



Prosperity Elite® Series — Statement of Understanding

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Thank you for your interest in the Prosperity Elite Series annuity from Fidelity & Guaranty Life Insurance Company ("Company"). We want you to understand the benefits, features, and limitations of this annuity before you purchase it. This Statement of Understanding summarizes the annuity Policy ("Policy") for the Prosperity Elite Series.

Please read this document thoroughly, then sign the last page which is a disclosure form acknowledging your understanding of the Policy and that you have reviewed the current Rate Sheet. If you decide to purchase the Prosperity Elite Series annuity, we will send you the actual Policy. If the content in this Statement of Understanding differs from what you read in any provision of the Policy, the Policy controls. If the content in this Statement of Understanding differs from what you read in the consumer product brochure, this document controls.

A NOTE ABOUT CURRENT RATES

- Feature Rates described in this Statement of Understanding can be found on the Prosperity Elite Series Rate Sheet provided to you by your insurance producer. Rates are subject to change and are set at your Policy issue date for the initial crediting period.
- The interest rates, Cap Rates, Spreads, Participation Rates and interest crediting options may change at the end of each crediting period. On each Policy anniversary, the Company will provide the then current rates and available indices subject to the Policy's reallocation provisions.

What is the Prosperity Elite Series annuity?

Prosperity Elite Series is a Flexible Premium Fixed Indexed Deferred Annuity. It is available with a 7-Year, 10-Year, or 14-Year Surrender Charge Schedule on Prosperity Elite 7, Prosperity Elite 10, or Prosperity Elite 14 respectively. Prosperity Elite 14 is not available in the following states: AK, AL, CA, CT, DE, FL(65+), ID, IN, MA, MN, MS, MT, NJ, NV, NY, OH, OK, OR, PA, PR, SC, TX, UT and WA. You must choose either the Enhancement Package or the Protection Package. The Enhancement Package includes a Premium Bonus that vests over time and the Guaranteed Minimum Death Benefit Rider ("GMDB Rider"). The Protection Package includes a Premium Bonus that vests over time and two riders: an Enhanced Guaranteed Minimum Withdrawal Benefit Rider ("EGMWB Rider") and an Enhanced Guaranteed Minimum Death Benefit Rider ("EGMDB Rider"). The Policy is primarily intended for customers seeking a long-term retirement savings vehicle. If the Enhancement Package is purchased with this package's charge, the primary focus is a Death Benefit for beneficiaries. If the Protection Package is purchased with this package's charge, the primary purpose is for customers who wish to trigger a lifetime withdrawal feature provided under the EGMWB Rider as well as a focus on a Death Benefit for beneficiaries.

What are the guidelines for premium deposits?

Your initial premium deposit is the first sum of money you pay. It must be at least \$10,000. Any additional premium deposits must be at least \$2,000 and may not exceed \$1,000,000. You must make your premium deposits prior to the Maturity Date or the withdrawal period under the EGMWB Rider if the Protection Package is selected.

When will my annuity be issued?

We issue annuities with an effective date of the 1st, 8th, 15th or 22nd of the month. We hold your premium deposits without interest until the next available effective date. Your Policy issue date is the date we deposit your funds into your elected interest crediting option, which is also the first day that your funds may begin accruing interest. Special rules apply if one of these dates falls on a weekend or holiday.

What if I decide I do not want my Policy after it is delivered?

The free look period is shown on the cover page of your Policy. After you receive the Policy, you may return it within the free look period which is the amount of time you have to request an unconditional refund of the premium you deposited.



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How much interest will be credited to my Policy?

This annuity offers multiple interest crediting options. The amount of interest credited to your Policy depends on which crediting options you select. There are two types — fixed interest crediting and indexed interest crediting.

For the fixed interest crediting option, you must request reallocation at least two days prior to the Policy anniversary. Fixed interest crediting option reallocations become effective on the next Policy anniversary. For the indexed interest crediting option, you must request reallocation at least 30 days prior to the start of a new index crediting period. Also, you may only reallocate values among interest crediting options once per Policy year. Indexed interest crediting option reallocations become effective on the next index crediting period.

The following is a high-level overview of these interest crediting options. Please note you may not elect more than 20 interest crediting options per Policy.

Fixed Interest Option - The Company will declare an initial fixed interest rate at issue and renewal fixed interest rates annually thereafter that will determine the fixed rate of interest credited to your Policy. These rates will never be less than the guaranteed minimum effective annual interest rate of 1.00%. Interest credits are credited daily. The initial fixed interest rate is guaranteed for the first Policy year. At the end of the first Policy year, the Company will declare a renewal fixed interest rate that will be guaranteed for the next Policy year. Subsequent years will follow the same pattern.

Indexed Interest Crediting Option - When you choose to allocate premium to an available indexed interest crediting option, you will receive interest that is calculated in reference to the upward movement, if any, of an external market index, modified by limitations such as: a Cap Rate, a Spread, or a Participation Rate. You are not purchasing stock or directly investing in the stock market. An external market index is a benchmark or relative measure of performance. By linking to an external market index, you select the measurement by which your interest credit will be calculated. The interest credits for each indexed interest crediting option will be determined in accordance with the terms of the applicable rider and are guaranteed to never be less than zero.

The Company may discontinue an indexed interest crediting option at any time during the life of your Policy. If an indexed interest crediting option is terminated, you may elect to have your funds allocated to one or more of your Policy's available indexed interest crediting options. If you make no allocation, all funds in the terminated indexed interest crediting option will be transferred to the Fixed Interest option.

Each interest crediting option account value equals:

- all premiums allocated thereto, plus any interest credited thereon;
- plus any applicable Vested Premium Bonus, plus interest thereon;
- less any amounts previously withdrawn including any applicable Surrender Charges and Market Value Adjustments thereon;
- less any applicable rider charges;
- plus any adjustments for reallocations.

What else should I know about indexed interest credits?

