such meeting, at any adjourned meeting at which no quorum requirements would apply.

The formalities to be observed with respect to the giving of notice of any such meeting or any adjourned meeting and the conduct thereof shall be those from time to time prescribed by the by-laws or the administrative resolutions of CLA with respect to meetings of shareholders, or, if not so prescribed, as required by the Insurance Act as in force at the time of the meeting.

Certain Provisions of the CLA Class A Shares, Class B Shares and Class C Shares

The following is a summary of certain provisions attaching to the CLA Class A Shares, CLA Class B Shares and CLA Class C Shares (collectively, the "CLA Senior Preferred Shares").

Ranking

Each series of each class of CLA Senior Preferred Shares would rank on a parity with every other series of such class of CLA Senior Preferred Shares with respect to priority in payment of dividends and distribution of assets in the event of the liquidation, dissolution or winding-up of CLA, whether voluntary or involuntary, or any other distribution of assets of CLA among its policyholders and shareholders for the purpose of winding-up its affairs. In addition, each class of CLA Senior Preferred Shares would rank on a parity with each of the other CLA Senior Preferred Shares and is entitled to preference over CLA Class D Shares, CLA Class E Shares and CLA Class F shares (the "CLA Subordinate Preferred Shares"), the CLA Common Shares and any other shares ranking junior to the CLA Senior Preferred Shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of CLA, whether voluntary or involuntary, or any other

distribution of the assets of CLA among its policyholders and shareholders for the specific purpose of winding up its affairs.

Restrictions

CLA may not, without the approval of the holders of a class of the CLA Senior Preferred Shares, create any class or classes of shares in addition to the CLA Senior Preferred Shares ranking in priority to or on a parity with the CLA Senior Preferred Shares or amend the provisions attaching to such class of CLA Senior Preferred Shares.

Certain Provisions of the CLA Subordinate Preferred Shares

Ranking

Each series of each class of the CLA Subordinate Preferred Shares would rank on a parity with every other series of such class of CLA Subordinate Preferred Shares with respect to priority in payment of dividends and distribution of assets in the event of the liquidation, dissolution or winding up of CLA, whether voluntary or involuntary, or any other distribution of assets of CLA among its policyholders and shareholders for the purpose of winding up its affairs. Each class of CLA Subordinate Preferred Shares would rank junior to the CLA Senior Preferred Shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of CLA, whether voluntary or involuntary, or any other distribution of the assets of CLA among its policyholders and shareholders for the purpose of winding up its affairs, but the CLA Subordinate Preferred Shares would be entitled to a preference over the CLA Common Shares and any other shares ranking junior to the CLA Subordinate Preferred Shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of CLA, whether voluntary or involuntary, or any other distribution of the assets of CLA among its policyholders and shareholders for the purpose of winding up its affairs.

Restrictions

CLA may not, without the approval of the holders of each class of the CLA Subordinate Preferred Shares, create any class or classes of shares in addition to the CLA Senior Preferred Shares ranking in priority to or on a parity with the CLA Subordinate Preferred Shares or amend the provisions attaching to such class of CLA Subordinate Preferred Shares.

Certain Provisions of the CLA Class A Shares Series 2, 3, 4 and 5

The following is a summary of the rights, privileges, restrictions and conditions attaching to the CLA Preferred Shares, which are each a series of the CLA Class A Shares. This summary is qualified in its entirety by the by-laws of CLA and the actual terms and conditions of the CLA Preferred Shares. For information concerning CLF Common Shares into which the CLA Preferred Shares are exchangeable, see “Description of Share Capital of CLF — CLF Common Shares”.

Dividends

Holders of Holder Exchange CLA Shares will be entitled to receive semi-annual non-cumulative preferential cash dividends, as and when declared by the CLA Board of Directors and subject to the provisions of the Insurance Act, equal to \$0.51875 per share (representing an annual yield of 4.15%) in the case of CLA Class A Shares Series 2 and \$0.65000 per share (representing an annual yield of 5.20%) in the case of CLA Class A Shares Series 4, payable on the last day of June and December in each year (each, a “Dividend Payment Date” for the purposes of this paragraph). Holders of Automatic Exchange CLA Shares will be entitled to receive semi-annual non-cumulative preferential cash dividends, as and when declared by the CLA Board of Directors and subject to the provisions of the Insurance Act, equal to \$0.61875 per share (representing an annual yield of 4.95%) in the case of CLA Class A Shares Series 3 and \$0.72500 per share (representing an annual yield of 5.80%) in the case of CLA Class A Shares Series 5, payable on each Dividend Payment Date. If the CLA Board of Directors does not declare the dividends, or any part thereof, on the CLA Preferred Shares on or before the Dividend Payment Date for a particular semi-annual period, the rights of the holders of CLA Preferred Shares to receive such dividends, or any part thereof, for such semi-annual period will be extinguished.

Redemption

The CLA Preferred Shares will not be redeemable prior to June 30, 2007. On and after that date, but subject to the provisions of the Insurance Act and Superintendent Approval and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, CLA may redeem at any time all, or from time to time any part, of the outstanding CLA Preferred Shares, without the consent of the holders, by either:

- (a) the payment of \$25 together with any declared and unpaid dividends on Holder Exchange CLA Shares or Automatic Exchange CLA Shares, as applicable, to the date of the redemption (the “Cash Redemption Price”); or
- (b) subject to the approval of any applicable regulatory authority, including any applicable stock exchange, the delivery of that number of fully-paid and freely tradeable CLF Common Shares listed on a recognized stock exchange in Canada for each such CLA Preferred Share so redeemed determined by dividing the Cash Redemption Price by the Common Share Exchange Rate.

Fractional CLF Common Shares will not be issued on any redemption of CLA Preferred Shares, but instead, CLA will make cash payments equal to the balance of the Cash Redemption Price not otherwise satisfied by the delivery of CLF Common Shares.

Written notice of any redemption will be given by CLA at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding CLA Preferred Shares are at any time to be redeemed, the shares to be redeemed will be selected by lot (in single shares or in units of 10 shares or less) or in such other manner as the CLA Board of Directors may determine. See also “Exchange of CLA Class A Shares Series 2, 3, 4 and 5 at the Option of the Holder”.

On a redemption of CLA Preferred Shares payable in CLF Common Shares, CLA reserves the right not to deliver CLF Common Shares to any Ineligible Person or a person who, as a result, would become a Significant Shareholder.

Exchange of CLA Class A Shares Series 2, 3, 4 and 5 at the Option of the Holder

Under the Share Exchange Agreements, holders of CLA Preferred Shares will be entitled to exchange their CLA Preferred Shares with CLF or any affiliate of CLF for CLF Common Shares in the following manner.

On any applicable Exchange Date, and provided that any Loss Absorption Event that has occurred is not then continuing, each CLA Preferred Share will be exchangeable, at the option of the holder on not more than 90 and not less than 60 days’ prior written notice before the date fixed for exchange (which notice will be irrevocable), for that number of fully-paid and freely tradeable CLF Common Shares determined by dividing the Cash Exchange Price by the Common Share Exchange Rate. Fractional CLF Common Shares will not be issued on any exchange of CLA Preferred Shares but, instead, CLF or an affiliate will make cash payments equal to the balance of the Cash Exchange Price not otherwise satisfied by the delivery of CLF Common Shares.

If a Loss Absorption Event has occurred and is continuing, on and after December 31, 2012, in the case of holders of CLA Class A Shares Series 2 or CLA Class A Shares Series 3, or December 31, 2032, in the case of holders of CLA Class A Shares Series 4 or CLA Class A Shares Series 5, the right of holders of CLA Preferred Shares to submit notice to CLF of their intention to exchange such shares into CLF Common Shares will be suspended until the Loss Absorption Event is no longer continuing and exchange notices may thereafter only be submitted in respect of Exchange Dates occurring after the cessation of the Loss Absorption Event, in accordance with the timing provisions referred to above. All notices of exchange delivered prior to the occurrence of the Loss Absorption Event in respect of any Exchange Date falling after such occurrence will be null and void. CLA will issue press releases notifying holders of CLA Preferred Shares as to the occurrence and cessation of any event giving rise to a suspension of the exchange right attached to CLA Preferred Shares. Any holder of CLA Preferred Shares that has submitted an exchange notice rendered null and void by the foregoing events will be required to submit a further exchange notice in order to subsequently exchange its shares.

