

InfiniDex 10™ Annuity Statement of Understanding

Thank you for considering the InfiniDex 10 Annuity from Allianz. We want to be sure that you are aware of the benefits, features, costs, and risks associated with the purchase of your contract.

Please read the following summary. If you need additional clarification on any of the items listed below, please refer to the InfiniDex 10 Annuity contract.

Once you have read this summary, please sign the last page to confirm you understand the contract you are considering.

How does the InfiniDex 10 Annuity work?

The InfiniDex 10 Annuity is a fixed index product. That means interest is credited to your annuity's value based on one or more nationally recognized indexes that track the ups and downs of the stock market.

If you don't want 100% of your contract value to be based on changes in the stock market, the InfiniDex 10 Annuity also allows you to allocate, or designate, some of your annuity's value to a fixed interest option. This fixed interest option credits your contract with predictable interest based on established rates that are independent of the markets. Your initial interest rate is guaranteed for the first contract year. After that, your interest is calculated and credited daily at an annual rate of no less than 2% in all contract years.

Although an external index may affect your contract values, the contract does not directly participate in any stock or investments. You are not buying any shares of stock or shares of an index. The market index value does not include the dividends paid on the stocks underlying the market index. These dividends are also not reflected in the interest credited to your contract.

Does the InfiniDex 10 Annuity offer a premium bonus?

Each time you make a premium payment during the first five contract years, we will add a premium bonus to your annuitization value. This bonus will equal 10% of each premium payment. Bonus annuities may have a higher contract penalty upon surrender than annuities without the bonus feature.

How do I choose – and change – the way my annuity's value is allocated?

At the time your contract is issued, you can choose between the S&P 500 and Nasdaq-100® indexes, or you can designate some of your initial premium to earn fixed interest. You can allocate your money to any combination of these three, as long as at least 25% is designated to the index allocation(s). **Once established, these allocations cannot be changed until the beginning of the 11th contract year.**

Assuming I allocate my money to one index or both, how can my annuity's value grow?

The InfiniDex 10 Annuity uses what can be thought of as a threshold method to calculate interest credits based on the S&P 500 and Nasdaq-100. This method tracks the value of the index(es) you have chosen in relation to threshold levels that are established for each selected market index when the contract is issued. Your initial threshold level is 5% higher than your starting index value, and every subsequent threshold level is 5% higher than the previous threshold level.

Here is an example to help demonstrate the threshold concept: Assume you allocate 100% of your premium to the S&P 500, and the value of that index is 1000 when your contract is issued. In this scenario, your threshold levels would be as follows:

1000.00 x 1.05 = 1050.00 1st threshold level
1050.00 x 1.05 = 1102.50 2nd threshold level
1102.50 x 1.05 = 1157.63 3rd threshold level
1157.63 x 1.05 = 1215.51 4th threshold level

How are threshold credits calculated and applied to my contract?

Once a month, we capture the value of your selected market index on your contract "monthiversary." Your contract monthiversary is the monthly occurrence of the date you purchased your contract (for example, the 12th of each month, the 21st of each month, etc.). If your selected market index value is greater than or equal to a threshold level on your contract monthiversary, a threshold credit is immediately applied to the annuitization value of your contract.

This threshold credit is based on the threshold credit rate, which is declared annually and guaranteed for that contract year. This threshold credit will equal the threshold credit rate multiplied by the annuitization value.

There is no limit to the number of threshold credits you can earn on any given monthiversary, in any given contract year, or throughout the entire lifespan of the contract. You may surpass multiple threshold levels, and you would receive threshold credits for each. **After a threshold level is reached, you will not receive any additional threshold credits unless the value of your selected market index reaches or surpasses the next threshold level on a monthiversary during the contract's deferral period.**

Can threshold credit rates be changed?

Yes. Each contract year we have the option to change the threshold credit rate – either up or down – for the following year. You will be informed of any changes in the threshold credit rate on your contract's annual report. We guarantee that your threshold credit rate will never be lower than 1%.

Can you show me how all of this works?

This chart shows monthly positive and negative changes in a hypothetical index that starts at 1000 with an assumed threshold credit rate of 3.5%.

