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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief from the registration and prospectus requirements for securities underlying trust units being qualified by prospectus – underlying securities to be issued by other companies – relief granted for first trade of underlying securities provided prospectus qualifying trust units is filed and receipted

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 34(1)(a), 48, 61 and 76

**IN THE MATTER OF THE SECURITIES LEGISLATION OF NOVA
SCOTIA, BRITISH COLUMBIA, MANITOBA, NEW BRUNSWICK,
PRINCE EDWARD ISLAND, NEWFOUNDLAND and LABRADOR,
YUKON, 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 FINANCIAL SERVICES OF CANADA
INC., SUN LIFE ASSURANCE COMPANY OF CANADA**

AND

SUN LIFE CAPITAL TRUST

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of Nova Scotia, British Columbia, Manitoba, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut (collectively, the “Jurisdictions”) has received an application (the “Application”) on behalf of Sun Life Financial Services of Canada Inc. (“SLF”), Sun Life Assurance Company of Canada (“SLA”) and Sun Life Capital Trust (the “Trust”) for a decision pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that certain trades in securities of SLF and SLA are exempt from the requirements under the Legislation to be registered to trade in a security (the “Registration Requirement”) and to file and obtain a receipt for a preliminary prospectus and a prospectus (the “Prospectus Requirement”), subject to certain conditions;

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

AND WHEREAS SLF, SLA and the Trust have represented to the Decision Makers that:

1. The Trust is an open-end trust established under the laws of the Province of Ontario by The Canada Trust Company, as trustee, pursuant to an amended and restated declaration of trust dated as of October 19, 2001.
2. Following completion of the Offering described below, the authorized capital of the Trust will consist of: (i) an unlimited number of Special Trust Securities (the “Special Trust Securities”); (ii) an unlimited number of Sun Life Exchangeable Capital Securities – Series A (the “SLEECs Series A”); and (iii) an unlimited number of Sun Life Exchangeable Capital Securities – Series B (the “SLEECs Series B” and, collectively with the SLEECs Series A, the “SLEECs”). The Special Trust Securities and the SLEECs are collectively referred to herein as the “Trust Securities”. As at [April 30, 2002](#), there were [2,000](#) Special Trust Securities issued and outstanding, all of which are held by SLA, and 950,000 SLEECs Series A issued and outstanding.
3. The Trust was established solely for the purpose of effecting public offerings of Sun Life Exchangeable Capital Securities, such as this public offering of SLEECs Series B (the “Offering”) and possible future offerings of securities in order to provide SLA (and, indirectly, SLF) with a cost effective means of raising capital for Canadian financial institutions regulatory purposes by means of: (i) creating and selling the Trust Securities; and (ii) acquiring and holding assets, which on completion of the Offering, will consist primarily of two senior unsubordinated debentures issued by SLA, namely the Sun Life Series A Debenture (acquired by the Trust in connection with the issue of the SLEECs Series A) and the Sun Life Series B Debenture (to be acquired by the Trust with the proceeds of the Offering) (together with other senior unsubordinated debentures of SLA held by the Trust from time to time, the “Sun Life Debentures”). The Sun Life Debentures will generate income for distribution to holders of the Trust Securities. The Trust does not and will not carry on any operating activity other than in connection with the Offering and any past or future offerings.
4. The Trust is a reporting issuer or the equivalent in each of the provinces and territories of Canada that provides for a reporting issuer regime and is not, to its knowledge, in default of any reporting requirement under the Legislation.

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5. SLA is a Canadian insurance company subject to the *Insurance Companies Act* (Canada) (the “ICA”). SLA was incorporated as a stock life company by a Special Act of Parliament of Canada in 1865. SLA was converted into a mutual company in 1962. The Special Act of Sun Life Assurance was replaced in 1992 by amending letters patent issued under the ICA. SLA was converted on the demutualization from a mutual insurance company to a stock insurance company pursuant to letters patent of conversion issued under the ICA on March 22, 2000.
6. The authorized share capital of SLA consists of: (i) an unlimited number of Class A Shares, issuable in series; (ii) an unlimited number of Class B Shares, issuable in series; (iii) an unlimited number of Class C Shares, issuable in series; (iv) an unlimited number of Class D Shares, issuable in series; and (v) an unlimited number of common shares. At April 30, 2002, the only shares issued and outstanding were 400,148,005 SLA common shares and 40,000 SLA Class B Preferred Shares Series A, all of which were owned by SLF.
7. SLA is a reporting issuer or the equivalent in each of the provinces and territories of Canada that provides for a reporting issuer regime, with the exception of Manitoba and Newfoundland and Labrador, and is not, to its knowledge, in default of any applicable requirement thereof. With respect to Manitoba and Newfoundland and Labrador, SLA files all continuous disclosure documents that it files with securities regulatory authorities in the other jurisdictions and has done so for the last 12 months.
8. SLF was incorporated under the ICA on August 5, 1999. On the completion of the demutualization of SLA on March 22, 2000, SLF became the holding company which holds directly all of the outstanding shares of SLA. SLF carries on no active business operations.
9. The authorized share capital of SLF consists of: (i) an unlimited number of Class A Shares, issuable in series; (ii) an unlimited number of Class B Shares, issuable in series; and (iii) an unlimited number of common shares (the “SLF Common Shares”). At April 30, 2002, the only shares issued and outstanding were 431,704,778 SLF Common Shares. The SLF Common Shares are listed and posted for trading on the Toronto, New York and Philippines stock exchanges.
10. SLF is a reporting issuer or the equivalent in each of the provinces and territories of Canada that provides for a reporting issuer regime and is not, to its knowledge, in default of any reporting requirement under the Legislation.