The terms of the Holder Exchange CLA Shares and the Share Exchange Agreements provide that a holder of CLiCS exercising the Holder Exchange Right with an effective Exchange Date on or after December 31, 2012, in the case of a holder of CLiCS — Series A, or December 31, 2032, in the case of a holder of CLiCS — Series B, who wishes to immediately exchange CLA Preferred Shares to be so received into CLF Common Shares may do so, provided that any Loss Absorption Event that has occurred is not then continuing, by completing the exchange

instructions contained in the exchange panel of the CLiCS. In such circumstances, the exchange instructions so completed will be deemed to constitute a valid exchange notice pursuant to the terms of Holder Exchange CLA Shares and the Share Exchange Agreements with the result that, upon the first Exchange Date on or after issuance and delivery of the Holder Exchange CLA Shares pursuant to the Holder Exchange Right, such shares will be immediately exchanged into CLF Common Shares provided that any Loss Absorption Event that has occurred is not then continuing. Accordingly, in that case, on the first Exchange Date on or after the effective date of exercise of the Holder Exchange Right, the holder will receive CLF Common Shares if so elected. Fractional CLF Common Shares will not be issued on any exchange of Holder Exchange CLA Shares, but instead, CLF or an affiliate will make cash payments equal to the balance of the Cash Exchange Price not otherwise satisfied by the delivery of CLF Common Shares.

CLA, subject to the provisions of the Insurance Act, Superintendent Approval and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, as applicable, by prior written notice given not later than 40 days before the date fixed for exchange to all holders who have given an exchange notice may either (i) redeem for cash on the Business Day after the date fixed for exchange all but not less than all of the CLA Preferred Shares forming the subject matter of the applicable exchange notice or (ii) cause the holder of such CLA Preferred Shares to sell on the Business Day after the date fixed for exchange such CLA Preferred Shares to another purchaser or purchasers, if a purchaser or purchasers willing to purchase all but not less than all of such CLA Preferred Shares is or are found. Any such redemption or purchase will be made by the payment of an amount in cash equal to the Cash Redemption Price. In such event, CLA Preferred Shares to be so redeemed or purchased will not be exchanged on the date set forth in the exchange notice.

Upon exercise by a holder of its right to exchange CLA Preferred Shares for CLF Common Shares, CLF reserves the right not to issue CLF Common Shares to any Ineligible Person or a person who, as a result, would become a Significant Shareholder.

Presentation for Exchange, Redemption or Sale

An exchange, redemption or sale by a holder of CLA Preferred Shares will be effected by the holder transferring its CLA Preferred Shares to be exchanged, redeemed or sold, as the case may be, to the account of CLA, CLF or other designated affiliate of CLF in CDS (or, if CLA Preferred Shares are not then issued in book-entry only form, by depositing with the transfer agent for the CLA Preferred Shares, at one of its principal offices, certificates representing such CLA Preferred Shares).

Purchase for Cancellation

On and after the fifth anniversary date of the Closing Date, but subject to the provisions of the Insurance Act, Superintendent Approval and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, CLA may at any time purchase for cancellation any Holder Exchange CLA Shares or Automatic Exchange CLA Shares in the open market or by tender or private contract at any price.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of CLA, the holders of CLA Preferred Shares will be entitled to receive \$25 per share, together with any declared and unpaid dividends to the date of payment, before any amount will be paid or any assets of CLA distributed to the holders of CLA Common Shares or any shares ranking junior to the CLA Preferred Shares. The holders of CLA Preferred Shares will not be entitled to share in any further distribution of the property or assets of CLA.

Restrictions on Dividends and Retirement of Shares

So long as any series of CLA Preferred Shares are outstanding, CLA will not at any time, without the approval of the holders of such series of CLA Preferred Shares given as specified below:

- (a) declare any dividend on the CLA Common Shares or any other shares ranking junior to the series of CLA Preferred Shares (other than share dividends payable in the form of shares ranking junior to the series of CLA Preferred Shares);

- (b) redeem, purchase or otherwise retire any CLA Common Shares or any other shares ranking junior to the series of CLA Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the series of CLA Preferred Shares);
- (c) redeem, purchase or otherwise retire less than all the series of CLA Preferred Shares; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of CLA, redeem, purchase or otherwise retire any other shares ranking on a parity with the series of CLA Preferred Shares;

unless, in each case, all dividends on the series of CLA Preferred Shares up to and including those payable on the Dividend Payment Date for the last completed period for which dividends are payable and in respect of which the rights of holders have not been extinguished, and all dividends then accrued on all other shares ranking senior to or on a parity with the series of CLA Preferred Shares up to the immediately preceding respective date or dates for payment and in respect of which the right of the holders thereof have not been extinguished, have been declared and paid or set aside for payment.

Issue of Additional Series of CLA Class A Shares

CLA may issue other series of CLA Class A Shares without the authorization of the holders of the CLA Preferred Shares.

In particular, CLA may issue and CLF may purchase or arrange for the purchase of additional CLA Class A Shares to ensure that, on any vote of holders of CLA Class A Shares, no person other than CLF will hold sufficient CLA Class A Shares to determine the outcome of any vote. Pursuant to the Share Exchange Agreements, CLA will agree to issue and CLF will agree to purchase or arrange for the purchase of, for nominal consideration, a sufficient number of one or more new series of CLA Class A Shares such that, on the exercise of the Holder Exchange Right or otherwise, no person other than CLF will be a Significant Shareholder in the CLA Class A Shares.

Amendments to CLA Class A Shares Series 2, 3, 4 and 5

CLA will not, without the approval of the holders of CLA Preferred Shares and any holders of CLiCS then outstanding given as described below, delete or vary any rights, privileges, restrictions and conditions attaching to the CLA Preferred Shares. In addition to this approval, CLA will not without, but may from time to time with, Superintendent Approval, make any such deletion or variation which might affect the classification afforded the CLA Preferred Shares from time to time for capital adequacy requirements pursuant to the Insurance Act or the MCCSR.

CLA Class A Shares Series 2, 3, 4 and 5 Shareholder Approvals

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to a series of CLA Preferred Shares or all series of CLA Preferred Shares, respectively, may be given by a resolution carried by the affirmative vote of not less than 66⅔% of the votes cast at a meeting of holders of such series of CLA Preferred Shares or all series of CLA Preferred Shares, respectively, at which at least 25% of the outstanding shares of the series or all series, respectively, is represented or, if no quorum is present at that meeting, at a meeting following such adjourned meeting at which no quorum requirement would apply. Pursuant to the Share Exchange Agreements, CLA will agree that, for as long as a particular series CLiCS remains outstanding, no amendment will be made to the rights, privileges, restrictions and conditions of the corresponding series of CLA Preferred Shares (other than any amendments relating to the CLA Preferred Shares as a class) without the prior approval of 66⅔% of the holders of such CLiCS.

Voting Rights

Subject to applicable law, the holders of CLA Preferred Shares as such will not be entitled to receive notice of or to attend or to vote at any meeting of the shareholders of CLA unless and until the first time at which the CLA Board of Directors has not declared the whole dividend on any of the CLA Preferred Shares in any semi-annual period. In that event, the holders will be entitled to receive notice of and to attend only meetings of shareholders at which directors are to be elected and will be entitled to elect one director at such meeting and, for that purpose, will have one vote for each CLA Preferred Share held. The voting rights of the holders of the CLA Preferred Shares will cease upon payment by CLA of the first dividend on the CLA Preferred Shares to which the holders are entitled

after the time such voting rights first arose. The voting rights shall become effective from time to time in accordance with these rules.

Capital Reorganizations and Amalgamations

If there is a capital reorganization, merger or amalgamation of CLF, the Share Exchange Agreements will provide that holders of CLA Preferred Shares will be entitled to receive, pursuant to the CLF Common Share Exchange Right, after the capital reorganization, merger or amalgamation, the number of CLF Common Shares or consideration of CLF or of a corporation resulting, surviving or continuing from the capital reorganization, merger or amalgamation that such holder would have received had its CLA Preferred Shares been exchanged, pursuant to the CLF Common Share Exchange Right, for CLF Common Shares immediately prior to the record date of the capital reorganization, merger or amalgamation.

Book-Entry Only Form

Unless CLA elects otherwise, the CLA Preferred Shares will be issued in “book-entry only” form, and may be purchased, held and transferred in substantially the same manner as the CLiCS. See “Description of the Trust Securities — Canada Life Capital Securities — Book-Entry Only Form”.