When the index change percentage at the end of the index term is zero or negative, no indexed interest credits will be applied to your Policy. When you make withdrawals on any day other than an interest crediting option anniversary, the amount withdrawn will not be credited with any indexed interest credits in the current index crediting period. The investment performance of the indices does not directly pass through to you as an investment. You will not receive dividends off the indices. Your annuity uses the performance of external indices to calculate any applicable indexed credits to determine your credited interest, but your premiums are not actually invested in the indices. On your Policy anniversary, You may choose any one or combination of available interest crediting options subject to the Policy's reallocation provisions.

Note that after the initial premium, any additional premium will be automatically allocated to the fixed interest crediting option Account Value and will remain there unless you reallocate it.



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Optional Charge Indexed Interest Crediting Options

Some indexed interest crediting options may be available with a charge. Indexed interest crediting options with a charge at times may provide higher Cap Rates, higher Participation Rates, or lower Spreads than options without charges. These indexed interest crediting options may not be available in all states. Please refer to the Prosperity Elite Series Rate Sheet to see the available indices, current rates and applicable charge.

Does my Policy have a Vesting Premium Bonus?

Yes, the Prosperity Elite Series Annuity includes a Vesting Premium Bonus. All Premium Bonus calculations are made on premiums paid during the first Policy year only. The Premium Bonus rate used to calculate your Vesting Premium Bonus depends on your age and in which state you purchased your Policy. Please note Prosperity Elite 14 is not available in the following states: AK, AL, CA, CT, DE, FL(65+), ID, IN, MA, MN, MS, MT, NJ, NV, NY, OH, OK, OR, PA, PR, SC, TX, UT and WA.

Please refer to the Rate Sheet for current rates applicable to you.

Prosperity Elite 7 Bonus Vesting Schedule

End of Policy year	1	2	3	4	5	6	7
Percentage	14%	29%	43%	57%	71%	86%	100%

Prosperity Elite 10 Bonus Vesting Schedule

End of Policy year	1	2	3	4	5	6	7	8	9	10
Percentage	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%

Prosperity Elite 14 Bonus Vesting Schedule

End of Policy year	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Percentage	7%	14%	21%	29%	36%	43%	50%	57%	64%	71%	79%	86%	93%	100%

Your Premium Bonus and interest credited vests each Policy anniversary and is included in your Vested Account Value. Any Unvested Premium Bonus and any interest thereon are not available for surrender or withdrawal and are not part of the Surrender Value.

Do I have access to my Policy value before the Maturity Date?

You have access to the Policy values before the Maturity Date. See the following penalty free withdrawal options available. Outside of the following free withdrawal options, any values you choose to access during the first 7, 10 or 14 Policy years may be subject to a Surrender Charge, Market Value Adjustment (MVA) (where applicable) and the Premium Bonus Vesting Schedule.

Free Withdrawals - After the first year and during the remainder of the period the Surrender Charge Schedule is in effect, the Free Withdrawal Amount is equal to 10% of your Vested Account Value at the beginning of each Policy year. During this period, the Free Withdrawal Amount is available without Surrender Charge and MVA (where applicable). If your withdrawal amount is less than the Free Withdrawal Amount, the Free Withdrawal Amount does not increase in future Policy years.

Terminal Illness Waiver - If the Policy Owner has an illness or physical condition that results in a life expectancy of 12 months or less, the rider allows withdrawals of all or part of the Policy's Vested Account Value or Minimum Guaranteed Surrender Value, whichever is greater, without a Surrender Charge or MVA (where applicable). The initial diagnosis of the terminal illness must be made at least 1 year after the Policy date of issue (For KS, terminal illness may be diagnosed at least 90 days after Policy date of issue.). There is no additional charge for this benefit.

Nursing Home Rider - If the Policy Owner becomes confined to a state-licensed, nursing long-term care facility that provides skilled, continuous nursing care or services under the supervision of a licensed nurse or physician, the rider allows withdrawals of all or part of the Policy's Vested Account Value or Minimum Guaranteed Surrender Value, whichever is greater, without a Surrender Charge or MVA (where applicable). Nursing Home confinement must begin at least one year after the Policy date of issue and continue for at least 60 consecutive days (For AK, AL, CT, ID, IN, MN, MS, MT, OR, PA,



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PR, and WA, confinement may begin after the Policy's date of issue.). There is no additional charge for this benefit. This benefit is not available if your Policy is issued in the state of Massachusetts.

Home Health Care Rider - If the Policy Owner is unable to perform two of the six activities of daily living outlined in the rider without the assistance of another person, the rider allows withdrawals of all or part of the Policy's Vested Account Value or Minimum Guaranteed Surrender Value, whichever is greater, without a Surrender Charge or MVA (where applicable). Home Health Care must begin at least one year after the Policy date of issue, continue for at least 60 consecutive days and be expected to last 90 days from the date of request. (For AK, AL, CT, ID, IN, MN, MS, MT, OR, PA, PR, and WA, Home Health Care may begin after the Policy's date of issue.) There is no additional charge for this benefit. This benefit is not available if your Policy is issued in the state of Massachusetts.

Required Minimum Distribution - For annuities purchased with "tax-qualified" money (like an IRA), required minimum distributions under the Internal Revenue Code attributable to the Policy are part of and not in addition to the Free Withdrawal Amount. Please refer to the IRA Rider and Disclosure attached to your Policy for additional information on required minimum distributions.

What is the death benefit provision?

If you, as the Policy Owner, pass away before the Maturity Date, the ownership of the Policy passes to the person(s) living in the order as follows:

- surviving Joint Owner, if any;
- beneficiary;
- contingent beneficiary;
- estate of the last Owner to die.

If the spouse of the first Owner to die elects to continue the Policy, we will continue to apply Surrender Charges, MVA (where applicable), and the Premium Bonus Vesting Schedule. In that case, we do not calculate a partial indexed interest credit. We call this the spousal continuation provision.

