

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA,
ONTARIO, NEW BRUNSWICK, NOVA SCOTIA, NEWFOUNDLAND,
PRINCE EDWARD ISLAND, THE YUKON TERRITORY,
THE NORTHWEST TERRITORIES AND NUNAVUT

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
SUN LIFE ASSURANCE COMPANY OF CANADA

AND

SUN LIFE OF CANADA HOLDINGS CORP.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Newfoundland, Prince Edward Island, the Yukon Territory, the Northwest Territories and Nunavut (the "Jurisdictions") has received an application (the "Application") from Sun Life Assurance Company of Canada ("Sun Life"), on behalf of itself and its wholly-owned subsidiary, Sun Life of Canada Holdings Corp. ("Sun Life Holdings") (Sun Life together with Sun Life Holdings referred to herein as the "Filer"):

(A) for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that:

(i) the requirements contained in the Legislation to be registered to trade in a security, to file a preliminary prospectus and a prospectus and receive receipts therefor contained in the Legislation (the "Registration and Prospectus Requirements") shall not apply to Sun Life Holdings in respect of the issuance by Sun Life Holdings of common shares in the capital of Sun Life Holdings (the "Common Shares") to Eligible Policyholders (as hereinafter defined) related to the Demutualization (as hereinafter defined) of Sun Life (including, any subsequent reissuance of Common Shares, cancelled subsequent to the Demutualization, in respect of Lost Policyholders (as hereinafter defined));

(ii) the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirements") shall not apply to the Filer, CIBC Mellon Trust Company ("CIBC Mellon"), as administrator pursuant to the Share Selling Service (as hereinafter defined) or Eligible Policyholders in respect of any trades in Common Shares through CIBC Mellon and the Assisting Dealer (as defined below) subsequent to the Demutualization;

(iii) the purchase for cancellation by Sun Life Holdings of the Buy-back Shares (as defined below) is not subject to the issuer bid requirements contained in the Legislation; and

(iv) the inclusion in the Information Circular, Preliminary Prospectus and Amended Preliminary Prospectus (all as hereinafter defined) of the listing statements referred to in the Application is permitted; and

(B) for an order of the Ontario Securities Commission ("OSC") pursuant to clause 104(2)(c) of the *Securities Act* (Ontario) (the "Act") that the purchase for cancellation by Sun Life Holdings of its Common Share and preferred shares owned by Sun Life are not subject to the requirements of sections 95, 96, 97, 98 and 100 of the Act;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the OSC is the principal regulator for this Application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. Sun Life was originally incorporated by a Special Act of Parliament of Canada in 1865. Pursuant to the provisions of the *Canadian and British Insurance Companies Act* (Canada), the predecessor legislation to the *Insurance Companies Act* (Canada) (AICA"), Sun Life became a mutual life insurance company in 1962.
2. Sun Life, whose head office is located in Ontario, is a reporting issuer in only Ontario. To the best of its knowledge, information and belief, Sun Life is currently not in default of its reporting requirements under the Act or the regulation made thereunder (the "Regulation").
3. Sun Life has incorporated Sun Life Holdings as an insurance company pursuant to the ICA. Sun Life Holdings is a wholly-owned subsidiary of Sun Life. Sun Life Holdings will not be a reporting issuer in any province or territory of Canada prior to the Demutualization. The authorized share capital of Sun Life Holdings consists of Common Shares and two classes of preferred shares (the "Preferred Shares"). Upon the Demutualization, Sun Life will become the wholly-owned subsidiary of Sun Life Holdings. Sun Life Holdings will, as a result of transactions described below, become a reporting issuer (or the equivalent) in each of the Jurisdictions.
4. As part of its incorporation Sun Life Holdings issued to Sun Life one Common Share and \$10 million of a class of preferred shares. Upon the Demutualization, Sun Life Holdings will

purchase for cancellation (the "Purchases for Cancellation") the one Common Share and the Preferred Shares held by Sun Life.

5. Each of the Purchases for Cancellation is technically an "issuer bid" under the Act. However, both of the Purchases for Cancellation involve the acquisition of shares by Sun Life Holdings as a technical step in the Demutualization. Holders of Common Shares are not prejudiced by either of the Purchases for Cancellation and the provisions of sections 95, 96, 97, 98 and 100 of the Act should not be applicable to either of the Purchases for Cancellation.