Listing of CLA Class A Shares Series 2, 3, 4, and 5

Pursuant to the Share Exchange Agreements, CLA will undertake to list on the TSE any CLA Class A Shares Series 2, 3, 4 and 5 issued upon the exercise of the Holder Exchange Right or the occurrence of an Automatic Exchange.

CLA Class A Shares Series 1

The following is a summary of the rights and privileges, restrictions and conditions attaching to the CLA Class A Shares Series 1. This summary is qualified in its entirety by the by-laws of CLA and the actual terms and conditions of the CLA Class A Shares Series 1. 18,000 CLA Class A Shares Series 1 have been issued to CLF at an issue price of \$25 each.

Dividends

Holders of CLA Class A Shares Series 1 will be entitled to receive quarterly non-cumulative preferential cash dividends, as and when declared by the CLA Board of Directors and subject to the provisions of the Insurance Act, equal to \$0.36250 per share, payable on the last day of March, June, September and December in each year (each, a “Dividend Payment Date” for the purposes of this paragraph). If the CLA Board of Directors does not declare the dividends, or any part thereof, on the CLA Class A Shares Series 1 on or before the Dividend Payment Date for a particular quarterly period, the rights of the holders of CLA Class A Shares Series 1 to receive such dividends, or any part thereof, for such quarterly period will be extinguished.

Redemption

The CLA Class A Shares Series 1 will not be redeemable until the later of the fifth anniversary date of the Closing Date and the date on which there are no CLiCS outstanding. Thereafter, but subject to the provisions of the Insurance Act and Superintendent Approval, CLA may redeem at any time all, or from time to time any part, of the outstanding CLA Class A Shares Series 1, without the consent of the holders, by the payment in cash of \$25 for each CLA Class A Shares Series 1 to be redeemed, together with any declared and unpaid dividends to the date of redemption.

Written notice of any redemption will be given by CLA at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding CLA Class A Shares Series 1 are at any time to be redeemed, the shares to be redeemed will be selected by lot (in single shares or in units of 10 shares or less) or in such other manner as the CLA Board of Directors may determine.

Purchase for Cancellation

The CLA Class A Shares Series 1 may not be purchased by CLA until the later of the fifth anniversary date of the Closing Date and the date on which there are no CLiCS outstanding. Thereafter, but subject to the provisions of

the Insurance Act and Superintendent Approval, CLA may at any time purchase for cancellation any CLA Class A Shares Series 1 in the open market or by tender or private contract at any price.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of CLA, the holders of CLA Class A Shares Series 1 will be entitled to receive \$25 per share, together with any declared and unpaid dividends to the date of payment, before any amount will be paid or any assets of CLA distributed to the holders of CLA Common Shares or any shares ranking junior to the CLA Class A Shares Series 1. The holders of CLA Class A Shares Series 1 will not be entitled to share in any further distribution of the property or assets of CLA.

Issue of Additional Series of CLA Class A Shares

CLA may issue one or more series of CLA Class A Shares without the authorization of the holders of the CLA Class A Shares Series 1.

Amendments to CLA Class A Shares Series 1

CLA will not, without the approval of the holders of CLA Class A Shares Series 1 given as described below, delete or vary any rights, privileges, restrictions and conditions attaching to the CLA Class A Shares Series 1.

CLA Class A Shares Series 1 Shareholder Approval

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the CLA Class A Shares Series 1 may be given by a resolution carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at a meeting of holders of CLA Class A Shares Series 1 at which at least 25% of the outstanding CLA Class A Shares Series 1 is represented or, if no quorum is present at that meeting, at a meeting following such adjourned meeting at which no quorum requirement would apply.

Voting Rights

Subject to applicable law, holders of CLA Class A Shares Series 1 as such will not be entitled to receive notice of or to attend or to vote at any meeting of the shareholders of CLA unless and until the first time at which the CLA Board of Directors has not declared the whole dividend on any of the CLA Class A Shares Series 1 in any quarterly period. In that event, the holders will be entitled to receive notice of and to attend only meetings of shareholders at which directors are to be elected and will be entitled to elect one director at such meeting and, for that purpose, will have one vote for each CLA Class A Share Series 1 held. The voting rights of the holders of the CLA Class A Shares Series 1 will cease upon payment by CLA of the first dividend on the CLA Class A Shares Series 1 to which the holders are entitled after the time such voting rights first arose. The voting rights shall become effective from time to time in accordance with these rules.

INSURANCE ACT RESTRICTIONS

Restrictions on Ability of CLF and CLA to Make Distributions

CLF and CLA are prohibited under the Insurance Act from paying or declaring a dividend if there are reasonable grounds for believing that the relevant issuer is, or the payment would cause such issuer to be, in contravention of any regulation made under the Insurance Act representing the maintenance by life insurance companies of adequate capital and adequate and appropriate forms of liquidity, or any direction to such issuer made by the Superintendent pursuant to subsection 515(3) of the Insurance Act regarding its capital or its liquidity. As of the date hereof, this limitation would not restrict a payment of quarterly dividends on any CLF Common Shares, CLF Preferred Shares or CLA Preferred Shares that may be issued, and no such direction to the relevant issuer has been made.

Restrictions on Share Ownership

The Insurance Act and the regulations thereunder contain restrictions on the purchase or other acquisition, issue, transfer and voting of the shares of CLF and CLA. Pursuant to these restrictions as currently enacted, no person is permitted to acquire any shares of such issuer (including CLF Common Shares, CLF Preferred Shares and CLA Preferred Shares) if the acquisition would cause the person to have a “significant interest” in any class of shares of such issuer without the approval the Minister of Finance (Canada). In addition, neither CLF nor CLA is

permitted to record any transfer or issue of shares of such issuer (including CLF Common Shares and CLF Preferred Shares and CLA Preferred Shares) if the transfer or issue would cause the person to have a significant interest in such issuer. No person who has a significant interest in such issuer may exercise any voting rights attached to the shares held by such person. For these purposes, a person has a significant interest in a class of shares of CLF and CLA, as the case may be, where the aggregate of any shares of that class beneficially owned by that person, any entity controlled by that person and by any person associated or acting jointly or in concert with that person exceeds 10% of all the outstanding shares of that class of shares of such issuer. If a person contravenes any of these restrictions, the Minister of Finance (Canada) may, by order, direct such person to dispose of all or any portion of those shares.

CLF's by-laws prohibit the issue, transfer or voting of any of its shares if such issue or transfer would cause the holder thereof to have a significant interest in such shares. The by-laws permit the amendment or removal of such constraints by the CLF Board of Directors if the restrictions in the Insurance Act described above are changed or removed.

DESCRIPTION OF THE CLA DEBENTURES

The following is a summary of the terms and conditions attaching to the CLA Debentures. This summary is qualified in its entirety by the terms of the CLA A Debenture and the CLA B Debenture.

Interest

Interest on the CLA A Debenture will be payable at a fixed annual rate of 6.679%, payable in equal semi-annual instalments in arrears of \$33.395 per \$1,000 principal amount of the CLA A Debenture on each CLA Debenture Interest Payment Date, commencing June 30, 2002. Interest on the CLA B Debenture will be payable at a fixed annual rate of 7.529%, payable in equal semi-annual instalments in arrears of \$37.645 per \$1,000 principal amount of the CLA B Debenture on each CLA Debenture Interest Payment Date, commencing June 30, 2002. The initial interest payment due on June 30, 2002 will be approximately \$19.76 per \$1,000 principal amount of the CLA A Debenture and approximately \$22.28 per \$1,000 principal amount of the CLA B Debenture, assuming a Closing Date of March 14, 2002. Interest on the CLA Debentures will be payable to the Trust on every CLA Debenture Interest Payment Date regardless of whether that date is a Regular Distribution Date or a Distribution Diversion Date.

