DEFFERED VARIABLE ANNUITY
MATERIAL FEATURES, TERMS AND DEFINITIONS

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SECTION 1: CUSTOMER ACNOWLEDGEMENT OF MATERIAL FEATURES OF VARIABLE ANNUITY

A. INSURANCE COMPONENT

1. A variable annuity is not solely an investment product, it combines aspects of insurance and securities.
2. I realize that the internal charges of a variable product include an insurance cost in addition to the costs levied by the sub-account management.
3. Depending on the product I have selected, those cumulative costs may be more or less than similar charges levied on open-end mutual funds that have no such insurance component.

B. MARKET RISK

1. I recognize that there is no guarantee that the variable product that I have selected will perform better, worse, or in a similar manner to other equity investments that I might consider as an alternative, and that the relative difference in fees and charges could affect the outcome, depending upon performance of the sub-accounts, taxes paid, market fluctuations, and the amount of time the investment is allowed to grow.
2. I understand that if there is a principal guarantee feature, reset, or step up feature, I may incur additional expenses and/or holding period to take advantage of these benefits as determined by the insurance carrier.

C. FACTORS AFFECTED BY AGE

1. I recognize that variable products generally should be considered only for long-term investment strategies and are generally illiquid until after age 59 ½.
2. I am aware that the Internal Revenue Service may assess a penalty of 10 percent on either principal or interest if withdrawn prior to age 59 ½.
3. I am aware that this product may or may not contain enhanced living or death benefits. I understand that these benefits may change, reduce, or be eliminated once I reach a certain age. I acknowledge that all pertinent information regarding these benefits has been explained to me by my Financial Representative.

D. ACKNOWLEDGE EACH OF THE FOLLOWING ABOUT YOUR INVESTMENT DECISION

1. My Financial Representative has explained to me the features, benefits and costs associated with the purchase of a variable annuity and I have been provided with a prospectus detailing the procedures and charges for surrendering or making withdrawals from the contract.
2. I have been informed of the potential surrender fees and other expenses and how they affect my/our policy value.
3. I understand that the value of the underlying sub-accounts that are not guaranteed will fluctuate in response to market changes and other factors.
4. Compensation. In connection with this transaction, I understand that CCS and my financial representative will receive compensation, the amount of which depends on the product and share class chosen. My financial representative may receive higher compensation on a product with the same features due to the share class that I have chosen. This additional compensation is largely derived from the higher fees associated with specific share classes.
5. I have carefully considered the product in its entirety and its component parts, including riders and sub-account allocations and believe they are suitable for my/our investment needs.
6. I understand that my/our variable insurance contract has a “free look” period during which I can terminate the contract without paying any surrender charges.

SECTION 2 - TERMS AND DEFINITIONS

VARIABLE ANNUITIES

An annuity is a contract between you and an insurance company in which the company promises to make periodic payments to you, starting immediately or at some future time. You buy an annuity either with a single payment or a series of payments called premiums.

Some annuity contracts provide a way to save for retirement. Others can turn your savings into a stream of retirement income. Still others do both. If you use an annuity as a savings vehicle and the insurance company delays your pay-out to the future, you have a deferred annuity. If you use the annuity to create a source of retirement income and your payments start right away, you have an immediate annuity. Annuities come in a few varieties: fixed, variable and indexed.

WHAT IS A VARIABLE ANNUITY?

As its name implies, a variable annuity's rate of return changes with the stock, bond and money market funds that you choose as investment options. Variable annuities are sometimes compared to mutual funds because they offer similar investment features, including investment choices—called "separate accounts"—that resemble mutual funds. However, they are different products.

A typical variable annuity offers three basic features not commonly found in mutual funds tax-deferred treatment of earnings; a death benefit; and annuity payout options that can provide guaranteed income for life. While a variable annuity has the benefit of tax-deferred growth, its annual expenses are likely to be much higher than the expenses on a typical mutual fund. And, unlike a fixed annuity, variable annuities do not provide any guarantee that you will earn a return on your investment. Instead, there is a risk that you could actually lose money.

ACCUMULATION AND DISTRIBUTION PHASE

In general, variable annuities have two phases: (1) the "accumulation" phase, when the premiums you pay are allocated among investment portfolios, or subaccounts, and your earnings on these investments accumulate; and (2) the "distribution" phase, when the insurance company guarantees a minimum payment to you based on the principle and investment returns (positive or negative).

During the accumulation phase, it can be difficult and costly to access the money you've invested. You often have to pay what are called "surrender charges" to withdraw your money early—and you might incur tax liabilities on the earnings your investment has made. In the distribution phase, you typically can choose to withdraw money in a lump sum or as a series of payments over time. Regardless, your distribution will depend on the performance of the investment options you chose.

EXCHANGING OR REPLACING YOUR CURRENT ANNUITY

If you already have a variable annuity, you may be presented with an option to exchange or replace it. There can be benefits to what is called a "1035 exchange," which refers to a provision in the U.S. tax code that permits a direct transfer of funds in a life insurance policy, endowment policy or annuity policy to another policy without tax consequences. If you consider exchanging or replacing your annuity, be sure to do a close comparison with your existing annuity, and only make a change when it is better for you, and not just better for the person trying to sell you a new product. Remember that exchanging one contract for a new one usually means the clock restarts for purposes of early withdrawal penalties.