6. Sun Life is proposing to convert from a mutual life insurance company to a life insurance company, owned by shareholders (the "Demutualization"). Pursuant to the Demutualization, eligible policyholders of Sun Life (the "Eligible Policyholders") will exchange their existing ownership interest in Sun Life for demutualization benefits (the "Demutualization Benefits") which, subject to what is described below, will consist of Common Shares of Sun Life Holdings. Application will be made to list the Common Shares on The Toronto Stock Exchange, the New York Stock Exchange, the Philippines Stock Exchange, the London Stock Exchange and possibly the Montreal Exchange.

7. There are approximately 1,055,000 Eligible Policyholders who reside principally in five jurisdictions: Canada, the United States, the United Kingdom, the Philippines and Hong Kong. In addition to these jurisdictions, a small number of Eligible Policyholders reside in approximately 135 other countries.

8. There are certain types of Eligible Policyholders residing in the United States who would be subject to adverse tax consequences if they received cash or Common Shares pursuant to the Demutualization (for example, holders of certain U.S. insurance policies that form part of a non-trusted pension or profit sharing plan). Unless their policy has terminated or is in "pay-out status", these types of Eligible Policyholders will receive policy credits (the "Policy Credits"), being additional values applied to a policy of Sun Life or one of its subsidiaries.

9. Eligible Policyholders (the "Mandatory Sale Policyholders") who reside in jurisdictions (the "Mandatory Cash Jurisdictions") other than Canada, the United States, the United Kingdom, the Philippines and Bermuda (the Principal Jurisdictions) and Hong Kong, the Republic of Ireland, the Channel Islands and the Isle of Man (the "Secondary Jurisdictions") will be allocated Common Shares upon the Demutualization but will be automatically required to sell those Common Shares (the "Mandatory Sale") to underwriters (the "Underwriters") for resale in the IPO (as defined below). In very limited circumstances, Eligible Policyholders who reside in the Mandatory Cash Jurisdictions and the Secondary Jurisdictions will receive cash directly, rather than being subject to the Mandatory Sales. Eligible Policyholders who are minors will also be subject to the Mandatory Sale, regardless of the jurisdiction in which they live. Minors in Canada will sell their Common Shares to Sun Life Holdings for cancellation and minors in all other jurisdictions will sell their Common Shares to the Underwriters for resale in the IPO.

10. Eligible Policyholders who reside in the Principal Jurisdictions, other than U.K. Pension Schemes (as defined below) and minors, will be offered an opportunity to elect to receive cash (the "Cash Election") for their Common Shares by selling their Common Shares. Those who

elect to receive cash are referred to as the "Cash Election Policyholders". Except for Designated Canadian Policyholders (as defined below), Cash Election Policyholders in Canada will sell their Common Shares to Sun Life Holdings for cancellation. These Common Shares purchased by Sun Life Holdings, together with the Common Shares purchased by Sun Life Holdings from minors, as described in paragraph 9, are referred to as the "Buy-back Shares" and the purchase of the Buy-back Shares is referred to as the "Buy-back". Cash Election Policyholders in the other Principal Jurisdictions will sell their Common Shares to the Underwriters for resale in the IPO. The two different methods for implementing the Cash Election are required to provide the most favourable treatment to respective policyholders under Canadian tax legislation. For Canadian Eligible Policyholders, the Buy-back of their Common Shares by Sun Life Holdings will be taxed at deemed dividend rates that are generally lower than the capital gains rates which would be applicable to a sale of shares to the Underwriters or in the secondary market. For non-Canadian Eligible Policyholders, the sale to the Underwriters is free from non-resident withholding tax while the Buy-back by Sun Life Holdings would be subject to that tax.

11. Designated Canadian Policyholders will not be issued the Common Shares allocated to them in the Demutualization which are subject to the Cash Election, but rather will receive a cash payment from Sun Life equal to the number of these Common Shares multiplied by the IPO Price (as defined below). "Designated Canadian Policyholder" means a policyholder whose residence is in Canada and who is the holder of an Eligible Policy which is a group insurance policy, a pension policy or any other policy which is not issued to an individual.

12. Eligible Policyholders who reside in the Secondary Jurisdictions, other than Minors, and U.K. Pension Schemes will be offered an opportunity to elect to keep their Common Shares (the "Share Election"). Those who do not elect to keep their Common Shares ("Deemed Cash Electing Policyholders") will sell their Common Shares to the Underwriters for resale in the IPO. "U.K. Pension Scheme" means an Eligible Policyholder who is a trustee or trustees of a company pension scheme insured by Sun Life's United Kingdom business.