Redemption at the Option of CLA

On and after June 30, 2007 and on any CLA Debenture Interest Payment Date thereafter, the CLA Debentures will be redeemable at the option of CLA in whole or in part without the consent of the holder, subject to Superintendent Approval and upon not less than 30 nor more than 60 days' prior written notice by CLA for an amount in cash equal to (i) a cash amount per \$1,000 principal amount of the CLA Debenture to be redeemed equal to the greater of (A) an amount equal to \$1,000 plus any accrued and unpaid interest thereon to the date of redemption per \$1,000 principal amount of the CLA Debenture to be redeemed (the "Debenture Redemption Price") and (B) the applicable Debenture Canada Yield Price, if the CLA A Debenture is redeemed prior to June 30, 2012 or if the CLA B Debenture is redeemed prior to June 30, 2032 (the greater of (A) and (B) being the "Early Debenture Redemption Price"), and (ii) the Debenture Redemption Price, if the CLA A Debenture is redeemed on or after June 30, 2012 or if the CLA B Debenture is redeemed on or after June 30, 2032. If CLA has redeemed a CLA Debenture, in whole or in part, the Trust will be required to redeem a corresponding amount of the corresponding series of CLiCS. It is the intention of the Trust to use the proceeds of redemption received in respect of such CLA Debenture to make payment to the holders of the corresponding series of CLiCS to be redeemed, as required.

"Debenture Canada Yield Price" means a price per \$1,000 principal amount of the CLA Debenture to be redeemed calculated to provide an annual yield thereon to June 30, 2012 equal to the Government of Canada Yield plus 0.27%, in the case of the CLA A Debenture, or June 30, 2032 equal to the Government of Canada Yield plus 0.39%, in the case of the CLA B Debenture, determined on the Business Day immediately preceding the date on which CLA has given notice of the redemption of the CLA Debenture (including as a result of the occurrence of a Special Event) plus accrued and unpaid interest thereon.

Conversion at Option of the Holder

Each \$1,000 principal amount of the CLA Debentures will be convertible at any time at the option of the holder into 40 CLA Class A Shares Series 2, in the case of the CLA A Debenture, or 40 CLA Class A Shares Series 4, in the case of the CLA B Debenture. The Trust will exercise its right to convert a CLA Debenture in circumstances in which holders of CLiCS exercise the Holder Exchange Right to acquire Holder Exchange CLA Shares, so as to enable the Trust to fulfil its obligations under the Holder Exchange Right. Upon any such conversion of a CLA Debenture, the Holder Exchange CLA Shares so acquired by the Trust will be delivered to the holders of CLiCS who have exercised the Holder Exchange Right in accordance with their respective entitlements.

Automatic Conversion

If a Loss Absorption Event occurs giving rise to an Automatic Exchange, each \$1,000 principal amount of the CLA Debentures then outstanding will be automatically converted into 40 CLA Class A Shares Series 3, in the case of the CLA A Debenture, or 40 CLA Class A Shares Series 5, in the case of the CLA B Debenture. Upon any such conversion of a CLA Debenture, the Automatic Exchange CLA Shares so acquired will be transferred to the holders of CLiCS in accordance with their respective entitlements.

The right to convert and the automatic conversion of the CLA Debentures into Holder Exchange CLA Shares and Automatic Exchange CLA Shares, respectively, are called the "Conversion Right".

Redemption Upon Special Event

Upon the occurrence of a Special Event, CLA, at its option, and with Superintendent Approval, and on not less than 30 nor more than 90 days prior written notice, may redeem at any time the CLA Debentures in whole (but not in part), without the consent of the holder, for an amount in cash for each \$1,000 principal amount of each CLA Debenture being redeemed equal to (i) the applicable Early Debenture Redemption Price, if the CLA A Debenture is redeemed prior to June 30, 2012 or if the CLA B Debenture is redeemed prior to June 30, 2032, and (ii) the Debenture Redemption Price, if the CLA A Debenture is redeemed on or after June 30, 2012 or if the CLA B Debenture is redeemed on or after June 30, 2032. If CLA has redeemed a CLA Debenture, the Trust will be required to redeem all of the corresponding series of CLiCS.

Purchase for Cancellation

On and after the fifth anniversary date of the Closing Date, the CLA Debentures may be purchased, in whole or in part, subject to the provisions of the Insurance Act and Superintendent Approval, in the open market or by tender or by private contract at any price. Any part of the CLA Debentures purchased by CLA will be cancelled and will not be reissued.

Events of Default

Failure by CLA to make payments or to satisfy its other obligations under the CLA Debentures will not entitle the Trust to accelerate the CLA Debentures.

Priority of the CLA Debentures

The CLA Debentures will rank on a parity with all other unsubordinated unsecured indebtedness of CLA, other than obligations owed to policyholders and certain other specified claimants as provided in the *Winding-Up Act*. Upon any distribution of assets of CLA to creditors upon any dissolution, winding-up, liquidation, reorganization, bankruptcy or insolvency, all principal and accrued interest due on the CLA Debentures must be paid in full before holders of junior or subordinated debentures are entitled to receive any payment. If a liquidation, dissolution or winding-up of CLA occurs, the CLA Debentures will rank in priority to any shares of CLA with respect to payments and the distribution of assets.

Maturity Dates

The CLA Debentures will mature on June 30, 2052. On maturity of a CLA Debenture, CLA will be required to pay the principal amount of such CLA Debenture and any accrued and unpaid interest thereon to the Trust in cash. If any CLiCS remain outstanding as of that date, the Trust will invest the proceeds received on repayment of such CLA Debenture in Eligible Investments, for a price equal to the fair market value thereof. If following maturity of a CLA Debenture there is an Automatic Exchange or a holder of CLiCS exercises the Holder Exchange

Right with respect to a series of CLiCS corresponding to such CLA Debenture, the Trust will subscribe for, and CLA has agreed to issue, pursuant to the Subscription Right, Automatic Exchange CLA Shares or Holder Exchange CLA Shares, as applicable, to satisfy the Trust's obligation to deliver 40 Automatic Exchange CLA Shares for each CLiCS outstanding upon an Automatic Exchange or 40 Holder Exchange CLA Shares for each CLiCS tendered for exchange pursuant to the exercise of the Holder Exchange Right. The Automatic Exchange CLA Shares or Holder Exchange CLA Shares tendered, as applicable, will then be delivered to the relevant holders of CLiCS and the corresponding series of CLiCS will be cancelled.

Earnings Coverage Ratios

Payment of the Indicated Yield on the CLiCS is dependent upon CLA making interest payments to the Trust in respect of the CLA Debentures and a Distribution Diversion Event not having occurred.

CLA's interest requirements for the 12 months ended December 31, 2001 amounted to \$39 million. CLA's earnings before interest and income tax for the 12 months ended December 31, 2001 was \$540 million, which is approximately 13.85 times CLA's interest requirements for the same period.

CLA's interest requirements, after giving effect to the issue of the CLA Debentures as if issued on January 1, 2001, for the 12 months ended December 31, 2001 would have amounted to \$71 million. CLA's earnings before interest and income tax, after giving effect to the issue of the CLA Debentures as if issued on January 1, 2001, for the 12 months ended December 31, 2001 would have been \$572 million, which is approximately 8.06 times CLA's interest requirements for the same period.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to the Trust and a holder of CLiCS who acquires CLiCS under the Offering and who, for purposes of the Tax Act at all relevant times, (i) is resident or deemed to be resident in Canada, (ii) deals at arm's length and is not affiliated with CLA, CLF or the Trust, (iii) holds CLiCS, any CLA Preferred Shares and any CLF Common Shares as capital property and is not exempt from tax under Part I of the Tax Act and (iv) does not hold CLiCS, any CLA Preferred Shares or any CLF Common Shares in a Deferred Income Plan or other tax-exempt plan. This summary does not take into account the "mark-to-market" rules contained in the Tax Act which apply to certain financial institutions. Furthermore, the part of this summary dealing with the CLA Preferred Shares does not apply to a specified financial institution (as defined in the Tax Act) that receives (or is deemed to receive), alone or together with persons with whom it does not deal at arm's length, in the aggregate dividends in respect of more than 10% of a series of CLA Preferred Shares outstanding at the time a dividend is received. This summary also assumes that all issued and outstanding CLA Preferred Shares are listed on a prescribed stock exchange in Canada (as defined in the Tax Act) at such times as dividends (including deemed dividends) are paid or received on such shares.

The summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Consequently, investors are urged to consult their own tax advisors with respect to their particular circumstances.

This summary is based upon the current provisions of the Tax Act and the regulations issued thereunder, all specific proposals to amend the Tax Act and the regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof, and counsel's understanding of the current administrative and assessing policies of the Canada Customs and Revenue Agency (the "Agency"). This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account any changes in law or administrative and assessing policies, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any other federal tax considerations or provincial, territorial or foreign tax considerations. With respect to the proposed amendments to the Tax Act and the regulations, no assurance can be given that the proposed amendments will become law as proposed or at all.