If a spousal continuation does not apply or is not invoked, the Policy must be fully surrendered and the entire proceeds must be distributed within five years of the Owner's death. However, within one year from the date of the death, a non-spouse may elect to begin receiving payments with respect to their proportionate share, provided such payments are distributed over the life or a period not to exceed the life expectancy of the non-spouse. With the death benefit, we deduct no Surrender Charge and MVA (where applicable), and the Vesting Premium Bonus will fully vest. The Surrender Value will equal the total Account Value. If on full surrender, the Minimum Guaranteed Surrender Value is greater than the total Account Value, the beneficiary of the Policy recipient will receive the Minimum Guaranteed Surrender Value.

For the Death Benefit provision, on the date of death we calculate a partial indexed interest credit under applicable crediting options as if the date of death was on an index crediting date. After performing such calculation and crediting any applicable indexed interest credits, all indexed interest crediting will stop, and the fixed interest option rate will apply until the date of full surrender.

What happens on the Policy's Maturity Date?

On the Policy's Maturity Date, you will begin to receive the entire value of your Policy in the form of annuity payments. There are a number of payout options. After you select an option and the amount of your annuity payments is determined, those payment amounts are guaranteed and can never be changed. You should review the available payout options with your tax advisor to select the most appropriate one based on your financial situation.

What if I decide to surrender my Policy prior to the Maturity Date?

If you surrender your Policy prior to the Maturity Date, the Company will pay you the Policy's Surrender Value. The Surrender Value is equal to the greater of the following values:

- the Vested Account Value, less any applicable Surrender Charges, plus/minus any applicable MVA; or
- the Minimum Guaranteed Surrender Value (MGSV).



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What is a Minimum Guaranteed Surrender Value (MGSV)?

At any time before the Maturity Date, the Minimum Guaranteed Surrender Value equals:

- 87.50% of the premiums,
- plus interest credited daily at the MGSV accumulation interest rate,
- less any amounts previously surrendered from the Minimum Guaranteed Surrender Value accumulated at the MGSV accumulation interest rate.

What is a MGSV accumulation interest rate?

The MGSV accumulation interest rate is a rate between 1.00% and 3.00%, which is declared on your Policy information page and is guaranteed for the life of the Policy.

What is a Surrender Charge?

A Surrender Charge is the cost you incur if you surrender the Policy or if you withdraw an amount which exceeds the Free Withdrawal Amount during the period the Surrender Charge Schedule is in effect. We apply the Surrender Charge at the time of the surrender or withdrawal. Using the Surrender Charge Schedule, we multiply any amount you withdraw by the applicable percentages on the schedule.

Surrender Charge Schedules

Prosperity Elite 7 Surrender Charge Schedule

Policy year	1	2	3	4	5	6	7	8+
Percentage	10%	9%	8%	7%	6%	5%	4%	0%

The following states follow an alternate 7-year Surrender Charge Schedule: AK, AL, CA, CT, DE, FL (ages 65+), ID, IN, MA, MN, MS, MT, NJ, NV, OH, OK, OR, PA, PR, SC, TX, UT and WA. For these states, the Surrender Charge Schedule is: 9%, 9%, 8%, 7%, 6%, 5%, 4%, 0%.

Prosperity Elite 10 Surrender Charge Schedule

Policy year	1	2	3	4	5	6	7	8	9	10	11+
Percentage	12%	11%	10%	9%	8%	7%	6%	5%	4%	3%	0%

The following states follow an alternate 10-year Surrender Charge Schedule: AK, AL, CA, CT, DE, FL (ages 65+), ID, IN, MA, MN, MS, MT, NJ, NV, OH, OK, OR, PA, PR, SC, TX, UT and WA. For these states, the Surrender Charge Schedule is: 9%, 9%, 8%, 7%, 6%, 5%, 4%, 3%, 2%, 1%, 0%.

Prosperity Elite 14 Surrender Charge Schedule

Policy year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15+
Percentage	14.75%	13.75%	12.75%	11.75%	10.75%	10%	9%	8%	7%	6%	5%	4%	3%	2%	0%

Prosperity Elite 14 is not available in the following states: AK, AL, CA, CT, DE, FL (ages 65+), ID, IN, MA, MN, MS, MT, NJ, NV, OH, OK, OR, PA, PR, SC, TX, UT and WA.

For Florida and Texas, Surrender Charges and Market Value Adjustment (MVA) are waived for annuitization. Surrender Charges are assessed for full surrenders.



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Would it ever occur that the surrender value is less than the premiums I have paid in?

If you surrender your Policy before the end of the 7th, 10th, or 14th Policy year, you may receive less than your premium.

The following chart shows hypothetical Surrender Charge Percentages to demonstrate sample Surrender Charges.

Policy Year	Hypothetical Vested Account Value	Penalty Free Withdrawal	Surrender Charge Percentage	Surrender Charge	(1) Vested Account Value less Surrender Charge	(2) Minimum Guaranteed Surrender Value	Surrender Value = Greater of (1) or (2)
1	100,000	0	12%	12,000	88,000	87,500	88,000
5	104,000	10,400	8%	7,488	96,512	91,053	96,512
10	110,000	11,000	3%	2,970	107,030	95,697	107,030
20	150,000	150,000	0%	0	150,000	105,710	150,000

Surrender Charge percentages are based on a hypothetical Surrender Charge Schedule. Refer to your Policy for the Surrender Charge percentage applicable each Policy year in the state where your Policy was issued.

The Surrender Value in this example does not account for any applicable Market Value Adjustment. Application of a Market Value Adjustment may increase or decrease the Surrender Value. Refer to your Policy for Market Value Adjustment details.

What is a Market Value Adjustment?

A Market Value Adjustment (MVA) (where applicable) is an adjustment made during the Surrender Charge Schedule period on any amount withdrawn in excess of the Free Withdrawal Amount. The MVA is in addition to applicable Surrender Charges. Generally, if rates have risen since you purchased your annuity, the MVA will decrease your Surrender Value; and if rates have fallen, the MVA will increase your Surrender Value.

