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Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief from the requirements to file interim financial statements and audited financial statements and send such statements to security holders, and to make an annual filing in lieu of filing an information circular granted to a trust on specified conditions - security holder's return depends upon the financial condition of the parent company and the holding company and not that of the trust - trust offered trust units to the public in order to provide the parent company with a cost effective means of raising capital for Canadian insurance company regulatory purposes - no distributions are payable on the trust units if the parent company fails to pay dividends on its preferred shares and if distributions are not paid the parent company is prevented from paying dividends on its preferred shares - trust units are not redeemable but are exchangeable at the option of the holder after a fixed term for shares of the parent company

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 91(1) and 119(2)

Securities Rules, B.C. Reg. 194/97, ss. 144, 145, 149 and 184(2)

**IN THE MATTER OF THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA,
ONTARIO, QUÉBEC, 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 MANULIFE FINANCIAL CORPORATION

AND

**IN THE MATTER OF THE MANUFACTURERS LIFE INSURANCE
COMPANY**

AND

IN THE MATTER OF MANULIFE FINANCIAL CAPITAL TRUST

MRRS DECISION DOCUMENT

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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, Québec, Nova Scotia, and Newfoundland and Labrador (the Jurisdictions) has received an application (the Application) from Manulife Financial Corporation (MFC), The Manufacturers Life Insurance Company (MLI) and Manulife Financial 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 Québec and deliver such report or information circular to the security holders of the Trust resident in Québec;
- (d) prepare and file under OSC Rule 51-501 AIF and MD&A, section 159 of the Regulation to the *Securities Act* (Québec) and the Saskatchewan Instrument 51-501, 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 MFC, MLI and the Trust have represented to the Decision Makers that:

The Manufacturers Life Insurance Company

1. MLI was incorporated on June 23, 1887, by a Special Act of Parliament of the Dominion of Canada. Pursuant to the provisions of the then *Canadian and British Insurance Companies Act* (Canada), the predecessor legislation to the

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Insurance Companies Act (Canada) (ICA), MLI undertook a plan of mutualization and became a mutual life insurance company on December 19, 1968. On September 23, 1999 MLI demutualized (the Demutualization) pursuant to letters patent of conversion issued by the Minister of Finance.

2. MLI's head office is located in Ontario. MLI is regulated by the Superintendent of Financial Institutions (Canada) and it is licensed under the insurance legislation of each province and territory of Canada. MLI is a reporting issuer (or equivalent) in each of the provinces and territories of Canada and has held that status since filing a non-offering prospectus on May 19, 1994. To the best of its knowledge, information and belief, MLI is currently not in default of its reporting requirements under the Act or the Regulations made thereunder.
3. MLI has authorized share capital consisting of an unlimited number of Common Shares, an unlimited number of Class A Shares, 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 of December 31, 2001, only Common Shares and 40,000 Class A Shares Series 1 of MLI (the MLI Class A Shares Series 1) are issued and outstanding. Pursuant to the Demutualization, MFC became the holder of all of the issued and outstanding Common Shares of MLI. MFC subscribed for the Class A Shares Series 1 of MLI in connection with the Offering (as defined below).
4. MLI obtained a decision document dated May 19, 2000 (the 2000 MRRS Decision), pursuant to which the requirements contained in the Legislation to disclose material changes, to file Financial Statements and to file an Annual Report shall not apply to MLI subject to certain specified conditions, including that MFC comply with such requirements, and the requirement that MLI file an AIF shall be satisfied by the filing of an AIF by MFC.

Manulife Financial Corporation

5. MFC was incorporated under the ICA on April 26, 1999. On September 23, 1999, in connection with the Demutualization, MFC became the sole shareholder of MLI and certain holders of participating life insurance policies of MLI (the Eligible Policyholders) became shareholders of MFC. On September 24, 1999 MFC filed a final prospectus in connection with an initial treasury and secondary offering conducted in Canada and the United States. MFC is a publicly traded company on The Toronto Stock Exchange, the New York Stock Exchange, the Stock Exchange of Hong Kong Limited and the Philippine Stock Exchange. The authorized share capital of MFC consists of

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Class A Shares, issuable in series, Class B Shares, issuable in series, and Common Shares of which approximately 482 million Common Shares were issued and outstanding as of December 31, 2001.

6. MFC is a reporting issuer in each of the provinces and territories of Canada. To the best of its knowledge, information and belief, MFC is currently not in default of its reporting requirements under the Act or the Regulations made thereunder.
7. MFC has no material assets or material liabilities other than the shares that it holds in MLI. MFC conducts its operations through MLI and MLI's branches and subsidiaries.