CLiCS

Taxation of the Trust

The Declaration of Trust requires that, in each taxation year of the Trust, the net income and net realized capital gains, if any, of the Trust as would otherwise be taxable in the Trust will be payable to holders of CLiCS or the holder of the Special Trust Securities. Consequently, the Trust will not be liable for income tax under Part I of the Tax Act. Capital or income losses incurred by the Trust cannot be allocated to holders of the CLiCS or the Special Trust Securities but may, subject to certain limitations, be deducted by the Trust from taxable capital gains or net income realized in other years.

As a registered investment, the Trust is potentially subject to special taxes under the Tax Act. The Declaration of Trust requires the Trust to restrict its investments to the effect that it will not be subject to any of these special taxes.

Taxation of Holders of CLiCS

Distributions

A holder of CLiCS will be required to include in computing its income for a taxation year all net income and the taxable portion of net realized capital gains, if any, payable to it in that taxation year. Substantially all of the amounts payable to holders of CLiCS are expected to be treated as income from a trust, rather than capital gains, for income tax purposes.

Disposition

A holder of CLiCS who disposes of or is deemed to dispose of CLiCS will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the CLiCS to the holder. A disposition or deemed disposition of a

holder's CLiCS will be considered to occur on, among other events: (i) an exchange of the CLiCS for Holder Exchange CLA Shares pursuant to the exercise by a holder of the Holder Exchange Right (in which event a holder's proceeds of disposition will be equal to the fair market value of the Holder Exchange CLA Shares received on the exchange), (ii) an exchange of the CLiCS for Automatic Exchange CLA Shares pursuant to the operation of the Automatic Exchange (in which event a holder's proceeds of disposition will be equal to the fair market value of the Automatic Exchange CLA Shares received on the exchange), (iii) a redemption of the CLiCS on the Trust Special Event Redemption Right or the Trust Redemption Right (in which event a holder's proceeds of disposition will be equal to the Redemption Price; in cases where the Early Redemption Price is payable, the excess of the Early Redemption Price over the Redemption Price will be allocated to the holder as income) and (iv) a termination of the Trust.

Share Exchange Agreements

CLA and the Trust have been advised by Merrill Lynch Canada Inc. that the value to holders of the rights under the Share Exchange Agreements is nominal and, therefore, CLA is of the view that no amount should be allocated to such rights. However, this determination is not binding on the Agency.

CLF Common Shares and CLA Class A Shares Series 2, 3, 4 and 5

Dividends

Dividends (including deemed dividends) received on the CLF Common Shares or the CLA Preferred Shares by an individual will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Dividends (including deemed dividends) on the CLF Common Shares or the CLA Preferred Shares received by a corporation to which this part of the summary applies will be included in computing its income and will generally be deductible in computing its taxable income. However, a corporation will not be entitled to deduct in computing taxable income the amount of a dividend (including a deemed dividend) received on CLA Preferred Shares where, at the time the dividend is paid, dividends in respect of more than 10% of the CLA Preferred Shares are paid to the corporation or to such corporation and one or more (i) persons with whom the corporation does not deal at arm's length; or (ii) partnerships or trusts of which such corporation or any such person is a member or beneficiary.

The CLA Preferred Shares will be taxable preferred shares and may be short term preferred shares as defined in the Tax Act. The terms of the CLA Preferred Shares require CLA to make an election under Part VI.1 of the Tax Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the CLA Preferred Shares.

A private corporation, as defined in the Tax Act, or any other corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the CLF Common Shares or the CLA Preferred Shares to the extent such dividends are deductible in computing its taxable income.

Redemption and Exchange

If CLF or CLA redeems for cash or otherwise acquires the CLF Common Shares or the CLA Preferred Shares, respectively, other than by a purchase in the manner in which these shares are normally purchased by a member of the public in the open market or by reason of an exchange of the CLA Preferred Shares, the holder will be deemed to have received a dividend equal to the amount, if any, paid by CLF or CLA, as applicable, in excess of the paid-up capital of such shares at such time. The difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

The exchange of the CLA Preferred Shares for CLF Common Shares by the holder with CLF will not give rise to a capital gain or a capital loss unless the holder chooses to include any portion of such gain or loss in the holder's income tax return for the year in which the exchange occurs. A holder who receives cash of \$200 or less in lieu of a fraction of a CLF Common Share may either include the capital gain or capital loss on the partial disposition in

computing income, or reduce the adjusted cost base of the CLF Common Shares received by the amount of the cash. If CLF is not the acquirer of the CLA Preferred Shares, such exchange will result in a disposition of the CLA Preferred Shares for proceeds of disposition equal to the fair market value of the CLF Common Shares received and, accordingly, a capital gain or a capital loss may arise to the holder.

Other Dispositions

A holder of CLF Common Shares or CLA Preferred Shares who disposes of or is deemed to dispose of the CLF Common Shares or the CLA Preferred Shares will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder thereof. The amount of any deemed dividend arising on the redemption, acquisition or cancellation by CLA of the CLA Preferred Shares will generally not be included in computing a holder's proceeds of disposition for purposes of computing the capital gain or loss arising on the disposition of such shares. If the shareholder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Tax Treatment of Capital Gains and Losses

Generally, one-half of a capital gain will be included in computing the holder's income as a taxable capital gain and one-half of a capital loss may be deducted from the holder's taxable capital gains in accordance with the rules contained in the Tax Act. Taxable capital gains of a Canadian-controlled private corporation may be subject to an additional refundable tax of 6²/₃% of such taxable gains. Capital gains realized by an individual may give rise to alternative minimum tax under the Tax Act.

PLAN OF DISTRIBUTION

Pursuant to an agreement (the "Underwriting Agreement") dated March 7, 2002 between the Trust, CLF, CLA, Merrill Lynch Canada Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., CIBC World Markets Inc., TD Securities Inc., RBC Dominion Securities Inc., HSBC Securities (Canada) Inc., Griffiths McBurney & Partners and UBS Bunting Warburg Inc. (the "Underwriters"), the Trust has agreed to sell, and the Underwriters have agreed to purchase, on March 14, 2002, or on such other date not later than April 4, 2002 as may be agreed upon, all but not less than all of the 300,000 CLiCS — Series A at a price of \$1,000 per CLiCS — Series A and all but not less than all of the 150,000 CLiCS — Series B at a price of \$1,000 per CLiCS — Series B, subject to the terms and conditions set forth in the Underwriting Agreement. The Trust has agreed to pay to the Underwriters a fee of \$10 for each CLiCS sold. Based on the expected sales of the CLiCS, the aggregate Underwriters' fee will be \$4,500,000.

The Underwriting Agreement also provides that the Underwriters may, at their discretion, terminate their obligations thereunder upon the occurrence of certain stated events.

The Offering is being made concurrently in all provinces and territories of Canada. The CLiCS have not been and will not be registered under the United States Securities Act of 1933, as amended. The Underwriters have agreed not to offer for sale or sell the CLiCS in the United States or to any U.S. Person within the meaning of applicable U.S. securities laws.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase CLiCS. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSE relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution provided that the bid or purchase was not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities. Pursuant to the first mentioned exception, in connection with this Offering and subject to applicable law, the Underwriters may effect the transactions which stabilize or maintain the market price of such securities at levels other than those

which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

RATINGS

The CLiCS are rated as follows:

<u>Rating Agency</u>	<u>Rating</u>
DBRS	A yn
S&P	A

Neither of these ratings should be construed as a recommendation to buy, sell or hold the CLiCS and either rating may be revised or withdrawn at any time by the respective rating organization.

USE OF PROCEEDS

The gross proceeds to the Trust from the sale of the CLiCS will be \$450,000,000. The Trust will use the gross proceeds to be received on closing of the Offering to purchase the CLA Debentures.

CLA or its affiliates, in turn, intend to use the proceeds from the sale of the CLA Debentures for general corporate purposes.

LEGAL MATTERS

The Company is engaged in litigation arising in the ordinary course of business. None of this litigation, however, is expected to have a material adverse effect on the consolidated financial position or results of operations of the Company.

RISK FACTORS

Investors should carefully consider the risks described below before deciding whether to invest in any CLiCS. Additional risks and uncertainties not presently known to the Company may also impair its business operations. If it does not successfully address any of the risks described below, there could be a material adverse effect on its business, financial condition or results of operations. As a result, the Company cannot assure an investor that it will successfully address these risks. Investors should also carefully consider any risks that may be described in other filings the Company makes with securities or insurance regulators.

