

2005 BCSECCOM 234

March 11, 2005

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act, s. 91 – Requirements for the filing of insider reports, material change reporting, and the filing and delivery of interim financial statements - NI 51-102 *Continuous Disclosure Obligations*, s. 13.1 – Requirements for the filing and delivery of interim financial statements and related MD&A and material change reporting - NI 55-102 *System for Electronic Disclosure by Insiders (SEDI)*, s. 6.1 – Requirements for the filing of insider profiles – An issuer of pay-through asset-backed notes wants relief from the requirements concerning the preparation, filing and delivery of unaudited interim financial statements and/or audited annual financial statements - The issuer is a special purpose trust – Its business is limited to issuing notes serviced by the cash flows from corresponding annuities issued by an insurance company - Noteholders are entirely dependent on the ability of the insurance company to perform its obligations under the annuities - The insurance company is a reporting issuer and its continuous disclosure is readily available to noteholders - Also, the trust will undertake to deliver such continuous disclosure to noteholders on request - The trust will continue to comply with material change reporting requirements to the extent the change does not relate solely to a change in the affairs of the insurance company - Insiders of the trust who are also insiders of the insurance company or actively involved in the administration of the trust will continue to file insider reports

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 85, 87 and 91

Securities Rules, B.C. Regulation 194/97, ss. 144 and 149

National Instrument 51-102 *Continuous Disclosure Obligations*, ss. 4.3, 4.4, 4.6, 5.1, 5.6 and 13.1

National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)*, s. 6.1

In the Matter of
the Securities Legislation
of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova
Scotia, New Brunswick and Newfoundland and Labrador (the Jurisdictions)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

2005 BCSECCOM 234

In the Matter of Maritime Life Canadian Funding (the Filer)

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Trust for a decision (the Requested Relief) under the securities legislation of the Jurisdictions (the Legislation) that, subject to the terms and conditions described below:

1. the requirements contained in National Instrument 51-102 – *Continuous Disclosure Obligations* to:
 - (a) file interim financial statements with the Decision Makers and to deliver such interim financial statements to the holders of the Notes (as defined below) (the Noteholders);
 - (b) file interim management's discussion and analysis of the financial condition and results of operations of the Trust with the Decision Makers and send such interim management's discussion and analysis to the Noteholders; and
 - (c) file material change reports and issue and file press releases related to the Trust, only where such requirement relates solely to a material change in the affairs of Manufacturers Life (as defined below) and which is the subject of a filing by Manufacturers Life, shall not apply to the Trust subject to certain terms and conditions; in Québec, the exemption will be granted by a revision of the general order No. 2004-PDG-0020 dated March 26, 2004;
2. the requirements contained in the Legislation for an insider of a reporting issuer to file:
 - (d) reports disclosing the insider's direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer;
 - (e) disclosing any trade by the insider in such securities; and

2005 BCSECCOM 234

- (f) an insider profile report under National Instrument 55-102 – *System for Electronic Disclosure by Insiders* (collectively, the Insider Reporting Requirements),

shall not apply to the Trust or any insider of the Trust, who is not otherwise an insider of Manufacturers Life and who does not receive or have access to, in the ordinary course, information as to material facts or material changes concerning the Trust before the material facts or material changes are generally disclosed.

In addition, the Decision Maker in each of the Jurisdictions other than British Columbia and Québec has received an application from the Trust for a decision under the Legislation of such Jurisdiction that the provisions of Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* concerning the filing of interim certificates shall not apply to the Trust, subject to certain terms and conditions.

Under the Mutual Reliance Review System for Exemptive Relief Applications:

- (a) the Ontario Securities Commission is the principal regulator for this application; and
- (b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Trust:

The Trust

1. The Trust was established as a special purpose trust by RBC Dominion Securities Inc. (RBC DS), as settlor, under a declaration of trust dated August 15, 2001, as amended by the first supplement to the declaration of trust dated December 14, 2001 (collectively, the Declaration of Trust). The Declaration of Trust was made by The Canada Trust Company (the Trustee) and is governed by the laws of the Province of Ontario. The current beneficiary of the Trust is a charitable organization.
2. The Trustee performs its duties as trustee of the Trust from its offices in Toronto, Ontario.
3. The current auditors of the Trust are KPMG LLP, Toronto, Ontario.

2005 BCSECCOM 234

4. Pursuant to the terms of the Declaration of Trust, the business activities of the Trust have been substantially limited to:
- (a) conducting, operating and administering the Trust's programme (the Programme) of acquiring, through a dealer or an affiliate thereof, annuities (the Annuities) issued by The Maritime Life Assurance Company (Maritime Life);
 - (b) financing such acquisitions through the issue of annuity-backed, secured, limited recourse debt securities (the Notes); and
 - (c) engaging in such activities which, in the reasonable opinion of the Trustee, are reasonably incidental or ancillary to (a) and (b) or required by any agreement relating thereto.

The Trust is otherwise limited from carrying on any active business.