13. The Demutualization will be accompanied by an initial public offering of Common Shares of Sun Life Holdings (the "IPO"). The IPO will consist of:

(a) a treasury offering (the "Treasury Offering") of a number of Common Shares equal in number to the sum of:

(i) the Buy-back Shares;

(ii) the Common Shares allocated to Eligible Policyholders receiving Policy Credits or a cash payment as described in paragraphs 8, 9 and 11; and

(iii) Common Shares Sun Life Holdings may sell to raise new capital, including any shares issued pursuant to the exercise of an over-allotment option granted to the Underwriters in the Underwriting Agreements (as defined below); and

(b) a secondary offering (the "Secondary Offering") of Common Shares issued pursuant to the Demutualization to Mandatory Sale Policyholders, minors (other than those whose residence is in Canada), non-Canadian Cash Election Policyholders and Deemed Cash Election Policyholders,

subject to a scaleback in the event that the Underwriters and Sun Life Holdings agree to the sale of a smaller number of shares in the IPO.

14. Sun Life has developed the Plan of Demutualization in consultation with insurance regulatory, principally the Office of the Superintendent of Financial Institutions. The Plan of Demutualization has been approved by the Boards of Directors of Sun Life and Sun Life Holdings.

15. The Plan of Demutualization and the application for issuance of letters patent to effect the Demutualization must be approved by a vote of Eligible Policyholders held at a special meeting of Sun Life (the "Special Meeting"). Under applicable law, two-thirds of the votes cast in person or by proxy at the Special Meeting by Eligible Policyholders must be in favour of the resolution in connection with the Demutualization.

16. Within three months of the approval of the Demutualization by Eligible Policyholders, and assuming satisfaction of the other conditions to the Plan of Demutualization, Sun Life will apply to the Minister of Finance for approval of the Plan of Demutualization and issuance of letters patent.

17. In connection with the Special Meeting to consider the Demutualization, Sun Life has prepared and will mail to Eligible Policyholders a detailed policyholder information circular (the "Information Circular"). The Information Circular is comprised of two parts. Part 1 contains details of the Demutualization, including both its substantive terms, which are stated in the Plan of Conversion, and the terms on which the Special Meeting will be held. Part 2 of the Information Circular contains disclosure about Sun Life and Sun Life Holdings. Part 2 of the Information Circular has been prepared in accordance with applicable Canadian prospectus requirements and forms the basis of the Preliminary Prospectus. Along with the information Circular, Eligible Policyholders will be informed of their allocation of Common Shares in the Demutualization. In addition to these disclosure documents, Sun Life has set up a call centre which policyholders can contact if they have questions regarding the Demutualization. Insurance agents will also be available to answer questions regarding the demutualization process.

18. Following the Special Meeting, another circular (the "Choices Circular") will be sent to Eligible Policyholders in the Principal Jurisdictions and the Secondary Jurisdictions.

19. Pursuant to a form (the "Choices Form") which will accompany the Choices Circular, Eligible Policyholders who reside in the Principal Jurisdictions (other than U.K. Pension Schemes) will be able to make the Cash Election and Eligible Policyholders who reside in the Secondary Jurisdictions and U.K. Pension Schemes will be able to make the Share Election. Unless the Cash Election is made by such Eligible Policyholder in a Principal Jurisdiction in the manner provided by the Choices Form, the policyholder will receive the Common Shares to

which the policyholder is entitled. Unless the Share Election is made by such an Eligible Policyholder in a Secondary Jurisdiction or by a U.K. Pension Scheme in the manner provided by the Choices Form, the policyholder will sell the Common Shares to which the policyholder is entitled to the Underwriters for resale in the IPO. The foregoing process will not be applicable to Mandatory Sale Policyholders and minors who will be required to sell their Common Shares.

20. The Information Circular and the Preliminary Prospectus were approved by the Boards of Directors of Sun Life and Sun Life Holdings on September 28, 1999, at which point Sun Life and Sun Life Holdings began production of the Information Circular. Due to the fact the Information Circular is being translated into French and Chinese and the sheer number of copies that will have to be produced, it is anticipated that the mailing of the Information Circular to Eligible Policyholders will not commence until approximately October 20, 1999, at which point Sun Life Holdings will concurrently file a preliminary prospectus (the "Preliminary Prospectus") with Decision Makers in all of the Jurisdictions and with the United States Securities And Exchange commission (the "SEC") under the multi-jurisdictional disclosure system (AMJDS"). The offering is also expected to be extended internationally outside of North America on a prospectus-exempt basis. The Preliminary Prospectus will be amended (the "Amended Preliminary Prospectus") after the Special Meeting. The Amended Preliminary Prospectus will contain the December 31, 1998 annual financial statements of Sun Life and will reflect the determinations of the number of Common Shares to be sold in the IPO by Eligible Policyholders, the minimum size of the Treasury Offering by Sun Life Holdings and other related matters. Marketing of the Common Shares will be done on the basis of the Amended Preliminary Prospectus. Sun Life expects that marketing will begin in March, 2000.