1st threshold level is 1050.00 (1000 x 1.05)	End of month 1 index value = 1060	A 3.5% threshold credit would be applied to your annuitization value.
2nd threshold level is 1102.50 (1050.00 x 1.05) 3rd threshold level is 1157.63 (1102.50 x 1.05)	End of month 2 index value = 1160	You would receive two 3.5% threshold credits to your annuitization value for surpassing two threshold levels on that monthiversary.
4th threshold level is 1215.51 (1157.63 x 1.05)	End of month 3 index value = 1110	You would not receive a threshold credit because the value of the index is less than your 4th threshold level (1110 < 1215.51).
4th threshold level is 1215.51	End of month 4 index value = 1200	You would not receive a threshold credit because the value of the index is still less than your 4th threshold level (1200 < 1215.51).

The crediting method described directly above continues on each monthiversary for as long as the contract remains in a deferred status.

What happens if my index value surpasses a threshold level in the middle of a contract month, but drops below the threshold level on my contract's monthiversary?

Threshold credits are calculated and credited only once each month. They are based on the index value on your contract's monthiversary. Surpassing a threshold level in mid-month does not guarantee that a threshold credit will be applied to your contract.

Can my annuity's value go down due to losses in the index(es) I choose?

No. If the index(es) suffer a loss in any given month, your principal (the money you put into the annuity) and 10% bonus are protected. Any threshold credits or interest that have been locked in previously are also safe from index losses.

Besides this, what other factors impact the value of my annuity contract?

The first thing you should know is that, throughout the life of your annuity contract, your InfiniDex 10™ Annuity will actually have **three separate values**:

- Annuitization value
- Cash surrender value
- Guaranteed minimum value

Annuitization value. The annuitization value equals the premium you pay into the contract, a 10% premium bonus, plus any threshold credits and/or interest earned. Withdrawals will decrease your contract's annuitization value. This will usually be your contract's highest value.

Cash surrender value. If you choose to cancel your contract, you will receive its cash surrender value. This will result in a loss of premium bonus and threshold credits and may result in a partial loss of premium. The cash surrender value is equal to 87.5% of premium paid (minus any withdrawals) accumulated at 1.5% interest compounded annually. **The cash surrender value will never be less than the guaranteed minimum value (which we define below).**

Guaranteed minimum value. The guaranteed minimum value will generally be your lowest contract value. The guaranteed minimum value equals 87.5% of premium submitted, minus any withdrawals. The guaranteed minimum value grows at an annual interest rate that will be no less than 1% and no greater than 3%, depending upon your selection of index and/or interest allocations.

How can I get my contract's full annuitization value?

After you have allowed your contract to accumulate money for a minimum of five contract years, you can receive 100% of your annuity's value as annuity payments over a period of at least 10 years.

This is what is meant by "annuitization." Once you begin taking your annuitization value as annuity payments, it will no longer receive credits based on any potential index growth.

Please note, receiving money from your annuity may still have tax consequences. See "Are there any tax consequences if I withdraw money?" later in this document.

What are my options for receiving annuity payments?

If you keep your contract in deferral for at least five years, you can choose to receive annuity payments in any of the following ways:

- **Interest only for a 10-year period** – You have the option to receive interest-only annuity payments for 10 years. Interest will be paid as earned based on your then-current annuitization value. After 10 years of taking interest-only payments, you may take your full annuitization value as a lump sum.
- **Installments for a guaranteed period** – You can choose to receive annuity payments in equal installments for a period from 10 to 30 years. Each installment would consist of part principal and part interest.
- **Installments for life** – You have the option to receive annuity payments in equal installments for the rest of your life. Payments end upon your death.
- **Installments for life with a guaranteed period** – You can choose to receive annuity payments in equal installments for the rest of your life. Upon your death, the balance of the guaranteed period, if any, will be paid to your beneficiary the same way as you previously selected.
- **Installments for a selected amount** – You may select to receive annuity payments in equal installments of an amount that you choose, as long as the payments last for at least 10 years. Payments continue until your annuitization value and interest are gone.
- **Joint and survivor** – You can select to have equal installments paid until your death with additional payments to your named survivor. In this case, payments to your named survivor would continue until his or her death as 100%, 2/3, or 1/2 of your original installments, based on your selection.

What happens if I cancel my contract?

If you take a lump-sum payment of your contract's value at any time (or choose a payment option different from those we just outlined), you will receive your contract's cash surrender value rather than its annuitization value. For information about possible tax consequences see "Are there any tax consequences if I withdraw money?" later in this document.

Can I take money out of my annuity?

It's quite possible you will want money from your annuity contract somewhere down the road. But you may not need it all. We have a variety of ways you can get money out of your annuity without contract penalties, including:

- Free withdrawals
- Contract loans
- Required minimum distributions
- Our Nursing Home Benefit
- Our Systematic Withdrawal Benefit

How can I take a free withdrawal from my contract?