The MVA is based on a formula that considers changes in rates between the Issue Date and the date of the withdrawal or surrender. Rates are based on the Bloomberg Barclays U.S. Aggregate Index Yield to Worst. The MVA is equal to the sum of all funds withdrawn that are subject to the Surrender Charge by the Market Value Adjustment Factor; the resulting MVA (positive or negative) will not be exceed the MVA Limit.

The Market Value Adjustment Factor is equal to:

$$1 - \left(\frac{1+A}{1+B+.0025} \right)^{N/12}, \text{ where:}$$

- A is the rate determined as of the Policy date of issue;
- B is the rate determined as of the date we process the surrender or annuitization request; and
- N is the number of months remaining to the end of the Surrender Charge Schedule, rounded up to the next higher number of months.

A positive MVA will decrease the surrender value, and a negative MVA will increase the surrender value.

In the states of Maryland or Ohio the .0025 factor in the MVA Formula in the above example does not apply.

In the states of California, New Jersey, Utah, and Virginia rates are based on the U.S. Treasury Constant Maturity Series.

Market Value Adjustment is not applicable if your Policy is issued in the states of Alaska, Alabama, Connecticut, Idaho, Illinois, Indiana, Minnesota, Mississippi, Missouri, Montana, Oregon, Pennsylvania, Puerto Rico and Washington. Please refer to your Policy for specific details.



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What is the Market Value Adjustment Limit?

The MVA Limit is the largest amount (positive or negative) that will apply to surrender request. The MVA Limit equals $W \times$ (the lesser of E or F) where:

- W is the greater of zero or (C/D)
 - C is the portion of the withdrawal that exceeds the Free Withdrawal Amount
 - D is the Vested Account Value less the Free Withdrawal Amount
- E is the Vested Account Value minus the Surrender Charge applicable on a full surrender minus the Minimum Guaranteed Surrender Value, but not less than zero
- F is the Surrender Charge applicable on a full surrender

In the states of California, New Jersey, Utah, and Virginia the Market Value Adjustment Limit does not apply.

What information should I know about choosing the Enhancement Package or the Protection Package?

At the time you apply for your Prosperity Elite annuity, you must choose to purchase either the Enhancement Package or the Protection Package, you may not purchase both.

What is the benefit to the Enhancement Package?

If you purchase the Enhancement Package, you will receive a Vesting Premium Bonus as well as the GMDB Rider. The Guaranteed Minimum Death Benefit is determined to be a lump sum that is the greater of:

- the total account value; or
- the minimum guaranteed surrender value; or
- the initial premium plus initial Premium Bonus growing with simple interest up to 10 years or until age 85 (of the older Owner), whichever comes first. Simple interest added is based on the initial Premium and initial Premium Bonus, reduced by all prior withdrawals.

For AK, AL, CT, ID, IN, MN, MS, MT, OR, PA, PR and WA, Initial Premium plus Initial Premium Bonus and Additional Premiums are used to calculate the lump sum Death Benefit.

All GMDB Rider values are reduced proportionately by withdrawals previously taken. If there are Joint Annuitants, the GMDB Rider benefit is only available upon the death of the first Owner.

What is the benefit to the Protection Package?

If you purchase the Protection Package, you will receive a Premium Bonus as well as the EGMWB Rider and the EGMDDB Rider. Please note if your Policy is issued in AK, AL, CT, ID, IN, MN, MS, MT, OR, PA, PR and WA, you will receive the GMDB Rider.

How much does the Enhancement Package or the Protection Package cost?

The charge for the Enhancement Package is the fee multiplied by the highest rider Guaranteed Minimum Death Benefit (described below) on each Policy anniversary deducted from the account value on each Policy anniversary.

The charge for the Protection Package is for the two required riders under the Protection Package: the initial EGMWB Rider charge is your fee amount multiplied by the Income Base on each Policy anniversary and the EGMDDB Rider charge is the fee multiplied by the highest rider Guaranteed Minimum Death Benefit amount on each Policy anniversary. These charges are deducted from the Account Value on each Policy anniversary. If you elect Restart under the EGMWB Rider, the charge may change. Please refer to the Prosperity Elite Series Rate Sheet for the current Rider Charge rates.

What should I know about the Enhanced Guaranteed Minimum Withdrawal Benefit (EGMWB) Rider?

The EGMWB Rider is automatically included for all Prosperity Elite Series Policy Owners that elect the Protection Package. With this rider, you receive guaranteed withdrawal benefits for your lifetime subject to certain limitations and conditions.

Under the EGMWB Rider, the Policy Owner and Annuitant must be the same, unless the Policy Owner is a non-natural person such as an estate or trust. If you are married at Policy issue, you can specify yourself and your spouse as Joint Annuitants who can both receive lifetime income payments. You can change or add an Annuitant as your marital status changes, but once you begin receiving the EGMWB Rider benefits, you cannot change or add an Annuitant. However, if the Policy Owner is a non-natural person such as an estate or trust, no Annuitant may be changed except as provided under



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the spousal continuation provisions.

What is my Income Base?

Your Income Base is the value we use to determine both your EGMWB Rider fee and the amount of your Guaranteed Withdrawal Payment. The Income Base is not part of your Policy's Account Value, is not used to determine your Policy's Surrender Value and is not a value that you can withdraw.

In the first year of the Policy, you can deposit additional premiums which then grow with compound interest at the roll-up rate for either 10 years or until you elect to start Guaranteed Withdrawal Payments. The time during which your Income Base grows above is called the roll-up period, and the rate at which the Income Base grows is referred to as the roll-up rate. Upon restart, the roll-up rate may change. The roll-up rate will never be less than 3.00%.

