

IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,

MANITOBA, ONTARIO, QUEBEC, NOVA SCOTIA  
AND NEWFOUNDLAND AND LABRADOR

AND

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

AND

IN THE MATTER OF  
SUN LIFE FINANCIAL SERVICES OF CANADA INC.

AND

IN THE MATTER OF  
SUN LIFE ASSURANCE COMPANY OF CANADA

AND

IN THE MATTER OF  
SUN LIFE CAPITAL TRUST

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker", and collectively the "Decision Makers") in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") has received an application (the "Application") from Sun Life Financial Services of Canada Inc. ("SLF"), Sun Life Assurance Company of Canada ("Sun Life Assurance") and Sun Life Capital Trust (the "Trust") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation"), that the requirements contained in the Legislation to:

- (a) file interim financial statements and audited annual financial statements (collectively, "Financial Statements") with the Decision Makers and deliver such statements to the security holders of the Trust;
- (b) make an annual filing ("Annual Filing") with the Decision Makers in lieu of filing an information circular, where applicable;
- (c) file an annual report ("Annual Report") and an information circular with the

Decision Maker in Quebec and deliver such report or information circular to the security holders of the Trust resident in Quebec; and

(d) prepare and file under OSC Rule 51-501 AIF and MD&A, section 159 of the Regulation to the *Securities Act* (Quebec) and the Saskatchewan Securities Commission Local Policy 6.2, an annual information form ("AIF"), including management's discussion and analysis ("MD&A") of the financial condition and results of operation of the Trust and send such MD&A to security holders of the Trust (collectively "the AIF and MD&A Requirements");

shall not apply to the Trust, subject to certain terms and conditions;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS SLF, Sun Life Assurance and the Trust represented to the Decision Makers that:

SLF

1. SLF is a holding company incorporated under the *Insurance Companies Act* (the "ICA"), is a reporting issuer or equivalent under the Legislation and to the best of its knowledge is not in default of any requirement of the Legislation.

2. The authorized capital of SLF consists of an unlimited number of common shares ("SLF Common Shares"), an unlimited number of Class A Shares, issuable in series and an unlimited number of Class B shares, issuable in series. As at January 31, 2002, the only shares outstanding were the SLF Common Shares, of which 431,708,287 were outstanding.

3. The SLF Common Shares are listed and posted for trading on the Toronto, New York, London and Philippines stock exchanges.

Sun Life Assurance

4. Sun Life Assurance is a Canadian insurance company incorporated under the ICA, is a reporting issuer or equivalent under the Legislation, excluding the securities legislation of British Columbia, Manitoba and Newfoundland and is eligible to use the short form prospectus system in British Columbia, Manitoba and Newfoundland pursuant to National Instrument 44-101 and to the best of its knowledge is not in default of any requirement of the Legislation.

5. The authorized share capital of Sun Life Assurance consists of an unlimited number of common shares (the "SLA Common Shares"), an unlimited number of Class A Shares (including the SLA Preferred Shares Series Y and SLA Preferred Shares Series Z, each as defined below), issuable in series, an unlimited number of Class B Shares, issuable in series, an unlimited number of Class C Shares, issuable in series and an unlimited number of Class D Shares,

issuable in series. As at January, 31, 2001, the only shares of Sun Life Assurance outstanding were 400,148,005 SLA Common Shares and 40,000 Class B Non-Cumulative Preferred Shares Series A. All of the outstanding SLA Common Shares and Class B Non-Cumulative Preferred Shares Series A are owned by SLF.

#### Sun Life Capital Trust

6. The Trust is an open-end trust established under the laws of the Province of Ontario by The Canada Trust Company ("Trustee"), as trustee, pursuant to a declaration of trust made as of August 9, 2001, as amended and restated on October 19, 2001 (the "Declaration of Trust").

7. The beneficial interests of the Trust are divided into two classes of units, issuable in series, designated as Sun Life Exchangeable Capital Securities ("SLEECS") and Special Trust Securities ("Special Trust Securities" and, collectively with SLEECS, "Trust Securities"). The Special Trust Securities are held in their entirety by Sun Life Assurance.

8. The Trust was established solely for the purpose of effecting the Offering (as defined below) and possible future offerings of securities in order to provide Sun Life Assurance (and indirectly, SLF) with a cost effective means of raising capital for Canadian insurance company regulatory purposes. The Trust does not and will not carry on any operating activity other than in connection with the Offering and any future offerings.

9. The Trust became a reporting issuer, or the equivalent, in each of the Jurisdictions upon the filing of a final prospectus dated October 11, 2001 in connection with the Offering (the "Prospectus") and the issuance of a final MRRS Decision Document dated October 12, 2001 in relation to the Prospectus.