Our free withdrawal option lets you access a portion of your contract's cash surrender value without incurring a contract penalty. Under this option, as long as 12 months have passed since your last premium contribution, you can withdraw up to 10% of your premium each year – until you have withdrawn a maximum of 100% of the premium you've paid into the contract.

You will receive any threshold credits earned on the amount withdrawn for the month in which the free withdrawal occurred. Only 87.5% of the amount withdrawn will be subtracted from the cash surrender value provided that:

- No more than one withdrawal is taken within a 12-month period.
- You don't add any additional premium to the contract within 12 months after taking a free withdrawal.
- You don't request a full (or partial) surrender or begin annuitization payments within 12 months after taking a free withdrawal.

If, within 12 months of a free withdrawal, the contract is surrendered or annuitized, another withdrawal is taken, or additional premium is added, we will retroactively apply contract penalties to the free withdrawal. Withdrawals will decrease the annuitization value, cash surrender value, and guaranteed minimum value of the contract and its death benefit.

What if I need to take a contract loan?

Loans are available on nonqualified annuities and some tax-qualified annuities (TSAs). You can borrow up to 50% of your contract's cash surrender value (up to a \$50,000 maximum). Like any loan, contract loans are subject to an annual interest charge, but they are contract-penalty-free as long as they are repaid with interest. Please note: Loans on nonqualified annuities may be taxable as ordinary income at distribution.

I understand I may have to take required minimum distributions someday. Does my annuity allow these?

Based on your age (usually 70½ or older) and the tax designation of your contract (IRA, SEP, etc.) you may have to take minimum distribution payments. If they are taken annually in December or monthly throughout the year, required minimum distributions (RMDs) are penalty-free, although they will reduce the amount available for free withdrawals. You may not exceed the annual RMD amount specified by the IRS, which will be based on your age and the value of your contract. Allianz will only send a required minimum distribution for the contracts you have with us.

How can your Nursing Home Benefit help me access my money without penalties?

After the first contract anniversary, if you are the contract owner and become confined to a nursing home for 30 out of 35 consecutive days, your full annuitization value can be paid to you in annuitization payments over as little as five years.

What is the Systematic Withdrawal Benefit?

Beginning on your sixth contract anniversary, you can take a portion of your annuitization value each year, while the balance continues to earn threshold credits (or fixed interest).

Based on how long the contract has been in deferral, these annual systematic withdrawals can range from 5% of your annuitization value (taken over 20 years) to 10% of your annuitization value (taken over 10 years). While you are receiving your payments, your contract's threshold credits (or fixed interest) are distributed as they are earned. This means your contract's complete annuitization value will be liquidated to zero over the life of your scheduled payments.

You can stop your Systematic Withdrawal Benefit payments at any time. If you wish, you can then resume Systematic Withdrawal Benefit payments once two years have passed since your last payment. The allowed percentage will then be based on the contract year and annuitization value at that point.

Are there any other ways to make free withdrawals?

We've just outlined five ways you can receive a portion of your annuitization value without a contract penalty. **If you take a partial surrender any other way**, the amount of your partial surrender will be deducted from your contract's cash surrender value. A proportionately larger deduction, equal to the amount of the partial surrender multiplied by the ratio of annuitization value divided by cash surrender value, will also be made from your contract's annuitization value. As a result, **you will lose a portion of the threshold credits and interest your contract has earned, and you may lose some of your initial principal and bonus.**

Are there any tax consequences if I withdraw money?

Anytime you take money out of your annuity it may be taxed as ordinary income. In addition, any distribution you receive from an annuity prior to age 59½ may be subject to a 10% IRS penalty. These taxes and IRS penalties may decrease your premium paid and premium bonus. They may also reduce any threshold credits, or interest earned previously. Allianz does not provide legal counsel or tax advice, so please consult a financial advisor.

Can I add money to my InfiniDex 10™ Annuity down the road?

Yes. Additional money (or premium) may be added to your annuity at any time within the first five contract years. **Please note: Additional premiums are not eligible to earn threshold credits until the first monthiversary following your next contract anniversary.** The additional premium you pay during a contract year will automatically be credited with an immediate 10% bonus, then placed in an interim interest account where it will earn interest until **your next contract anniversary**. It will then be distributed according to your premium allocation choices.

Do my threshold levels ever get reset?