State Variations - For AK, AL, CT, ID, IN, MN, MS, MT, OR, PA, PR and WA the Income Base will grow for a period up to the earliest of 10 years, age 85 or when the withdrawal period begins.

For HI, IL and VT, the Income Base is the greater of initial premium and additional premium plus the Premium Bonus growing for a period up to 10 years; or until the withdrawal period begins.

What is Restart?

After five Policy years and during the initial 10-year roll-up period, the Owner may elect to start a new 10-year roll-up period. Upon restart, if the Vested Account Value is greater than the Income Base, the Income Base is increased to equal the Vested Account Value. Restart must occur on a Policy anniversary while the Policy is in the accumulation period.

State Variations - For AK, AL, CT, ID, IN, MN, MS, MT, OR, PA, PR and WA, restart is available after the five Policy years if the Owner is not older than age 85 during the initial 10-year roll-up period.

Restart is not available in HI or IL.

What is the Accumulation Period?

Your Accumulation Period is the period of time between the Policy date of issue and the start of your guaranteed withdrawal benefits. It is the period in which you are depositing premiums into the account. You may also withdraw funds from your account during this period. If during your Accumulation Period you deplete your Vested Account Value to zero, your Policy will terminate and you will not be eligible for any guaranteed withdrawal benefits.

What is the Withdrawal Period?

Your Withdrawal Period begins on the date of your first Guaranteed Withdrawal Payment provided you and any applicable Joint Annuitant have attained age 50 and you elect to begin Guaranteed Withdrawal Payments after the first anniversary. Guaranteed Withdrawal Payments are the maximum amounts that you can withdraw each year without negatively affecting your Income Base and future Guaranteed Withdrawal Payments. If during your Withdrawal Period you deplete your Policy's Account Value to zero due to an excess withdrawal, your Policy will terminate.

You have the option to pause Guaranteed Withdrawal Payments at any time during your withdrawal period. Pausing or taking lower withdrawal payments, however, does not restart your Accumulation Period. Also, if you have an unused portion of your guaranteed withdrawal amount at the end of your Policy year, you cannot carry that amount over to a subsequent Policy year.

What is Step-up?

Step-up occurs when your Income Base is increased to your Vested Account Value or the guaranteed minimum withdrawal performance value. The step-up is automatic and is available on the day your withdrawal period begins and on each Policy anniversary during the withdrawal period¹. At step-up, the Guaranteed Withdrawal Payment amount is recalculated to equal the stepped-up Income Base multiplied by the guaranteed withdrawal percentage. At step-up, the guaranteed withdrawal percentage will be based on your age at the time of step-up — and in the case of Joint Annuitants, the younger Annuitant's age at the time of step-up.

¹ Step-up is only available on the date the withdrawal period begins for the following states: AK, AL, CT, ID, IN, MN, MS, MT, OR, PA, PR, and WA.



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How is my Income Base reduced for withdrawals?

Your Income Base during your accumulation period will be reduced proportionately when you make withdrawals. Your Income Base after a withdrawal will equal your Income Base prior to the withdrawal multiplied by the partial withdrawal adjustment. The partial withdrawal adjustment equals the ratio of your Vested Account Value immediately after the partial withdrawal to your Vested Account Value immediately before the partial withdrawal. If during your accumulation period your Vested Account Value equals zero, your Income Base will also equal zero, and your Policy will terminate.

How is my Guaranteed Withdrawal Payment amount calculated?

At the beginning of your withdrawal period, your Guaranteed Withdrawal Payment is equal to the applicable guaranteed withdrawal percentage multiplied by your Income Base. The applicable guaranteed withdrawal percentages depend on your age and whether you are a single Annuitant or a Joint Annuitant. The applicable guaranteed withdrawal percentages are shown on your Policy information page. These percentages are set as of the date of issue and will not change.

The Company will pay you the Guaranteed Withdrawal Payment for your lifetime(s) provided that you take no excess withdrawal and provided that you elect a life-only annuity payout option at maturity.

It is also important to note that your Guaranteed Withdrawal Payments in combination with a withdrawal may be subject to Surrender Charges and any applicable MVA (where applicable).

Will my Guaranteed Withdrawal Payment amount ever increase after it is established?

Your Guaranteed Withdrawal Payment amount will only ever increase at a step-up—as we explained above in the section about step-up.

Will my Guaranteed Withdrawal Payment ever decrease after it is established?

If you make an excess withdrawal, your Guaranteed Withdrawal Payment will decrease.

What is an Excess Withdrawal?

During your withdrawal period, an excess withdrawal is any amount that you withdraw beyond the amount of your Guaranteed Withdrawal Payment (GWP) available for that Policy year. If you make an excess withdrawal, your Guaranteed Withdrawal Payment amount is reduced. We calculate the exact reduction using a reduction percentage. The reduction percentage is equal to the ratio of the excess withdrawal to the Vested Account Value immediately before the excess withdrawal. The reduced Guaranteed Withdrawal Payment is equal to the current Guaranteed Withdrawal Payment multiplied by the difference of one and the reduction percentage.

Please note that if your excess withdrawal reduces your Vested Account Value to zero, your Policy will terminate.

Examples of Excess Withdrawals:

Example	Policy Year	Period	Vested Account Value before Withdrawals	Income Base before Withdrawal	GWP before Excess Withdrawal	Total Withdrawal	Income Base After Withdrawal	GWP after Excess Withdrawal
1	5	Accumulation	\$100,000	\$150,000	n/a	\$50,000	\$75,000	n/a
2	10	Withdrawal	\$27,500	\$150,000	\$7,500	\$11,500	\$120,000	\$6,000
3	20	Withdrawal	\$20,000	\$120,000	\$7,500	\$17,500	\$24,000	\$1,500

These examples are not intended to reflect the exact values of any one Policy; rather, it is intended to demonstrate how excess withdrawals can impact Income Base and future income.