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11. Pursuant to the terms of the SLEECs Series B and a Share Exchange Agreement (the "Share Exchange Agreement") to be entered into between SLF, SLA, the Trust and a party acting as exchange trustee, the SLEECs Series B may be exchanged, at the option of the holders of SLEECs Series B (the "Holder Exchange Right"), for newly issued Class A Non-Cumulative Preferred Shares Series X of SLA ("SLA Preferred Shares Series X"). Further, the SLEECs Series B will be automatically exchanged, without the consent of the holder, for newly issued Class A Non-Cumulative Preferred Shares Series W of SLA ("SLA Preferred Shares Series W") upon the occurrence of certain stated events relating to the solvency of SLA or actions taken by the Superintendent of Financial Institutions in respect of SLA (the "Automatic Exchange"). The SLA Preferred Shares Series X and the SLA Preferred Shares Series W are collectively referred to herein as the "SLA Exchange Preferred Shares".
12. The Sun Life Series B Debenture will be convertible (i) at any time at the option of the holder into SLA Preferred Shares Series X, exercisable by the Trust in circumstances in which holders of SLEECs Series B exercise the Holder Exchange Right, and (ii) automatically into SLA Preferred Shares Series W in circumstances giving rise to an Automatic Exchange (such rights of conversion referred to in items (i) and (ii) being referred to herein as the "Conversion Right"), in each case to enable the Trust to satisfy its obligation to deliver SLA Exchange Preferred Shares of the appropriate series to holders of SLEECs Series B in connection with the Holder Exchange Right or Automatic Exchange, as applicable.
13. Pursuant to the Share Exchange Agreement, SLA will grant to the Trust the right to subscribe, if necessary, following the maturity of the Sun Life Series B Debenture, for SLA Exchange Preferred Shares of the appropriate series to enable the Trust to give effect to the Holder Exchange Right and the Automatic Exchange following such maturity (the "Subscription Right").
14. The Holder Exchange Right will be effected through the conversion by the Trust of the corresponding principal amount of the Sun Life Series B Debenture into SLA Preferred Shares Series X, or the acquisition by the Trust of such shares through the exercise of the Subscription Right. Holders of SLEECs Series B exercising the Holder Exchange Right will, upon surrendering the SLEECs Series B to be exchanged, receive from the Trust 40 SLA Preferred Shares Series X in respect of each SLEECs Series B so exchanged and the SLEECs Series B surrendered for exchange will be cancelled.

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15. The Automatic Exchange will be effected through the automatic conversion of each \$1,000 principal amount of the Sun Life Series B Debenture into 40 SLA Preferred Shares Series W, or the acquisition by the Trust of such shares through the exercise of the Subscription Right. Each holder of SLEECs Series B will be deemed to have surrendered each SLEECs Series B to the Trust in exchange for 40 SLA Preferred Shares Series W and the SLEECs Series B deemed to have been surrendered for exchange will be cancelled.
16. The terms of the SLA Exchange Preferred Shares and the Share Exchange Agreement provide, among other things, that beginning on December 31, 2032, such shares are exchangeable at the option of the holder for SLF Common Shares at certain times and in certain circumstances (the "SLF Common Share Exchange Right"). These exchange rights are not operative at any time that an event giving rise to the Automatic Exchange in respect of the SLEECs Series B has occurred and is continuing.
17. SLA will have the right to redeem the SLA Exchange Preferred Shares and to pay the redemption price thereof through the delivery of SLF Common Shares to holders of SLA Exchange Preferred Shares called for redemption. Pursuant to the Share Exchange Agreement, SLF will grant to SLA the right to subscribe for SLF Common Shares in connection with any such redemption (such right being the "SLA Preferred Share Redemption Right").
18. In addition to qualifying the SLEECs Series B for distribution, the (final) prospectus in respect of the Offering (the "Prospectus") will also qualify the Holder Exchange Right, the Automatic Exchange, the Conversion Right, the Subscription Right, the SLA Preferred Share Redemption Right and the SLF Common Share Exchange Right (collectively, the "Conversion and Exchange Rights"). Information concerning the Trust, SLF and SLA will be included, or incorporated by reference, in the Prospectus.
19. There may be no registration or prospectus exemptions available under the Legislation for certain of the trades contemplated by the Conversion and Exchange Rights (the "Trades").

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the decision of each of the Decision Makers (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;

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THE DECISION of the Decision Makers under the Legislation is that the Registration Requirement and the Prospectus Requirement shall not apply to the Trades provided that the first trade in SLA Exchange Preferred Shares and SLF Common Shares acquired pursuant to the Decision, other than a trade by the Trust or SLA pursuant to the Conversion and Exchange Rights, shall be deemed to be a distribution or a primary distribution to the public under the Legislation of the Jurisdiction in which the trade takes place (the “Applicable Legislation”) unless:

- (a) SLF and SLA have filed and obtained a receipt for the Prospectus under the Applicable Legislation;
- (b) SLA or SLF, as the case may be, is a reporting issuer or the equivalent under the Applicable Legislation at the time of the trade to the extent that the Applicable Legislation provides for a reporting issuer regime; and
- (c) the trade is not a control distribution as defined in Multilateral Instrument 45-102 Resale of Securities.

DATED this 12th day of June, 2002.

H. Leslie O’Brien