21. In order to comply with the SEC's conclusion that the MJDS public float requirement must be satisfied at the time of "going effective" (the time of the pricing of the IPO and the filing of the Prospectus), the following structure will be implemented immediately after the determination of the IPO price per Common Share (the "IPO Price") and the execution of the underwriting agreements for the IPO (the "Underwriting Agreements"):

(a) the Demutualization will become effective and Common Shares will be issued and owned by Eligible Policyholders and listed on stock exchanges on the next trading day;

(b) the final prospectus (the "Prospectus") will be filed with Canadian securities regulatory authorities and the SEC; and

(c) the IPO will close approximately five Business Days after the Demutualization is effective.

22. The Plan of Conversion will provide a regime to deal with "Lost Policyholders", being those Eligible Policyholders for whom Sun Life does not have a valid current address (as evidenced by one or more mailings having in the past been returned to Sun Life or by the failure of Eligible Policyholders outside the Principal Jurisdictions to respond to Sun Life's request for the policyholder to supply a valid address). In respect of Lost Policyholders in the Principal Jurisdictions, Common Shares issued to them will be registered in their individual names. Such

Common Shares will be subject to cancellation within a specified period of time following the Demutualization if the Lost Policyholder does not take steps to provide Sun Life Holdings with a valid current address. Subject to escheat laws, any cancelled Common Shares will be available for reissuance at a later point, upon the Lost Policyholder providing Sun Life Holdings with a valid current address. In respect of Lost Policyholders outside the Principal Jurisdictions, the Common Shares issued to them will be sold to the Underwriters for resale in the IPO and, subject to escheat laws, the proceeds will be held until the Lost Policyholders provide Sun Life Holdings with a valid address.

23. The Treasury Offering and the Secondary Offering will both be made under the Prospectus. Eligible Policyholders who sell their Common Shares to the Underwriters for resale under the Secondary Offering will be subject to statutory liability under the Legislation in the event that the Prospectus contains a misrepresentation. Sun Life Holdings and Sun Life will protect Eligible Policyholders against any risk of liability for misrepresentations by indemnifying them from any liability that might arise. Also, Sun Life Holdings and Sun Life, will agree, and will use their reasonable commercial efforts to negotiate that the Underwriters will agree, not to make a claim against any Eligible Policyholder to pay any portion of any liability Sun Life Holdings or Sun Life might have because of any incorrect information in the prospectus.

24. Sun Life anticipates that a significant number of Eligible Policyholders will retain the Common Shares to which they are entitled in connection with the Demutualization. Sun Life believes that a significant number of these Eligible Policyholders, in all Principal Jurisdictions and Secondary Jurisdictions, will not have any prior experience in share ownership or brokerage relationships. For this reason, Sun Life intends to establish a "Share Selling Service", which would be available to Eligible Policyholders in Principal Jurisdictions and Secondary Jurisdictions, subject to obtaining required regulatory approvals on a satisfactory basis and to Sun Life Holdings concluding that it can offer the service in the jurisdiction on a commercially reasonable basis. Sun Life expects that the Share Selling Service will commence from the 30th day after completion of the IPO or from such other date as may be selected by Sun Life Holdings.

25. Under the Share Selling Service, Eligible Policyholders resident in Canada who receive Common Shares and who hold their shares through CIBC Mellon as nominee would be able to sell those shares simply by contacting CIBC Mellon, the administrator of the Share Selling Service, through written instructions (mail or in person) or possibly by telephone. CIBC Mellon will establish an account with a registered dealer (the "Assisting Dealer") and will, through the Assisting Dealer, arrange to sell Eligible Policyholders' Common Shares and remit the proceeds, less applicable fees, to Eligible Policyholders. The Assisting Dealer may change from time to time. The Share Selling Service would only be extended to Eligible Policyholders.