Risk Factors Specifically Associated with the CLiCS

Automatic Exchange of CLiCS for Automatic Exchange CLA Shares

The purchase of CLiCS involves risk with respect to the performance and capital levels of CLA and CLF. If a Loss Absorption Event occurs, the CLiCS will be automatically exchanged for Automatic Exchange CLA Shares, without the consent of the holders. These shares would then be an investment in CLA and not in the Trust. As a result, holders of CLiCS could become shareholders of CLA at a time when CLA's (and, possibly, CLF's) financial condition is deteriorating or when CLA (and, possibly, CLF) had become insolvent or bankrupt or resolved to wind-up or had been ordered wound-up or liquidated. An investment in CLA is also subject to certain risks that are distinct from the risks associated with an investment in the Trust, including the general risks inherent in equity investments in insurance institutions. In the event of a liquidation of CLA, the claims of policyholders and creditors of CLA would be entitled to a priority of payment over the claims of holders of equity interests such as Holder Exchange CLA Shares or Automatic Exchange CLA Shares. If CLA were to become insolvent or bankrupt or resolved to wind-up or was ordered wound-up or liquidated after the Automatic Exchange or if the Automatic Exchange were to occur after the insolvency of CLA, the holders of Automatic Exchange CLA Shares may receive, if anything, substantially less than the holders of the CLiCS would have received had the CLiCS not been exchanged for Automatic Exchange CLA Shares. Potential investors in the CLiCS should carefully consider the description of CLF and CLA set forth under "CLF and CLA". See also "Description of the Trust Securities — Canada Life Capital Securities — Automatic Exchange".

Restrictions on Ownership of Shares of CLF

Under the Insurance Act, no person, or persons acting jointly or in concert, is permitted to be a Significant Shareholder in CLF or CLA (other than CLF) without the approval of the Minister of Finance (Canada). Currently, CLA does not have any CLA Class A Shares outstanding. For that reason, it may be possible for one or more holders of CLiCS who exercise their Holder Exchange Right and receive Holder Exchange CLA Shares, or who receive Automatic Exchange CLA Shares as a result of an Automatic Exchange, to hold a significant interest in the CLA Class A Shares. In the case of the exercise of the Holder Exchange Right by a holder of CLiCS, CLA has agreed to issue, and CLF has agreed to purchase or arrange for the purchase of, for nominal consideration, one or more series of CLA Class A Shares in such number of shares to ensure that no holder of CLiCS will acquire or hold a significant interest in the CLA Class A Shares. In the case of an Automatic Exchange, holders may have some or all of their Automatic Exchange CLA Shares disposed of on their behalf pursuant to the procedures referred to under “Description of the Trust Securities — Canada Life Capital Securities — Holder Exchange Right” to ensure that no holder of CLiCS will acquire or hold a significant interest in CLA Class A Shares. Purchasers of CLiCS (and Participants) may be required to furnish declarations relating to ownership (and ownership by clients of such Participants) in a form prescribed by CLA or CLF. Furthermore, holders of CLA Preferred Shares who acquire CLF Common Shares upon exchange of such CLA Preferred Shares may be required to dispose of some or all of the CLF Common Shares.

Liquidity of and Dealings in CLiCS

While the CLiCS will be eligible for resale in the public market, it is not expected that the CLiCS will be listed on any stock exchange. There can be no assurance that an active trading market will develop or be sustained or that the CLiCS may be resold at or above the initial public offering price. The ability of a holder to pledge CLiCS or otherwise take action with respect to its interest in CLiCS (other than through a Participant) may be limited due to the lack of a physical certificate.

No prediction can be made as to the effect, if any, that future issues of Canada Life Capital Securities, or the availability of such Canada Life Capital Securities for future issue, will have on the market price of issued CLiCS prevailing from time to time. Issues from treasury or sales in the public market by holders of CLiCS involving substantial numbers or principal amounts of CLiCS in the public market, or the perception that such issues or sales could occur, could adversely affect prevailing market prices for such CLiCS and the issuer’s ability to raise additional capital in the equity and debt markets.

Indicated Yield is Non-Cumulative

The Indicated Yield on the CLiCS is non-cumulative. The Indicated Yield on the CLiCS is payable by the Trust on each Regular Distribution Date out of the Net Distributable Funds of the Trust. If the Indicated Yield on the CLiCS for any Distribution Date is not paid by reason of the occurrence of a Distribution Diversion Event, holders of CLiCS will not be entitled to receive the Indicated Yield. See “Description of the Trust Securities — Canada Life Capital Securities — Indicated Yield”.

Other Risk Factors

Inability to Make Payments

There can be no assurance that CLA will have sufficient earnings to pay interest on the CLA Debentures, or to support the payment of dividends to CLF in an amount sufficient to permit CLF to pay dividends on its common or preferred shares. See “Insurance Act Restrictions”.

Risk factors associated with the Company

Rating organizations continually review the financial performance and condition of insurers, including the Company. Downgrades or negative outlooks with respect to the ratings of the Company could, among other things, adversely affect the Company’s ability to market its products. Changes or possible changes to ratings can also be expected to have an adverse impact on the market values of the Company’s or the Trust’s outstanding securities including the CLiCS and any CLA Preferred Shares then outstanding. On February 6, 2002, S&P affirmed its “AA” counterparty credit and financial strength ratings on CLA while at the same time changing its outlook to negative from stable, citing, among other matters, uncertainty around the Company’s exposure to September 11 claims. Moody’s Investor Service has also placed the “Aa3” insurance financial strength of CLA on review for

possible downgrade for the same reason. Management of the Company has been informed that the credit rating outlooks from DBRS and A.M. Best Company remain stable.

As part of its reinsurance business, the Company has special risk reinsurance (including workers' compensation and catastrophe coverage) contracts with other insurers and reinsurers on which it has incurred losses as a result of the terrorist attack of September 11. As reported in Note 5 of the Consolidated Financial Statements, the Company has taken a provision to cover the Company's share of these losses, net of reimbursement from reinsurers. Reinsurance arrangements do not relieve the Company of its liability as the primary insurer. Therefore, the Company may be exposed to credit risk relating to its reinsurers and retrocessionaires. The Company believes, based upon discussions with companies it has reinsured and a review of the matter by third parties and legal advisers, that its estimates of gross and net losses incurred are reasonable, but it is possible that these estimates may be subject to adjustment as additional information is received. It may take a year or more to finalize the Company's estimate of the claims. The Company is in discussion with its quota share retrocessionaires confirming the scope of their obligations and liabilities within these reinsurance arrangements. The Company has entered into, and may in the future enter into, negotiations, arbitration proceedings or litigation with its retrocessionaires in the process of collecting all amounts owed by such parties. Although there is always a level of uncertainty associated with such negotiations or proceedings, based on the information that the Company has to date, the Company believes that it will succeed in enforcing its rights in respect of each of its reinsurance arrangements.

There are a number of other factors that can affect the operations, capital, prospects and financial results of the Company. CLF's MD&A, AIF and Consolidated Financial Statements, which have been incorporated by reference into this prospectus, set out a number of these factors, including factors discussed under "Risk Management" and "Factors Affecting Performance and Measurement" in the MD&A, "Regulatory Overview" in the AIF and in Note 4 of the Consolidated Financial Statements.

MATERIAL CONTRACTS

The material contracts to be entered into by the Trust in connection with the Offering are as follows:

1. the Declaration of Trust described under "The Trust";
2. the Administration Agreement described under "The Trust — Administrative Agent";
3. the Share Exchange Agreements described under "Description of the Trust Securities — Canada Life Capital Securities — Share Exchange Agreements";
4. the Subscription Agreement described under "Summary — Use of Proceeds";
5. the Debenture Purchase Agreement described under "The Trust — Business of the Trust";
6. the Credit Facility described under "The Trust — Liquidity"; and
7. the Underwriting Agreement described under "Plan of Distribution".

PRINCIPAL HOLDERS OF SECURITIES

It is intended that, at all times following the Closing Date, CLA or its affiliates will own, directly or indirectly, all of the Special Trust Securities. See "Capitalization of the Trust" and "Use of Proceeds".

INTERESTS OF CLA AND ITS AFFILIATES IN MATERIAL TRANSACTIONS

Pursuant to the Administration Agreement, CLA will administer the day-to-day operations of the Trust.