#### SLEECS

10. The Trust has distributed SLEECS - Series A in the Jurisdictions under the Prospectus (the "Offering"). The Prospectus also qualifies certain other related securities for distribution in the Jurisdictions, including the Conversion Right which will allow the Trust to satisfy the Holder Exchange Right and the Automatic Exchange Right (each as defined below).

11. The SLEECS are listed on the Toronto Stock Exchange.

12. The Trust has also issued 2,000 Special Trust Securities to Sun Life Assurance in connection with the Offering.

13. The business objective of the Trust is to acquire and hold a debenture, issued by Sun Life Assurance (the "Sun Life Debenture"), which will generate income for distribution to holders of the Trust Securities.

14. Subject to paragraph 15, each SLEECS entitles the holder ("SLEECS Holders") to receive a fixed cash distribution (a "Distribution") payable by the Trust on the last day of June and December of each year (each such day, a "Distribution Date" and each period from the

Distribution Date to but excluding the next Distribution Date a "Distribution Period").

15. SLEECs Holders are not entitled to receive Distributions in respect of a particular Distribution Date if Sun Life Assurance has not declared regular cash dividends on its preferred shares in the three month period immediately prior to the commencement of the Distribution Period ending on the day preceding that Distribution Date.

16. Pursuant to the share exchange agreement entered into by SLF, Sun Life Assurance, the Trust and the Exchange Trustee, SLF and Sun Life Assurance have agreed, for the benefit of the holders of SLEECs, that, in the event the Trust fails, on any Distribution Date, to pay in full Distributions on the SLEECs to which the SLEECs Holders are entitled, (i) Sun Life Assurance will not pay dividends of any kind on its preferred shares, and (ii) if Sun Life Assurance does not have any preferred shares outstanding, SLF will not pay dividends of any kind on its preferred shares or the SLF Common Shares, in each case, until a specific period of time has elapsed, unless the Trust first pays such Distribution (or the unpaid portion thereof) to SLEECs Holders ("Dividend Stopper Undertaking").

17. Upon the occurrence of certain adverse tax events or events relating to the treatment of SLEECs for capital purposes, subject to regulatory approval and on not less than 30 nor more than 90 days' prior written notice, SLEECs will be redeemable, at the option of the Trust and with the approval of the Superintendent of Financial Institutions (Canada) (the "Superintendent"), in whole (but not in part) for a cash amount.

18. On December 31, 2006 and on any subsequent Distribution Date, subject to regulatory approval and on not less than 30 nor more than 60 days' prior written notice, the SLEECs will be redeemable in whole or in part for a cash amount, at the option of the Trust and subject to the approval of the Superintendent.

19. Holders of SLEECs will have the right (the "Holder Exchange Right"), at any time, to surrender all or part of their SLEECs to the Trust at a price for each SLEEC equal to 40 Non-Cumulative Preferred Shares Series Z of Sun Life Assurance ("SLA Preferred Shares Series Z").

20. Each SLEECs will be exchanged automatically (the "Automatic Exchange") without the consent of the holder, for 40 Non-Cumulative Preferred Shares Series Y of Sun Life Assurance ("SLA Preferred Shares Series Y") if: (i) an application for a winding-up order in respect of Sun Life Assurance pursuant to the *Winding-up and Restructuring Act* (Canada) (the "Winding-up Act") is filed by the Attorney General of Canada or a winding-up order in respect of Sun Life Assurance pursuant to the Winding-up Act is granted by a court; (ii) the Superintendent advises Sun Life Assurance in writing that the Superintendent has taken control of Sun Life Assurance or its assets pursuant to the ICA; (iii) the Superintendent advises Sun Life Assurance in writing that Sun Life Assurance has a net Tier 1 capital ratio of less than 75% or an MCCR ratio of less than 120%; (iv) the board of directors of Sun Life Assurance advises the Superintendent in writing that Sun Life Assurance has a net Tier 1 capital ratio of less than 75% or an MCCR ratio of less than 120%; or (v) the Superintendent directs Sun Life Assurance pursuant to the ICA to increase its capital or to provide additional liquidity and Sun Life Assurance elects to cause the exchange as a consequence of the issuance of such direction or Sun Life Assurance does not

comply with such direction to the satisfaction of the Superintendent within the time specified.

21. The Holder Exchange Right and the Automatic Exchange will be effected through the right to convert the whole or a part of the Sun Life Debenture into SLA Preferred Shares Series Z and SLA Preferred Shares Series Y, respectively (the "Conversion Right"). Upon the exercise of the Holder Exchange Right or the Automatic Exchange, the Trust will convert the corresponding principal amount of the Sun Life Debenture into SLA Preferred Shares Series Z or SLA Preferred Shares Series Y, as the case may be.

22. The SLA Preferred Shares Series Y and the SLA Preferred Shares Series Z will be redeemable after specified dates, at the option of Sun Life Assurance and subject to regulatory approvals, by the payment of a cash amount or by the delivery of SLF Common Shares.

