

9. PL Insurers may agree to credit a Cost Reduction Credit under the Variable Contracts (other than Pacific Innovations), in situations where selling and/or maintenance costs associated with the Variable Contracts are reduced, such as the sale of several Variable Contracts to the same Contractholder(s), sales of large Variable Contracts, sales of Variable Contracts in connection with a group or sponsored arrangement or mass transactions over multiple Variable Contracts. The amount of any Cost Reduction Credit will be determined based upon the amount of reduction in the selling and/or maintenance cost associated with the sale of that particular Variable Contract. A Cost Reduction Credit may be applied at the time that a Purchase Payment is made. Any Cost Reduction Credit applied at that time will not exceed 1.45% of the amount of such Purchase Payment. Alternatively, Cost Reduction Credits may be credited on the basis of Contract Value. Any Cost Reduction Credit credited on the basis of Contract Value will not exceed 1.45% of Contract Value at the time that it is credited.

10. PL Insurers may agree to credit an Eligible Person Credit under the Variable Contracts (other than Pacific One Select) owned by persons who meet criteria established by the relevant PL Insurer. These persons may include current and retired officers, directors and employees of Pacific Life and its affiliates, trustees of Pacific Select Fund, registered representatives and employees of broker/dealers with a current selling agreement with Pacific Life or PL&A, respectively, and the affiliates of those broker/dealers, employees of affiliated asset management firms and certain other service providers, and immediate family members of such persons (collectively referred to as "Eligible Persons"). Under the Eligible Person Credit Program, the relevant PL Insurer credits additional amounts to Pacific Innovations Select, Pacific Portfolios, PSVA or PL&A Innovations Select Variable Contracts owned by Eligible Persons if such Variable Contracts are purchased directly through PSD. Under these circumstances, Eligible Persons will not be afforded the benefit of services of any other broker/dealer nor will any commission be payable to any broker/dealer in connection with such purchases. Rather, Eligible Persons must contact the relevant PL Insurer or PSD directly with servicing questions, changes in their Variable Contracts and related matters. Eligible Persons are currently credited with a 5% Eligible Person Credit on each Purchase

Payment plus a 0.25% (annualized) Credit of Contract Value, payable quarterly in advance, from the second Contract Year through the third Contract Year for Pacific Innovations Select and PL&A Innovations Select and a 1% (annualized) Credit of Contract Value, payable quarterly in advance from the fourth Contract Year until annuitization, on an annual basis. Eligible Person who are Pacific Portfolios or PSVA Contractholders are currently credited with a 5% Eligible Person Credit on each Purchase Payment plus a 0.25% (annualized) Eligible Person Credit on Contract Value from the second Contract Year through the fifth Contract Year for PSVA (sixth Contract Year for Pacific Portfolios) on a quarterly basis, and a 1% (annualized) Eligible Person Credit on Contract Value from the sixth Contract Year for PSVA (seventh Contract Year for Pacific Portfolios) until annuitization, payable quarterly. The amount currently credited to Variable Contracts owned by Eligible Persons will approximate the reduction in expenses realized by the relevant PL Insurer by not incurring brokerage commission in selling such Variable Contracts, with the determination of the expense reduction and of such crediting being made in accordance with administrative procedures established by the relevant PL Insurer.

11. In the future, PL Insurers may credit Contracts issued to Eligible Persons with Eligible Person Credits greater than 5% of each Purchase Payment, except that with respect to Purchase Payments made during: (i) The relevant free look period; and (ii) after the relevant free look period has expired, but during the first Contract month, the amount of any Eligible Person Credit will be limited to no more than 9% of such Purchase Payment.

12. Although the PL Insurers are seeking to offer Credit Enhancements, Eligible Person Credits and Cost Reduction Credits (collectively, "Credits") through Variable Contracts and Future Variable Contracts, no PL Insurer will apply more than one Credit to the Contract Value of a Contractholder's Variable Contract or Future Variable Contract. Thus, if a PL Insurer applies the Credit Enhancement to the Contract Value of a particular Variable Contract or Future Variable Contract, it will not also apply an Eligible Person Credit or a Cost Reduction Credit. Similarly, if a PL Insurer applies the Eligible Person Credit to the Contract Value of a particular Variable Contract or Future Variable Contract, it will not also apply a Cost Reduction Credit or a Credit Enhancement. If a PL Insurer offers a

Cost Reduction Credit to the Contract Value of a particular Variable Contract or Future Variable Contract, it will not also apply an Eligible Person Credit or a Credit Enhancement.

13. The Variable Contracts issued by the PL Insurers permit Contractholders to cancel their Variable Contracts and to receive a refund during the "free look" period, which is mandated by state law. The free look period for Variable Contracts issued by the PL Insurers generally is a 10-day period beginning on the day a Contractholder receives his or her Variable Contract.<sup>2</sup> Where a Contractholder returns a Variable Contract during the free look period, the Variable Contract will be canceled and treated as void from the Contract Date.

14. In most instances, a Contractholder who returns a Variable Contract during the free look period is entitled to a refund of his or her Contract Value, as of the end of the business day on which the PL Insurer received a Contractholder's Variable Contract for cancellation.<sup>3</sup> Contractholders for all Variable Contracts issued by PL Insurers (other than PSVA) generally will also receive a refund of any amounts that may have been deducted to pay for state premium taxes and/or other taxes. PSVA Contractholders who exercise their free-look rights are entitled to, in addition to a refund of Contract Value, a refund of any Variable Contract charges and fees deducted from the portion of their Contract Value allocated to Variable Investment Options.

15. There are two circumstances under which the Contract Value returned to a Contractholder who returns his or her Variable Contract during the free look period will be subject to certain additional deductions. First, the amount of any Credit Enhancement added to the Contract Value of a Pacific Value Contractholder

<sup>2</sup> Certain states require longer free look periods with respect to variable annuity contracts.

<sup>3</sup> Under the laws of a number of states, if free look rights are exercised within the allotted time, the sponsoring insurance company is required to refund a Contractholder's Purchase Payment allocated to the Variable Investment Options available under the Separate Account, instead of the value of the Variable Investment Options on the date the Variable Contract is returned. In those states, if a Contractholder exercises his free look rights when his Contract Value is less than the amount of his Purchase Payments, Pacific Life bears the risk of loss. Pacific Life currently allocates Purchase Payments during the free-look period to the investment options selected by the Contractholder, in accordance with the Contractholder application or the Contractholder's most recent allocation instructions, regardless of whether Pacific Life is required to refund a Contractholder's Purchase Payment or the value of the Variable Investment Options if a Contractholder exercises his free look rights.