Manulife Financial Capital Trust

8. 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 October 30, 2001, as amended and restated on December 5, 2001 (the Declaration of Trust).
9. The outstanding securities of the Trust consist of two classes of units:
(i) Special Trust Securities (Special Trust Securities) and (ii) Manulife Financial Capital Securities (MaCS), issuable in series (such Special Trust Securities and MaCS are collectively referred to as the Trust Securities).
10. The Trust was established solely for the purpose of effecting the Offering and possible future offerings of securities in order to provide MLI (and indirectly, MFC) with a cost effective means of raising capital for Canadian insurance company regulatory purposes by means of (i) creating and selling the Trust Securities, and (ii) acquiring and holding Trust Assets, which consist primarily of debentures issued by MLI (the MLI Debentures). The MLI Debentures 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 future offerings.
11. The Trust is a reporting issuer, or the equivalent, in each of the Jurisdictions as a result of the filing of the final prospectus in connection with the Offering dated December 5, 2001 (the Prospectus) and the issuance of the final MRRS Decision Document in relation to the Prospectus.

MaCS

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12. The Trust distributed MaCS - Series A (MaCS - Series A) and MaCS - Series B (MaCS - Series B) in the Jurisdictions under the Prospectus (the Offering). The MaCS - Series A are listed on The Toronto Stock Exchange. The MaCS - Series B will not be listed on any public securities exchange. The Trust also issued and sold 2,000 Special Trust Securities to MLI in connection with the Offering.
13. The Prospectus also qualified 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).
14. The Trust used the proceeds of the offering of MaCS - Series A to purchase a debenture issued by MLI (the MLI A Debenture) and the proceeds of the offering of MaCS - Series B to purchase a second debenture issued by MLI (the MLI B Debenture). MLI is considering subsequent offerings of MaCS (to be designated as Series C, D, etc.) by the Trust. The proceeds from the issue of each additional series of MaCS would be used by the Trust to purchase a separate debenture from MLI.
15. For simplicity, the balance of this decision generally only refers to the MaCS - Series A, Class A Shares Series 2 of MLI (the MLI Class A Shares Series 2), Class A Shares Series 3 of MLI (the MLI Class A Shares Series 3) and the MLI A Debenture because the features of each series of MaCS and each related debenture issued by MLI are, in the case of the MaCS - Series B and the MLI B Debenture, and would be, in the case of subsequent offerings of MaCS, the same as the MaCS - Series A and the MLI A Debenture described in this Application except for the following:
 - (a) the indicated yield (constituted by the distribution payable on each series of MaCS) may be different;
 - (b) the interest rate on each debenture may be different but will correspond to the indicated yield of the particular corresponding series of MaCS;
 - (c) the redemption date of each debenture will be different; and
 - (d) each series of MaCS and the corresponding debenture will be exchangeable or convertible into separate series of shares of MLI with attributes similar to the MLI Class A Shares Series 2 and Series 3, except that the dates upon which various rights arise may be different from the MaCS - Series A and the MLI Class A Series 2 and Series 3. All of these

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terms for the MaCS-Series A and the MaCS-Series B were fully set forth in the Prospectus and the terms of subsequent offerings of MaCS would be set forth in the prospectus prepared in connection with such offerings.

16. Subject to paragraphs 17 and 18, each MaCS - Series A entitles the holder (MaCS 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).
17. MaCS Holders are not entitled to receive Distributions in respect of a particular Distribution Date if (i) MLI fails to declare dividends on its MLI Class A Shares Series 1 or (ii) MLI has not declared regular cash dividends on its public preferred shares, in either case, in the three month period immediately prior to the commencement of the Distribution Period ending on the day preceding that Distribution Date.
18. Pursuant to the share exchange agreement entered into by MFC, MLI, the Trust and the Exchange Trustee on December 10, 2001, MFC and MLI have agreed, for the benefit of the holders of MaCS - Series A, that, in the event the Trust fails, on any Distribution Date, to pay in full Distributions on the MaCS - Series A to which the MaCS Holders are entitled, (i) MLI will not pay dividends of any kind on its preferred shares, and (ii) if MLI does not have any preferred shares outstanding, MFC will not pay dividends of any kind on its preferred shares or the MFC 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 MaCS Holders.
19. Upon the occurrence of certain adverse tax events or events relating to the treatment of MaCS - Series A for capital purposes, subject to regulatory approval and on not less than 30 nor more than 90 days' prior written notice, MaCS - Series A 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.
20. On December 31, 2006 and on any subsequent Distribution Date thereafter, subject to regulatory approval and on not less than 30 nor more than 60 days' prior written notice, the MaCS - Series A 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.
21. Holders of MaCS - Series A will have the right (the Holder Exchange Right), at any time, to surrender all or part of their MaCS - Series A to the

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Trust at a price for each MaCS - Series A equal to 40 MLI Class A Shares Series 2.