CLA and its affiliates may have interests, which are not identical to those of the Trust. Consequently, conflicts of interest may arise with respect to transactions, including the renewal, termination or modification of the Administration Agreement. It is the intention of the Trust and CLA that any agreements and transactions between the Trust, on the one hand, and CLA and its affiliates, on the other hand, are fair to all parties and consistent with market terms and conditions.

EXPERTS

Certain legal matters in connection with the Offering will be passed upon by McCarthy Tétrault LLP, on behalf of the Trust, CLA and CLF, and by Osler, Hoskin & Harcourt LLP, on behalf of the Underwriters. The partners, counsel and associates of McCarthy Tétrault LLP and Osler, Hoskin & Harcourt LLP, as a group, beneficially own, directly or indirectly, less than 1% of any class of security issued by the Trust, CLA or CLF.

TRANSFER AGENT AND REGISTRAR AND EXCHANGE TRUSTEE

Computershare Trust Company of Canada will act as transfer agent, registrar and exchange trustee for the CLiCS (the “Exchange Trustee”). The CLiCS will be issued in book-entry only form through CDS. See “Description of the Trust Securities — Canada Life Capital Securities — Book-Entry Only Form”. Subject to the CDS Procedures, registration and transfer of the CLiCS may be effected at its principal office in Toronto, Ontario.

AUDITORS

Ernst & Young LLP, Chartered Accountants, Toronto, Ontario are the auditors of the Trust.

PROMOTER

CLA is the promoter of the Trust by reason of its taking the initiative in creating, structuring and promoting the Trust. CLA will not receive any benefits, directly or indirectly, from the issuance of the CLiCS other than as described in this prospectus. See “The Trust — Business of the Trust”.

Under the Administration Agreement, CLA, as Administrative Agent, will provide various services in connection with the Offering and the ongoing operations, maintenance and regulatory compliance of the Trust. CLA will receive an administration fee under the Administration Agreement.

The following are the names, municipalities of residence, and offices of the officers of CLA directly involved in its capacity as administrative agent of the Trust:

<u>Name and Municipality of Residence</u>	<u>Office</u>
Patrick G. Crowley Oakville, Ontario	Executive Vice-President and Chief Financial Officer
Roy W. Linden Toronto, Ontario	Secretary and Chief Compliance Officer

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in several of the provinces and territories provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal advisor.

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COMPILATION REPORT

To the Trustee of Canada Life Capital Trust

We have reviewed, as to compilation only, the accompanying pro forma balance sheet of **Canada Life Capital Trust** as at February 6, 2002. This pro forma balance sheet has been prepared solely for inclusion in this prospectus relating to the sale and issue of Canada Life Capital Securities — Series A and Canada Life Capital Securities — Series B of Canada Life Capital Trust. In our opinion, the pro forma balance sheet has been properly compiled to give effect to the proposed transactions and assumptions described in the notes thereto.

Toronto, Canada
March 7, 2002

(Signed) Ernst & Young LLP
Chartered Accountants

**CANADA LIFE CAPITAL TRUST
PRO FORMA BALANCE SHEET**

**As at February 6, 2002
(Unaudited)
(in thousands of Canadian dollars)**

	<u>As at February 6, 2002</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Pro Forma as at February 6, 2002</u>
Assets				
Cash	\$ 1	\$ 450,000	2(a)	\$ —
		999	2(b)	
		22,100	2(c)	
		(5,100)	2(d)	
		(450,000)	2(e)	
		(18,000)	2(c)	
Funding Debenture		18,000	2(c)	18,000
CLA A Debenture		300,000	2(e)	300,000
CLA B Debenture		150,000	2(e)	150,000
	<u>\$ 1</u>	<u>\$ 467,999</u>		<u>\$468,000</u>
Liabilities				
Loans Payable	\$ —	\$ 22,100	2(c)	\$ 22,100
Trust Capital				
Canada Life Capital Securities — Series A	\$ —	300,000	2(a)	300,000
Canada Life Capital Securities — Series B	\$ —	150,000	2(a)	150,000
Special Trust Securities	\$ —	999	2(b)	1,000
		1	2(b)	
Original Settlement Amount	1	(1)	2(b)	—
Issue Costs	—	(5,100)	2(d)	(5,100)
	<u>1</u>	<u>445,899</u>		<u>445,900</u>
Total Liabilities and Capital	<u>\$ 1</u>	<u>\$ 467,999</u>		<u>\$468,000</u>

See accompanying notes

**CANADA LIFE CAPITAL TRUST
NOTES TO PRO FORMA BALANCE SHEET**

February 6, 2002

(unaudited)

(in thousands of dollars except unit amounts)

1. BASIS OF PRESENTATION

The pro forma balance sheet is based upon the audited balance sheet of **Canada Life Capital Trust** (the “Trust”) as at February 6, 2002 adjusted to reflect the issue of Canada Life Capital Securities — Series A, the issue of Canada Life Capital Securities — Series B, the issue of Special Trust Securities to The Canada Life Assurance Company (“CLA”), the payment of estimated issue-related costs of \$5,100 and the purchase of the Trust Assets comprised principally of the CLA Debentures (each as defined in the accompanying prospectus) from CLA.

Capitalized terms not defined in these notes have the meanings ascribed to them in the prospectus.

The pro forma balance sheet has been prepared by CLA, as administrative agent of the Trust, in accordance with Canadian generally accepted accounting principles.

The pro forma balance sheet should be read in conjunction with the audited balance sheet of the Trust as at February 6, 2002.

2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The pro forma balance sheet gives effect to the following transactions as if they had occurred on February 6, 2002:

- (a) the issue of 300,000 Canada Life Capital Securities — Series A for \$1,000 each and the issue of 150,000 Canada Life Capital Securities — Series B for \$1,000 each for total gross proceeds of \$450,000;
- (b) the issue of Special Trust Securities to CLA for total gross proceeds of \$999, plus the original settlement amount of \$1;
- (c) the non-interest-bearing loan to the Trust from CLA to fund the fees and expenses related to the Offering and to fund the purchase of the Funding Debenture;
- (d) the estimated issue costs of \$5,100 including underwriters’ fees and expenses relating to the issuance of the Canada Life Capital Securities — Series A and the Canada Life Capital Securities — Series B; and
- (e) the purchase of the CLA Debentures from CLA for a purchase price of \$450,000.

AUDITORS' REPORT

To the Trustee of Canada Life Capital Trust

We have audited the balance sheet of **Canada Life Capital Trust** (the "Trust") as at February 6, 2002. This financial statement is the responsibility of The Canada Life Assurance Company, as administrative agent of the Trust. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by the administrative agent, as well as evaluating the overall balance sheet presentation.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of the Trust as at February 6, 2002 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
March 7, 2002

(Signed) Ernst & Young LLP
Chartered Accountants

**CANADA LIFE CAPITAL TRUST
BALANCE SHEET**

As at February 6, 2002

Cash	<u>\$1,000</u>
Trust Capital	<u>\$1,000</u>

On behalf of the Administrative Agent of the Trustee:

(Signed) Patrick G. Crowley

(Signed) Roy W. Linden

See accompanying notes

CANADA LIFE CAPITAL TRUST

NOTES TO BALANCE SHEET

February 6, 2002

1. ESTABLISHMENT AND ORGANIZATION

Canada Life Capital Trust (the “Trust”) is an open-end trust formed on February 6, 2002 by The Canada Trust Company (the “Trustee”) pursuant to the Declaration of Trust. An amount of \$1,000 was settled on the Trust’s formation and that amount will be held for the benefit of the beneficiaries. The Trust intends to make investments and to conduct its activities at all times in such a manner as to qualify as a registered investment under the *Income Tax Act* (Canada).

Unless separately defined in these notes, capitalized terms have the same meaning as given to them in the accompanying prospectus dated March 7, 2002, offering Canada Life Capital Securities to the public (the “Prospectus”).

2. TRUST CAPITAL

(a) Authorized Trust Capital

The Trust’s authorized capital consists of an unlimited number of Canada Life Capital Securities issuable in series (“CLiCS”) and an unlimited number of Special Trust Securities.

(b) CLiCS — Series A and CLiCS — Series B

The CLiCS are non-voting except in limited circumstances and non-redeemable at option of the holder.

A series of CLiCS is designated as Series A (“CLiCS — Series A”) and a series of CLiCS is designated as Series B (“CLiCS — Series B”).