26. Under the Share Selling Service, only sell orders at the market price would be accepted by CIBC Mellon and no advice regarding the decision to sell or hold the Common Shares would be offered to any Eligible Policyholder. Neither Sun Life nor Sun Life Holdings will subsidize the costs of selling Common Shares under the Share Selling Service, although Eligible Policyholders will benefit from any reduced commission that can be negotiated with the Assisting Dealer. In addition to paying the commission, an Eligible Policyholder in Canada will be required to pay a

flat fee (expected to be initially Cdn. \$15.00) to the nominee for each sale of Common Shares under the Share Selling Service. Any Eligible Policyholder who wished to sell their Common Shares in another manner (for example, by transferring their holdings to another dealer with whom they have a brokerage relationship) would be free to do so. Any information distributed to Eligible Policyholders regarding the Share Selling Service will not contain any investment advice as to the desirability of Eligible Policyholders holding or selling their Common Shares. The Assisting Dealer will not open individual accounts or engage in "know-your-client" procedures with respect to individual Eligible Policyholders utilizing the Share Selling Service.

AND WHEREAS pursuant to the System this Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that:

A. the Registration and Prospectus Requirements shall not apply to the issuance by Sun Life Holdings of Common Shares to Eligible Policyholders pursuant to the Demutualization (including, any subsequent reissuance of Common Shares, cancelled subsequent to the Demutualization, in respect of Lost Policyholders), provided that the first trade in any such Common Shares in a Jurisdiction shall be a distribution under the Legislation of such Jurisdiction (the "Applicable Legislation") except that where:

(i) Sun Life Holdings is a reporting issuer or equivalent, if applicable, under the Applicable Legislation in which such first trade is made; and

(ii) disclosure to the Decision Makers had been made of the distribution of Common Shares to Eligible Policyholders in connection with the Demutualization,

then such trade is a distribution only if it is a trade from the holdings of any person, company or combination of persons or companies holding a sufficient number of securities of Sun Life Holdings to affect materially the control of Sun Life Holdings, but any holding of any person, company or combination of persons or companies holding more than 20% of the outstanding voting securities of Sun Life Holdings shall, in the absence of evidence to the contrary, be deemed to affect materially the control of Sun Life Holdings;

B. the Registration Requirements shall not apply to the Filer, CIBC Mellon, as administrator pursuant to the Share Selling Service or Eligible Policyholders in respect of (i) the execution of an unsolicited order to sell Common Shares through the Assisting Dealer by CIBC Mellon or (ii) placing the unsolicited order with CIBC Mellon in connection with the Share Selling Service. For the purposes of this MRRS Decision Document, a trade shall not be considered "solicited" by reason of the Filer distributing to Eligible Policyholders disclosure documents, notices,

brochures or similar documents advising of the availability of CIBC Mellon to facilitate sales of Common Shares or by reason of the Filer and/or CIBC Mellon advising Eligible Policyholders of the availability, and informing Eligible Policyholders of the details of the operation, of the Share Selling Service in response to enquiries from Eligible Policyholders by telephone or otherwise; and

C. the requirements contained in the Legislation with respect to issuer bids shall not apply to the purchase for cancellation by Sun Life Holdings of the Buy-back Shares.

DATED at Toronto, this 7th day of October, 1999.

G. Patrick H. Vernon J.F. Howard

IT IS ALSO DECIDED by the Decision Makers pursuant to the Legislation to grant permission to include in the Information Circular, Preliminary Prospectus and Amended Preliminary Prospectus, the listing statements referred to in the Application.

DATED at Toronto, this 7th day of October, 1999.

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AND WHEREAS the OSC is satisfied that to do so would not be prejudicial to the public interest;

IT IS ORDERED by the OSC that pursuant to clause 104(2)(c) of the Act each of the Purchases for Cancellation are not subject to the requirements of sections 95, 96, 97, 98 and 100 of the Act.

DATED at Toronto, this 7th day of October, 1999.

G. Patrick H. Vernon J.F. Howard

Headnote

1. Mutual Reliance Review System for Exemptive Relief Applications.

- relief from registration and prospectus requirements for trades made in connection with the demutualization of life insurance company.
- relief from registration requirements in connection with share selling service.
- issuer bid requirements not applicable to certain technical issuer bids.
- permission granted to include listing statement in information circular, preliminary prospectus and amended preliminary prospectus.

2. C1. 104(2)(c) Ontario Order - issuer bid requirements not applicable to the purchase of holdco common share owned by life insurance company and redemption by holdco of all outstanding preferred shares owned by life insurance company.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 38(3), 53, 72(5), 74(1), 75, 77, 78, 80(b)(iii), 95, 96, 97, 98, 100, 104(2)(c).

Applicable Ontario Policies

National Policy Statement No. 47.