THINGS TO CONSIDER

The variety of features offered by variable annuities can be confusing. For this reason, it can be difficult to understand what's being recommended for you to buy. It's smart to take the following steps, before you purchase a variable annuity:

- Fully understand all of its terms, fees and expenses, and carefully read the prospectus.
- Ask specific questions like how long your money will be tied up, whether the annuity has sales or surrender charges, and if the investment poses liquidity risks, has early withdrawal penalties or potential tax consequences.
- Find out whether the policy has a "free look" period that allows you to cancel an annuity purchase within a specific period if you have second thoughts.
- Ask how your broker is being compensated. In addition to annual fees and other charges, the sales person who sells you a variable annuity is likely collecting a commission for the sale. Variable annuities have many features that can drive up commission charges to customers. Sometimes, a salesperson will also receive special compensation for selling these products.

FEES AND EXPENSES

Variable annuities typically have high annual fees and expenses, in addition to potential sales and surrender charges and early withdrawal penalties. These annual fees and expenses can include:

- Mortality and expense risk charges, which the insurance company charges for the insurance to cover guaranteed death benefits, annuity payout options that can provide guaranteed income for life or guaranteed caps on administrative charges.
- Administrative fees, for record-keeping and other administrative expenses.
- Underlying fund expenses, relating to the investment subaccounts.
- Charges for special features, such as stepped-up death benefits, guaranteed minimum income benefits, long-term health insurance or principal protection.

Make sure you understand all the fees, expenses and other charges related to the variable annuity recommended to you before you make a purchase.

SECTION 3 – CONFLICTS OF INTEREST

Annuity Products. Due to the different commission schedules offered with annuity products (such as variable annuities, fixed indexed annuities, etc.) CCS and your financial representative may receive more or less compensation depending on the commission schedule or share class selected. There is a conflict in that we, and your financial representative, may receive more compensation for choosing one commission schedule over another. We also are likely to receive more compensation when recommending variable or indexed annuities over fixed annuities or other investments. To mitigate this conflict, CCS will explain the compensation paid to CCS and your financial representative and recommend the annuity itself and share class option (if applicable) that best meets your investment objective and time horizon

Switches and Replacements. If you do choose to switch or exchange your mutual fund or annuity investments to purchase a new investment, and your account with CCS is commission-based, you will most likely incur a sales charge and/or a new surrender period on the new investment. A conflict exists in that CCS and your financial representative will be compensated if you switch or exchange the investment, but will not be compensated if you don't. To mitigate this conflict, CCS will explain the material benefits and costs of the exchange and advise on the suitability of the exchange given your investment objective and time horizon.

Compensation Structures. CCS maintains multiple commission grids in which the type of product sold affects CCS' and your financial representative's commission or fee payout percentage. Because we are compensated differently for different products and are paid more the more transactions you execute, this is a conflict of interest.

Commission-Based Verses Fee-Based Accounts. You have a choice of opening a fee-based advisory or a commission-based non-advisory account with our firm. CCS and your financial representative may receive higher compensation for fee-based advisory accounts over time as compared to commission-based non-advisory accounts. A conflict exists if a recommendation is made to establish or convert a commission-based account to an advisory account that may not be appropriate based on anticipated trading activity and the need for ongoing monitoring and advice. To mitigate this conflict, we will explain the advantages and disadvantages of a fee-based advisory account based prior to opening the account.

Rolling-Over Assets from a Qualified Plan to an Individual IRA. Rolling over assets to an IRA account with CCS is just one of multiple options for your retirement assets. The costs of maintaining and investing assets in an IRA with us will generally be higher than other options available to you. There is a conflict when we recommend that you rollover your Qualified Plan assets into an IRA account with CCS as opposed to leaving the assets in the current plan. The conflict exists because we, and your financial representative, will be compensated if you make the change and will not be compensated if you don't. To mitigate this conflict, CCS will explain the various options available to you for your retirement assets before opening your account with our firm.

Transfer/Rollover from an IRA to an IRA. There are certain costs associated with opening a new IRA account with CCS including one-time set up fees, annual custodian fees as well as investment costs for the investments held in the IRA. These costs over time may be more or less than costs associated with staying in your current IRA. The conflict exists because we, and your financial representative, will likely be compensated if you make the change and will not be compensated if you don't. To mitigate this conflict, CCS will explain the various options available to you for your retirement assets before opening your account with our firm.

Training and Education. We may be reimbursed by fund or insurance distributors or their affiliates for expenses CCS or our financial representatives incur for educational meetings, client seminars, and conferences held periodically during any given year in the normal course of business. These reimbursements could lead CCS and our financial representatives to focus more on those products that provide reimbursements as opposed to those that do not when making Covered Recommendations. To mitigate this conflict, CCS requires these types of reimbursements to be approved by CCS and you should be aware of this conflict when you and your financial representative evaluate your investment options.

Gift Policy – Limits/Reporting/Pre-Approval. Interactions with existing or prospective clients, suppliers and vendors are business relationships that should be treated as such. The inappropriate giving or receiving of gifts creates a conflict in that it may jeopardize our or the other party's objectivity in such business relationships. To mitigate this conflict, CCS operates a gift policy in which financial representatives shall not, directly or indirectly, give anything of value in excess of the limit required under FINRA Rule 3320 to any client, vendor or other person with whom CCS and your financial representative does business.

Client Entertainment Policy. While business entertainment can be important to a client relationship, a conflict exists if such practices negatively affects your financial representative's ability to exercise sound business judgment. To mitigate this conflict, it is CCS policy that entertainment and business generation expenditures, when aggregated per client, must not be so frequent or so extensive as to create the potential for conflicts of interest or any speculation of impropriety.