- In Example 1, the Owner withdraws \$50,000 of the \$100,000 Vested Account Value during the Accumulation Period. This reduces the Vested Account Value by half, which also reduces the Income Base by half. When the Owner decides to begin lifetime income, the Guaranteed Withdrawal Payment will be calculated using the lower \$75,000 Income Base amount (adjusted for any future interest and/or withdrawals).
- In Example 2, the Owner takes the Guaranteed Withdrawal Payment of \$7,500 plus an additional 20% excess withdrawal of \$4,000 during the withdrawal period. The reduced Guaranteed Withdrawal Payment is equal to $\$7,500 \times (1 - \$4,000 / \$20,000) = \$6,000$ due to the excess withdrawal. The reduced Income Base is equal to $\$150,000 \times (1 - \$4,000 / \$20,000) = \$120,000$ due to the excess withdrawal.



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- In Example 3, the Owner takes the Guaranteed Withdrawal Payment of \$7,500 plus a large excess withdrawal of \$10,000 during the withdrawal period when the Vested Account Value is significantly depleted to \$20,000. The reduced Guaranteed Withdrawal Payment is equal to $\$7,500 \times (1 - \$10,000 / \$12,500) = \$1,500$ due to the excess withdrawal. The reduced Income Base is equal to $\$120,000 \times (1 - \$10,000 / \$12,500) = \$24,000$ due to the excess withdrawal.

What is the Enhanced Guaranteed Withdrawal Payment?

If you are unable to perform two out of the six activities of daily living as defined in the EGMWB Rider, you may qualify for enhanced Guaranteed Withdrawal Payments. If you qualify for enhanced Guaranteed Withdrawal Payments, we double the guaranteed withdrawal amount for single Annuitants and multiply by 1.5 for Joint Annuitants. In order to qualify for the Enhanced Guaranteed Minimum Withdrawal Benefit, the rider must be in force for 3 years (5 years for HI and IL), Annuitant(s) are age 60, no additional premium has been paid within the prior 3 years, impairment is expected to be permanent and written determination of your impairment by your licensed medical provider must be received by our home office. Please refer to your Policy for additional limitations and conditions regarding enhanced Guaranteed Withdrawal Payments.

Can my spouse continue the EGMWB Rider?

If the surviving spouse of a deceased Policy owner (or the deceased annuitant if the owner is a non-natural person) becomes the sole Owner and the sole Annuitant and elects to continue the Policy, the following will apply:

- If the Policy is in the accumulation period on the date of the original Policy Owner's death, the EGMWB Rider will continue if the original Owner's spouse continues the Policy. If the Policy then enters the withdrawal period, the Guaranteed Withdrawal Payments will be based on the life of the surviving spouse.
- If the Policy is in the withdrawal period on the date of the original Policy Owner's death, the surviving spouse will continue to receive Guaranteed Withdrawal Payments if the payments were based, in part, on the life of the surviving spouse. If the withdrawal payments were based solely on the life of the deceased Policy Owner, then the EGMWB Rider will terminate, and the Death Benefit provision will apply.

Spousal continuation can only apply once. It cannot apply a second time if the surviving spouse continues the Policy, remarries and then dies.

Does the EGMWB Rider ever expire or terminate?

The EGMWB Rider will terminate on the earliest of the following conditions or situations:

- Policy termination;
- your request to terminate the rider, provided the rider has been in force for at least 10 years (HI, IL and TX may terminate at any time);
- annuitization;
- receipt of due proof of death of the first Owner to die (or death of the annuitant if a non-natural person Owner) except as provided under spousal continuation; or
- transfer of ownership.



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The EGMDB Rider (Enhanced Guaranteed Minimum Death Benefit Rider)

The Protection Package includes the EGMDB Rider¹ which provides the beneficiary with the choice at the death of the Owner (first Owner, if joint Owners) to receive either the benefit under A or B:

A. payments taken over at least 5 years (10 years if the older Owner was at least 71 years old on the date the Policy was issued) is the greater of:

- the initial premium only plus the EGMDB bonus; or
- the initial premium only growing with compound interest up to the earlier of 10 years, age 85 (of the older Owner), death of an Owner, or the beginning of the Withdrawal Period;

In North Carolina and Vermont:

- the initial premium plus the EGMDB bonus; or
- the Minimum Guaranteed Surrender Value; or
- all premiums paid growing with compound interest up to the earlier of 10 years, death of an Owner, or the beginning of the Withdrawal Period;

OR

B. a lump sum that will be the greatest of:

- total account value; or
- minimum guaranteed surrender value; or
- the initial premium plus initial Premium Bonus growing with simple interest up to 10 years or until age 85 (of the older Owner), whichever comes first. Simple interest added is based on the initial premium and initial Premium Bonus, reduced by all prior withdrawals.

All EGMDB Rider values are reduced proportionately by withdrawals previously taken. If there are Joint Annuitants, the EGMDB Rider benefit is only available upon the death of the first Owner.

In all states except North Carolina and Vermont, the death benefit payout option cannot be invoked prior to the end of the fifth contract year. For North Carolina and Vermont, this option is available at issue.

Are there any tax consequences if I take withdrawals from my Policy?

An annuity owned by a natural person is tax deferred, which means you don't pay taxes on the interest it earns until the money is paid to you. You will pay ordinary income taxes on the earned interest when you receive annuity benefits payments, you surrender your annuity, or you take a withdrawal. You may pay a 10% federal penalty tax on the taxable amount of any payment that you receive before age 59 ½. Consult a tax professional for more information about taxes on distributions from your annuity and penalty tax exceptions that may apply.

You may be able to exchange one non-tax qualified annuity for another non-tax qualified annuity without paying taxes. Before you do, compare the benefits and costs of each annuity. You may pay an early withdrawal charge under the old annuity. You may also pay an early withdrawal charge if you later take withdrawals from the new annuity.

¹ Please note for Policies issued in AK, AL, CT, ID, IN, MN, MS, MT, OR, PA, PR, and WA, the EGMDB Rider is not available. The GMDB Rider is offered in these states.