23. Beginning on June 30, 2012, the SLA Preferred Shares Series Y and SLA Preferred Shares Series Z will be exchangeable, at the option of the holder, into SLF Common Shares, except under certain circumstances.

24. As set forth in the Declaration of Trust, SLEECs are non-voting except in certain limited circumstances and Special Trust Securities entitle the holders to vote.

25. Except to the extent that the Distributions are payable to SLEECs Holders and, other than in the event of termination of the Trust (as set forth in the Declaration of Trust), SLEECs Holders have no claim or entitlement to the income of the Trust or the assets held by the Trust.

26. In certain circumstances (as described in paragraph 20 above), including at a time when Sun Life Assurance's financial condition is deteriorating or proceedings for the winding-up of Sun Life Assurance have been commenced, the SLEECs will be automatically exchanged for SLA Preferred Shares Series Y without the consent of SLEECs Holders. As a result, SLEECs Holders will have no claim or entitlement to the assets held by the Trust, other than indirectly in their capacity as preferred shareholders of Sun Life Assurance.

27. SLEECs Holders may not take any action to terminate the Trust.

28. The Trust has not requested relief for the purposes of filing a short form prospectus pursuant to National Instrument 44-101 -- Short Form Prospectus Distributions ("NI 44-101") (including, without limitation, any relief which would allow the Trust to use Sun Life Assurance's AIF as a current AIF of the Trust) and no such relief is provided by this Decision Document from any of the requirements of NI 44-101.

29. Because of the terms of the Trust, the return to a SLEECs Holder depends upon the financial condition of SLF and Sun Life Assurance and not that of the Trust.

AND WHEREAS pursuant to the System this MRRS 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 under the Legislation is that the requirement contained in the Legislation:

- (a) to file Financial Statements with the Decision Makers and deliver such statements to holders of Trust Securities;
- (b) to make an Annual Filing, where applicable, with the Decision Makers in lieu of filing an information circular; and
- (c) to file an Annual Report and an information circular with the Decision Maker in Quebec and deliver such report or information circular to holders of Trust Securities resident in Quebec;

shall not apply to the Trust for so long as:

- (i) SLF remains a reporting issuer under the Legislation;
- (ii) Sun Life Assurance remains a reporting issuer under the Legislation, excluding the securities legislation of British Columbia, Manitoba and Newfoundland;
- (iii) Sun Life Assurance remains eligible to use the short form prospectus systems in British Columbia, Manitoba and Newfoundland under National Instrument 44-101;
- (iv) SLF and Sun Life Assurance file with the Decision Makers, in electronic format under the Trust's SEDAR profile, the documents listed in clauses (a) to (c) above of this Decision, at the same time as they are required under the Legislation to be filed by SLF and Sun Life Assurance;
- (v) the Trust pays all filing fees that would otherwise be payable by the Trust in connection with the filing of the documents referred to in clauses (a) to (c) above of this Decision;
- (vi) SLF and Sun Life Assurance sends their Financial Statements to holders of Trust Securities, and their Annual Report to holders of Trust Securities resident in the Province of Quebec at the same time and in the same manner as if the holders of Trust Securities were holders of SLF Common Shares or SLA Common Shares;
- (vii) all outstanding securities of the Trust are either SLEECs or Special Trust Securities;

(viii) the rights and obligations of holders of additional series of SLEECs are the same in all material respects as the rights and obligations of the holders of SLEECs - Series A at the date hereof; and

(ix) all issued and outstanding Special Trust Securities continue to be directly or indirectly owned by SLF;

and provided that if a material adverse change occurs in the affairs of the Trust, this Decision shall expire 30 days after the date of such change.

DATED this 14th day of March 14, 2002.

Paul M Moore

Mary Theresa McLeod

AND THE FURTHER DECISION of the Decision Makers in Ontario, Quebec and Saskatchewan is that the AIF and MD&A Requirements shall not apply to the Trust for so long as:

(i) the conditions set out in clauses (i), (ii), (iii), (vii), (viii) and (ix) of the Decision above are complied with;

(ii) SLF and Sun Life Assurance file their AIF and annual and interim MD&A with the Decision Makers, in electronic format under the Trust's SEDAR profile at the same time as they are required under the Legislation to be filed by SLF and Sun Life Assurance;

(iii) the Trust pays all filing fees that would otherwise be payable by the Trust in connection with the filing of the documents referred to in clause (ii) above of this decision;

(iv) SLF and Sun Life Assurance send their annual and interim MD&A to holders of Trust Securities at the same time and in the same manner as if the holders of Trust Securities were holders of SLF Common Shares or SLA Common Shares;

and provided that if a material adverse change occurs in the affairs of the Trust, this Decision shall expire 30 days after the date of such change.

DATED this 14th day of March 14, 2002.

John Hughes