Yes. The InfiniDex 10™ has an automatic reset every 10 years for as long as your contract remains in deferral. On the anniversary of each 10th contract year, the next threshold level for each index will be recalculated, to 5% higher than the index value on that anniversary. This reset is automatic, regardless of whether the contract's current index value is above or below the last threshold level. Any threshold credits for the last month prior to a reset are applied before the threshold levels change.

Essentially this reset can be thought of as a fresh start, similar to when the contract was purchased. As such, you are also given the opportunity to change existing allocations (if you wish). Just notify us in writing within 60 days prior to, or 21 days following, each 10th contract anniversary. Your new allocations would then remain in effect until your next 10-year reset, or for as long as the contract remains in deferral.

How will I know how my contract is doing?

You will receive an annual report following each contract anniversary. This report will show your contract's current annuitization value (including any bonus, threshold credits, and/or interest earnings applied to it), along with its cash surrender value, premium payments, and withdrawals.

What happens if I die while my InfiniDex 10 Annuity is still in deferral?

Your beneficiary(ies) may choose to receive annuity payments over the course of five years (or longer). If so, these payments will be based on your contract's annuitization value.

They may, on the other hand, want a lump-sum payment. If they choose this option they will receive the contract's cash surrender value or the amount of premium paid minus withdrawals, whichever is greater.

Are there any other important points I should know about annuities like the InfiniDex 10 Annuity?

If you are purchasing our InfiniDex 10 Annuity to replace an annuity you currently own, compare the two products carefully. The benefits and guarantees offered by the two products may be different. Keep in mind that you may incur a surrender charge when you cancel your existing annuity to purchase your InfiniDex 10 Annuity.

Purchasing the InfiniDex 10 Annuity within an IRA or other qualified retirement plan that already provides tax deferral under the Internal Revenue Code results in no additional tax benefit to you. If you are considering the purchase of an InfiniDex 10 Annuity in a qualified retirement plan you should therefore base your decision on its other benefits and features, as well as its risks and costs.

Can I see all the various values and factors that impact the value of my InfiniDex 10™ Annuity?

The chart below shows hypothetical values for an InfiniDex 10 Annuity that was purchased with an initial premium of \$100,000 with 100% allocated to the S&P 500 allocation option, and a 3.5% threshold credit rate. You can track the \$100,000 initial premium – and 10% bonus – as they are impacted by hypothetical changes in the monthly index. The guaranteed minimum value is also listed for your reference.

End of contract year	Number of threshold levels reached ¹	Threshold credits ² (cannot be negative)	Threshold adjustment (cannot be negative)	Annuity value	Cash surrender value	Guaranteed minimum value
Issue				\$110,000	=> \$87,500	\$87,500
1	0	0.00%	–	=> \$110,000	=> \$88,813	\$88,375
2	5	18.77%	\$20,645	=> \$130,645	=> \$90,145	\$89,259
3	4	14.75%	\$19,273	=> \$149,919	=> \$91,497	\$90,151
4	1	3.50%	\$5,247	=> \$155,166	=> \$92,869	\$91,053
5	0	0.00%	–	=> \$155,166	=> \$94,262	\$91,963
6	3	10.87%	\$16,869	=> \$172,035	=> \$95,676	\$92,883
7	4	14.75%	\$25,379	=> \$197,414	=> \$97,111	\$93,812
8	1	3.50%	\$6,910	=> \$204,324	=> \$98,568	\$94,750
9	0	0.00%	–	=> \$204,324	=> \$100,047	\$95,697
10	4	14.75%	\$30,142	=> \$234,466 ³	=> \$101,547	\$96,654

¹Refer to page 1 for an explanation of threshold levels reached within a contract year.

²Credits are calculated using a hypothetical 3.5% threshold credit rate and given on the monthiversaries during the year.

³In this hypothetical example, assuming a 1% threshold credit rate (the guaranteed minimum rate), the annuitization value at the end of contract year 10 will be \$136,919.

I have read the information above. It has been explained to me by the agent. I have also received and read the InfiniDex 10 Annuity consumer brochure. I understand that any values shown, other than guaranteed minimum values, are not guarantees, promises, or warranties. I understand that I may return my contract within the free look period (shown on the first page of my contract) if I am dissatisfied for any reason.

Owner _____ Date _____

I have presented and provided a signed copy of this disclosure to the owner. I have not made statements that differ from the disclosure form and no promises or assurances have been made about the future values of the contract.

Agent _____ Date _____

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