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What are non-guaranteed elements?

Your annuity contains certain elements which are not guaranteed at issue and may be changed at future points in time at the Company's discretion. These non-guaranteed elements may also be explained in the Policy illustration you may have received from your Agent.

These are non-guaranteed elements in the Prosperity Elite Series annuity and in the specific riders available to the annuity.

- For the fixed interest option, the Company declares the interest rate annually which can never be less than the stated guaranteed rate.
- For other interest crediting options the Company may change Participation Rates, Cap Rates and Spreads within stated ranges on an annual or less frequent basis.
- If your annuity has a guaranteed minimum withdrawal benefit, a restart option may be available in which case the Company may change the roll-up rate and rider charges within stated ranges.

How is the insurance producer compensated?

The insurance producer is paid commission for selling the annuity. The commission is a percentage of Policy premium. Additional commission called an override may also be paid to an intermediary agency or other third party who assist in recruiting, training, and supporting insurance producers. Insurance producers may also qualify for and receive additional incentives, benefits, or services from the Company including but not limited to reimbursement for training, education, marketing, and advertising; travel and lodging for events and conferences; gifts, meals, and entertainment customary to the business; loans or other financial arrangements; supplemental commission; participation in profit sharing or bonus programs.

Eligibility for such incentives, benefits, or services may be contingent on the insurance producer meeting certain sales production goals. The Company provides similar incentives to agencies or other parties involved in product distribution which may also include increased override amounts when certain sales thresholds are met and in some cases payment of product development fees. The amount of commission or other compensation paid to insurance producers or other parties involved in distribution varies by product. All commissions and other forms of compensation described here are paid by the Company and are not deducted from premium paid for the Policy; however, commissions and compensation are cost factors that impact product pricing and features.

What material conflicts of interest might affect the annuity recommendation?

In general, a material conflict of interest exists if the insurance producer has his or her own financial interest in the sale of the annuity that could reasonably be expected to influence the impartiality of the recommendation. Among others, the following list of interests and relationships may affect the insurance producer's recommendation of the annuity:

- The insurance producer is an appointed insurance agent for the Company.
- The insurance producer is an independent agent who may represent more than one insurance company but can only represent insurance companies to which he or she is appointed.
- The insurance producer receives a commission when you buy the annuity which varies based on factors such as annuity type, annuity duration, and amount of premium.
- The insurance producer may be eligible for and receive other incentives as described above from the Company or from an IMO or other third party involved in product distribution.
- The insurance producer offers a limited range of products based on his or her license and the menu of available products offered by insurers to which the insurance producer is appointed.
- The insurance producer is compensated only if you purchase the annuity and not compensated if you choose not to buy the annuity.
- The insurance producer compensation could be more or less than compensation paid to an agent or broker offering alternative products or services.
- The insurance producer may have business relationships with IMOs or other third parties providing wholesaling, administration, marketing, or other related services.



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It is possible that the insurance producer may have other material conflicts of interest. In some cases, depending on applicable laws and regulations, the insurance producer may be required to disclose material conflicts of interest as defined by those laws and regulations. In all cases you may inquire of the insurance producer whether other material conflicts exist.

Please note that if the insurance producer acts in another capacity in addition to insurance producer (e.g., investment adviser, fiduciary, attorney), additional duties and obligations governing such professions may apply.

What other important information should I know about my Policy?

The guarantees provided by annuities are subject to the stability and claims paying ability of Fidelity & Guaranty Life Insurance Company and are NOT FDIC insured. They are also subject to investment risks, including interest-rate risk, and may experience loss of principal. So please read carefully the important information that follows which may impact your decision to purchase the Prosperity Elite Series annuity.

- If you are purchasing this annuity to replace an existing life insurance Policy or annuity Policy, you should compare the two products carefully. You should consider any Surrender Charges and/or Market Value Adjustments and/or Premium Bonus Vesting Schedules or recapture charges that may be incurred on the surrender of the existing Policy that you own.
- A tax-deferral benefit offers no additional value if the annuity is used to fund a qualified plan, such as an IRA or 401(k) and may not be available if the Owner of the annuity is a non-natural person such as a corporation or certain types of trusts.
- It is within the Company's sole discretion to set the interest rates, Cap Rates, Spread and Participation Rates for this annuity, subject to any minimum or maximum guarantees contained in the Policy.
- The Company makes money in various ways including without limitation through investments and Policy charges. The Company seeks to maximize investment income spread which is the difference between overall investment earnings and its obligation to pay Policy benefits. The Company also earns money based on Policyholder fees and charges in accordance with terms of the respective Policies.
- This product is offered on a group or individual basis as determined by state approval.
- For group Policies, terms and conditions are set forth in the group certificate and master Policy and are subject to the laws of the state in which they were issued.
- Withdrawals in excess of the Free Withdrawal Amount may be subject to Surrender Charges and Market Value Adjustments.
- Past performance of a market index is not an indication of future performance.
- The Company's insurance producer may not make any statements that differ from what appears in this Statement of Understanding or the applicable product brochure. No promises or assurances have been made about the future values of any non-guaranteed elements of the annuity.
- This Policy may be returned within the free look period (of no less than 20 days after you receive it) for an unconditional refund if you change your mind about the Policy for any reason.



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A Glossary of Terms for the Prosperity Elite Series

Annuitant - The person on whom annuity payments are based.

Cap Rate - The maximum interest rate that can be credited to your Policy based on the performance of the selected index. Cap Rates are subject to change at the end of each crediting period.

Market Value Adjustment - Your annuity is subject to a Market Value Adjustment (MVA) (where applicable) during the first 7, 10 or 14 Policy years. The MVA (where applicable) is applied on an amount surrendered or withdrawn that exceeds the Free Withdrawal Amount. An MVA (where applicable) may be positive or negative. The MVA is summarized in more detail above in the section about withdrawing your money which begins with the heading "What is a Market Value Adjustment?"