22. Each MaCS - Series A will be exchanged automatically (the Automatic Exchange) without the consent of the holder, for 40 MLI Class A Shares Series 3 if: (i) an application for a winding-up order in respect of MLI 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 MLI pursuant to the Winding-up Act is granted by a court; (ii) the Superintendent advises MLI in writing that the Superintendent has taken control of MLI or its assets pursuant to the ICA; (iii) the Superintendent advises MLI in writing that MLI 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 MLI advises the Superintendent in writing that MLI has a net Tier 1 capital ratio of less than 75% or an MCCR ratio of less than 120%; or (v) the Superintendent directs MLI pursuant to the ICA to increase its capital or to provide additional liquidity and MLI elects to cause the exchange as a consequence of the issuance of such direction or MLI does not comply with such direction to the satisfaction of the Superintendent within the time specified.
23. The Holder Exchange Right and the Automatic Exchange will be effected through the right to convert the whole or a part of the MLI A Debenture into MLI Class A Shares Series 2 and MLI Class A Shares Series 3, 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 MLI A Debenture into MLI Class A Shares Series 2 or MLI Class A Shares Series 3, as the case may be.
24. The MLI Class A Shares Series 2 and the MLI Class A Shares Series 3 will be redeemable after specified dates, at the option of MLI and subject to regulatory approvals, by the payment of a cash amount or by the delivery of MFC Common Shares.
25. On and after June 30, 2051, the MLI Class A Shares Series 2 and MLI Class A Shares Series 3 will be exchangeable, at the option of the holder, into MFC Common Shares, except under certain circumstances.
26. As set forth in the Declaration of Trust, MaCS - Series A are non-voting except in certain limited circumstances and Special Trust Securities entitle the holders to vote.
27. Except to the extent that the Distributions are payable to MaCS Holders and, other than in the event of termination of the Trust (as set forth in the

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Declaration of Trust), MaCS Holders have no claim or entitlement to the income of the Trust or the assets held by the Trust.

28. In certain circumstances (as described in paragraph 22 above), including at a time when MLI's financial condition is deteriorating or proceedings for the winding-up of MLI have been commenced, the MaCS - Series A will be automatically exchanged for MLI Class A Shares Series 3 without the consent of MaCS Holders. As a result, MaCS Holders will have no claim or entitlement to the assets held by the Trust, other than indirectly in their capacity as preferred shareholders of MLI.
29. MaCS Holders may not take any action to terminate the Trust.
30. 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 MFC'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.
31. The terms of the MaCS, the Share Exchange Agreement and the various covenants of MFC and MLI given in connection with an offering of the MaCS as well as the extensive role of MLI and its affiliates in the day-to-day management of the business and affairs of the Trust, lead to the conclusion that it is information with respect to the affairs and financial performance of MFC and MLI, as opposed to that of the Trust itself, that is meaningful to holders of MaCS. Pursuant to the 2000 MRRS Decision, it was decided that it was not necessary for MLI to disclose material changes, file Financial Statements or file an Annual Report, so long as MFC did so on its own behalf, because adequate disclosure would be provided to the holders of securities issued by MLI pursuant to MFC's filings. MFC's filings and the delivery by MFC to holders of MaCS of the same material delivered to shareholders of MFC will provide holders of MaCS and the general investing public with all information required in order to make an informed decision relating to an investment in MaCS. Information regarding MFC is relevant both to an investor's expectation of being paid the indicated yield on the MaCS as well as the return of the investor's principal.

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

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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 Québec and deliver such report or information circular to holders of Trust Securities resident in Québec;

shall not apply to the Trust for so long as:

- (i) MFC remains a reporting issuer under the Legislation;
- (ii) MLI remains a reporting issuer under the Legislation;
- (iii) MFC files 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 MFC;
- (iv) 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;
- (v) MFC sends its Financial Statements and Annual Filing, where applicable, to holders of Trust Securities and its Annual Report to holders of Trust Securities resident in the Province of Québec at the same time and in the same manner as if the holders of Trust Securities were holders of MFC Common Shares;
- (vi) all outstanding securities of the Trust are either MaCS or Special Trust Securities;
- (vii) the rights and obligations (other than the economic terms thereof) of holders of additional series of MaCS are the same in

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all material respects as the rights and obligations of the holders of MaCS - Series A and MaCS - Series B at the date hereof; and

- (viii) all of the outstanding Special Trust Securities are beneficially owned by MLI or any of its affiliates and all of the issued and outstanding voting shares of MLI or of its affiliate which owns the Special Trust Securities are beneficially owned by MFC;

and provided that this Decision shall expire 30 days after:

- (A) the date that MLI can no longer rely on the 2000 MRRS Decision; or
- (B) the date a material adverse change occurs in the affairs of the Trust.

DATED this 21st day of March, 2002.

Paul M. Moore
A Commissioner

Robert W. Korthals
A Commissioner

AND THE FURTHER DECISION of the Decision Makers in Ontario, Québec & 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), (vi), (vii) and (viii) of the Decision above are complied with;
- (ii) MFC files the AIF and the 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 MFC;
- (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 clauses (a) to (c) above of this Decision;
- (iv) MFC sends its 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 MFC Common Shares;

and provided that this Decision shall expire 30 days after:

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- (A) the date that MLI can no longer rely on the 2000 MRRS Decision; or
- (B) the date a material adverse change occurs in the affairs of the Trust.

DATED this 21st day of March, 2002.

John Hughes
Manager Corporate Finance