The holders of CLiCS — Series A and CLiCS — Series B will be entitled to non-cumulative fixed cash distributions of the Trust’s income (“Indicated Yield”) in the amount of \$33.395 per CLiCS — Series A and \$37.645 per CLiCS — Series B, payable semi-annually on the last day of June and December of each year, commencing June 30, 2002 (each, a “Distribution Date”), except for the first payment which will be pro-rated from the date of issue up to but excluding June 30, 2002 and provided that each Distribution Date is a Regular Distribution Date. A Distribution Date will be a Regular Distribution Date unless The Canada Life Assurance Company (“CLA”) fails to declare dividends as described in the Prospectus.

On and after June 30, 2007, but subject to the prior approval of the Superintendent of Financial Institutions (the “Superintendent”), the CLiCS will be redeemable at the option of the Trust in whole or in part and without the consent of the holders thereof, as specified in the Prospectus.

Subject to the approval of the Superintendent, upon the occurrence of a Regulatory Event or Tax Event, the CLiCS will be redeemable at the option of the Trust in whole (but not in part) and without the consent of the holders thereof for a redemption amount as specified in the Prospectus.

Each CLiCS can be surrendered to the Trust at any time for a price equal to 40 Class A Preferred Shares Series 2 of CLA (“CLA Class A Shares Series 2”), in the case of CLiCS — Series A, or 40 Class A Preferred Shares Series 4 of CLA (“CLA Class A Preferred Shares Series 4”), in the case of CLiCS — Series B (collectively, the CLA Class A Shares Series 2 and the CLA Class A Shares Series 4 are referred to as the “Holder Exchange CLA Shares”) at the option of the holder. In certain circumstances, the Trust may arrange for substitute purchasers to purchase such CLiCS for a purchase price as specified in the Prospectus.

Upon the occurrence of a Loss Absorption Event, each CLiCS will be exchanged automatically, without the consent of the holders, for a price equal to 40 Class A Preferred Shares Series 3 of CLA (“CLA Class A Shares Series 3”), in the case of CLiCS — Series A, or 40 Class A Preferred Shares Series 5 of CLA (“CLA Class A Preferred Shares Series 5”), in the case of CLiCS — Series B (collectively, the CLA Class A Shares Series 3 and the CLA Class A Shares Series 5 are referred to as the “Automatic Exchange CLA Shares”).

(c) Special Trust Securities

Holders of the Special Trust Securities are entitled to vote at all meetings of the holders of Special Trust Securities.

For as long as any CLiCS are outstanding, CLA intends to maintain direct or indirect ownership of 100% of the outstanding Special Trust Securities.

Holders of Special Trust Securities will be entitled, after the payment of the Indicated Yield to holders of CLiCS, to the balance of the Net Distributable Funds. In the event of a Distribution Diversion Event, the Trust will not pay the Indicated Yield on the CLiCS but will instead pay the Net Distributable Funds, if any, to the holder of the Special Trust Securities.

3. RELATED PARTY TRANSACTIONS

The proceeds of \$300,000,000 received from the offering of the CLiCS — Series A will be used to purchase a senior debenture of CLA (the “CLA A Debenture”). The proceeds of \$150,000,000 received from the offering of the CLiCS — Series B will be used to purchase a senior debenture of CLA (the “CLA B Debenture”). CLA’s subscription for Special Trust Securities, together with amounts borrowed by the Trust under the Credit Facility, will be used to purchase the Funding Debenture and to pay the Underwriters’ fee and offering expenses.

Further, the Trustee will enter into an Administration Agreement with CLA pursuant to which CLA will serve as administrative agent of the Trust. Accordingly, CLA will receive an administration fee in acting in that capacity.

CLA will provide a non-interest-bearing loan to the Trust at the closing of the Offering.

4. PROPOSED ISSUE

Pursuant to an underwriting agreement dated March 7, 2002 the Trust has agreed to issue 300,000 CLiCS — Series A for gross proceeds of \$300,000,000 and 150,000 CLiCS — Series B for gross proceeds of \$150,000,000. The Underwriters’ fee and offering expenses payable by the Trust are estimated at \$5,100,000.

Concurrently with the closing of the Offering, Canada Life Financial Corporation (“CLF”), CLA, the Trust and the Exchange Trustee, as trustee for the holders of the Automatic Exchange CLA Shares and Holder Exchange CLA Shares (collectively, the “CLA Preferred Shares”), will enter into the Share Exchange Agreements providing for, among other things, the respective rights and obligations of CLF, CLA, the Trust, the Exchange Trustee, the holders of the CLiCS and the holders of the CLA Preferred Shares with respect to the exchange of Holder Exchange CLA Shares and Automatic Exchange CLA Shares for CLF Common Shares. Immediately following the closing of the Offering, and after the subscription by CLA for Special Trust Securities, the Trust will acquire from CLA the CLA A Debenture for a purchase price equal to \$300,000,000, the CLA B Debenture for a purchase price equal to \$150,000,000 and the Funding Debenture for a purchase price equal to \$18,000,000.

CERTIFICATE OF THE TRUST

Dated: March 7, 2002

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. For the purpose of the Province of Québec, this prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

CANADA LIFE CAPITAL TRUST
by its Administrative Agent
THE CANADA LIFE ASSURANCE COMPANY

By: (Signed) Patrick G. Crowley
Executive Vice-President and Chief Financial Officer

By: (Signed) Roy W. Linden
Secretary and Chief Compliance Officer

CERTIFICATE OF THE CANADA LIFE ASSURANCE COMPANY

Dated: March 7, 2002

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. For the purpose of the Province of Québec, this prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

(Signed) David A. Nield
Chairman, President and Chief Executive Officer

(Signed) Patrick G. Crowley
Executive Vice-President and Chief Financial Officer

On behalf of the Board of Directors

(Signed) Cedric E. Ritchie
Director

(Signed) T. Iain Ronald
Director

CERTIFICATE OF CANADA LIFE FINANCIAL CORPORATION

Dated: March 7, 2002

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. For the purpose of the Province of Québec, this prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

(Signed) David A. Nield
Chairman, President and Chief Executive Officer

(Signed) Patrick G. Crowley
Executive Vice-President and Chief Financial Officer

On behalf of the Board of Directors

(Signed) Cedric E. Ritchie
Director

(Signed) T. Iain Ronald
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: March 7, 2002

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. For the purpose of the Province of Québec, to our knowledge, this prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

MERRILL LYNCH CANADA INC.

By: (Signed) M. MARIANNE HARRIS

BMO NESBITT BURNS INC.

By: (Signed) THOMAS E. FLYNN

CIBC WORLD MARKETS INC.

By: (Signed) DONALD A. FOX

SCOTIA CAPITAL INC.

By: (Signed) JOHN L. SHERRINGTON

TD SECURITIES INC.

By: (Signed) J. DAVID BEATTIE

RBC DOMINION SECURITIES INC.

By: (Signed) FREDERICK CHANN

HSBC SECURITIES
(CANADA) INC.

By: (Signed) PATRICK M. NOLAN

GRIFFITHS MCBURNEY & PARTNERS

By: (Signed) EUGENE C. MCBURNEY

UBS BUNTING WARBURG INC.

By: (Signed) PETER MYERS

MERRILL LYNCH CANADA INC. is an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc.;

BMO NESBITT BURNS INC. is a wholly-owned subsidiary of BMO Nesbitt Burns Corporation Limited, an indirect majority-owned subsidiary of a Canadian chartered bank;

SCOTIA CAPITAL INC. is an indirect wholly-owned subsidiary of a Canadian chartered bank;

CIBC WORLD MARKETS INC. is a wholly-owned subsidiary of a Canadian chartered bank;

TD SECURITIES INC. is a wholly-owned subsidiary of a Canadian chartered bank;

RBC DOMINION SECURITIES INC. is a wholly-owned subsidiary of a Canadian chartered bank;

HSBC SECURITIES (CANADA) INC. is a wholly-owned subsidiary of a Canadian chartered bank;

GRIFFITHS MCBURNEY & PARTNERS: Eugene C. McBurney, Kevin M. Sullivan, Michael A. Wekerle, Thomas A. Budd, Robert Fraser and Paul Pew;

UBS BUNTING WARBURG INC. is a wholly-owned subsidiary of UBS Bunting Warburg Limited.



Canada Life™