Maturity Date - The date your Policy starts annuity payments without penalties.

Participation Rate - Percentage of index gains that may be credited to your Policy based on the performance of the selected index. Participation Rates are subject to change at the end of each crediting period.

Premium Bonus - Your annuity will receive a Vesting Premium Bonus. The Premium Bonus is described in your Policy and summarized above under the heading "Does my Policy have a Vesting Premium Bonus?"

Spousal Continuation Provision - If the spouse of the first Policy Owner to die elects to continue the Policy, we will continue to apply Surrender Charges, MVA (where applicable), and the Premium Bonus Vesting Schedule. In that case, we do not calculate a partial indexed interest credit.

Spread Rate - A percentage that is deducted from any gains on the performance of the selected index prior to interest crediting. Spreads are subject to change at the end of each crediting period.

Surrender Charge - Your annuity is subject to a Surrender Charge as outlined in the Surrender Charge section of this disclosure. A Surrender Charge is the cost you incur on an amount surrendered or withdrawn that exceeds the Free Withdrawal Amount available under your annuity. The Surrender Charge is described in your annuity and summarized above under the heading "What is a Surrender Charge?" The Surrender Charge is applied at the time of the surrender or withdrawal and is calculated by multiplying the applicable percentage shown in the tables in the Surrender Charge section by the amount withdrawn in excess of the Free Withdrawal Amount.



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Disclosures:

“F&G” is the marketing name for Fidelity & Guaranty Life Insurance Company issuing insurance in the United States outside of New York. Life insurance and annuities issued by Fidelity & Guaranty Life Insurance Company, Des Moines, IA.

Policy form numbers: API-1018 (06-11), ACI-1018 (06-11), ARI-1045 (11-12), ARI-1049 (11-12), ARI-1050 (11-12), ARI-1051 (11-12), OM FPS-VAV (10-07), ARI-1054 (02-13), ARI-1056 (6-13), ARI-1075 (09-15), ICC20-AE-2037 (5-20), ICC20-AE-2038 (5-20), OM TSA 2009, ARI-1065 (11-13), ARI-1066 (12-13), ARI-1068 (03-14), ARI-1060 (11-13), ARI-1061 (11-13), ARI-1062 (11-13), ARI-1063 (11-13), ARI-1057 (08-13), ICC11-1035(11-11), ICC11-1036(11-11), ICC11-1043(11-11), ICC11-1044(11-11), ICC11-1045(11-11), ICC11-1047(11-11), ICC14-1079(04-14), ICC14-1082(04-14), ICC11-1054(11-11), ICC15-1007(11-15), ICC15-1108(11-15), ICC15-1109(11-15), ICC15-1110(11-15), ICC15-1093(01-15).



Prosperity Elite® Series — Statement of Understanding

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Applicant Acknowledgement Form Instructions:

Please complete both Acknowledgements attached.

The entire Statement of Understanding and one copy of the Acknowledgement are to be retained by the Applicant.

The second copy of the Acknowledgement is to be sent with the application



Prosperity Elite® Series — Statement of Understanding

INSURER: Fidelity & Guaranty Life Insurance Company

Applicant Acknowledgement

By signing below, I acknowledge that: (1) I have read or have been read this disclosure form and understand its contents; (2) I have received and reviewed the Prosperity Elite Series product brochure and Prosperity Elite Series Rate Sheet and understand the rates contained therein are subject to change; and (3) I understand that I have applied for a Flexible Premium Fixed Indexed Deferred Annuity, and in doing so, I have discussed my financial status, tax status, current insurance products and investments (including my financial objectives) with my insurance producer and believe this annuity will assist me in meeting my current financial needs and objectives. I also confirm that I can complete without substantial assistance all six of the activities of daily living and that I have not been diagnosed with a terminal illness.

Prosperity Elite Surrender Charge Period:

☐

7-Years

☐

10-Years

☐

14-Years

PLEASE CHECK TO INDICATE one of these two statements:

☐

I currently reside in a nursing home facility

or

☐

I currently DO NOT reside in a nursing home facility

Owner/Applicant Name (Please print):			Joint Owner/Applicant Name (Please print):		
Owner/Applicant Signature:			Joint Owner/Applicant Signature:		
Phone #:	Age ¹ :	Sex ¹ :	Phone #:	Age ¹ :	Sex ¹ :
Date:			Date:		

Producer Confirmation

By signing below, I acknowledge and certify that: (1) I have reviewed this disclosure form, the Prosperity Elite Series product brochure and Prosperity Elite Series Rate Sheet with the applicant; (2) a copy of this disclosure form, the Prosperity Elite Series product brochure, the Prosperity Elite Series Rate Sheet, the Buyer's Guide (and the Supplement-to-Buyer's Guide for VT only), as well as any advertisements, all of which were approved by the Company, used in connection with the sale of this annuity, have been provided to the applicant; (3) that I have not made any statements that differ from what is stated in this disclosure form or the brochure and no promises or assurances have been made about the future value of any non-guaranteed elements of the annuity; and (4) I have carefully read and have complied with the Prosperity Elite Series Product Training and understand the indexed annuity features and limitations.

Producer Name (Please print):		Producer Signature:	
Producer Number:			
Business Address:	City:	State:	Zip:

¹ Only required in New Hampshire.



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7-Years

☐

10-Years

☐

14-Years

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I currently reside in a nursing home facility

or

☐

I currently DO NOT reside in a nursing home facility

Owner/Applicant Name (Please print):			Joint Owner/Applicant Name (Please print):		
Owner/Applicant Signature:			Joint Owner/Applicant Signature:		
Phone #:	Age ¹ :	Sex ¹ :	Phone #:	Age ¹ :	Sex ¹ :
Date:			Date:		

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Producer Name (Please print):		Producer Signature:	
Producer Number:			
Business Address:	City:	State:	Zip:

¹ Only required in New Hampshire.