5. The Trustee's responsibilities on behalf of the Trust under the Programme documents are substantially limited to the following:
- (a) preparing financial statements;
 - (b) preparing and filing tax returns;
 - (c) complying with continuous disclosure requirements from time to time applicable to the Trust under applicable laws;
 - (d) directing Annuity payments to be deposited into an account created in respect of a series of Notes and paying principal, interest and any other amounts on the series of Notes from such account;
 - (e) instructing the Indenture Trustee (as defined below in paragraph 9(a)) to pay liabilities for a series from amounts on deposit in a related expense account;
 - (f) exercising the Trust's rights under the Programme documents;
 - (g) providing required notices to the Indenture Trustee; and
 - (h) delivering documentation to rating agencies.

2005 BCSECCOM 234

6. The Trust has no assets other than a \$1,000 initial contribution to the Trust, the Annuities, the Indemnity (as defined below at paragraph 13), other collateral held from time to time as security for a series of Notes, amounts held from time to time in expense accounts to finance various costs and expenses of the Trust, and related contractual rights under the documents establishing the Programme.
7. The Trust is a reporting issuer or the equivalent thereof in each of the Jurisdictions and filed a short form base shelf prospectus dated December 21, 2001 and a renewal short form base shelf prospectus dated April 1, 2004 (the Shelf Prospectus) in the Jurisdictions for the purpose of distributing Notes, and is not, to the Trustee's knowledge, in default of any requirement under the Legislation.

Issued and Outstanding Notes

8. The following two series of Notes are presently outstanding (the Outstanding Notes):
 - (a) \$200,000,000 5.390% Annuity-Backed, Secured, Limited Recourse Notes, Series 2002-2 issued March 12, 2002 and payable March 12, 2007; and
 - (b) \$200,000,000 4.551% Annuity-Backed, Secured, Limited Recourse Notes, Series 2003-1 issued November 12, 2003 and payable November 12, 2008.
9. The Outstanding Notes were issued by the Trust in accordance with the terms of:
 - (a) a trust indenture dated December 21, 2001, as supplemented, amended or consolidated, from time to time (the Indenture), under which Computershare Trust Company of Canada is the indenture trustee (the Indenture Trustee); and
 - (b) a master programme agreement dated December 21, 2001 (the Master Programme Agreement) between the Trust, the Trustee, the Indenture Trustee, Maritime Life, RBC DS, and certain other securities dealers who may offer Notes. The provisions of the Master Programme Agreement include the following:
 - (i) a detailed set of obligations, conditions, and limitations relating to the issuance of the Annuities by Maritime Life;

2005 BCSECCOM 234

- (ii) representations and warranties by each of the parties relating to its existence, business, power and capacity, and the truth and completeness of information regarding such parties in the Shelf Prospectus, as supplemented by an applicable prospectus supplement;
 - (iii) representations and warranties by Maritime Life to each of the other parties relating to the issuance of Annuities;
 - (iv) undertakings of Maritime Life to each of the other parties to comply with applicable laws (including its continuous disclosure obligations applicable to it under the Legislation), to deliver to the Trust and the Trustee continuous disclosure information required by the Act in the event Maritime Life is no longer a reporting issuer and Notes remain outstanding, and to deliver information respecting any material change in the affairs of Maritime Life;
 - (v) an indemnity by Maritime Life to each of the parties in respect of certain aspects of the Programme (the details of such indemnity with respect to costs and expenses associated with the Programme are described in paragraph 13 hereof); and
 - (vi) an acknowledgement respecting the limited liability of the Trustee.
10. The obligations of the Trust under each series of Outstanding Notes and to related obligees of the Trust will be payable only from cashflows from, and the recourse of the Noteholders will be limited to the related security over, the “Series Collateral” applicable to such series. “Series Collateral” for a series refers to the right, title and interest and property of the Trust in and to the following:
- (a) each Annuity issued by Maritime Life and acquired by the Trust in connection with such series;
 - (b) certain contractual obligations relating to such series (Series Specific Contractual Obligations); and
 - (c) all related rights, entitlements, privileges and benefits derived from the Annuity and Series Specific Contractual Obligations and

2005 BCSECCOM 234

related contractual rights, proceeds and other rights and property relating to such series.

11. The maturity, payment and annuity rate provisions of an Annuity acquired by the Trust in connection with the issuance of each tranche of Outstanding Notes were structured so that Maritime Life would be obligated to make payments under that Annuity which are sufficient to satisfy the Trust's scheduled principal, interest (if any) and other payment obligations (if any) in connection with the tranche, and the Trust's costs and expenses related to that tranche.
12. The costs associated with issuing a tranche of Outstanding Notes were financed by a non-interest bearing, unsecured, subordinated, limited recourse loan made to the Trust by Maritime Life (a related Series Subordinated Loan). Repayment of a Series Subordinated Loan will be funded from the payments to the Trust under the applicable Annuity.
13. Under the Master Programme Agreement, Maritime Life has granted to the Trust an indemnity (the Indemnity) with respect to claims, liabilities, losses, costs and expenses that the Trust may incur in respect of:
 - (a) certain amounts owed by the Trust under the Indenture to the Indenture Trustee;
 - (b) amounts payable by the Trust with respect to any unauthorized mortgage, charge, lien, security interest or other charge or encumbrance against any Series Collateral;
 - (c) amounts to maintain, preserve or otherwise protect the Series Collateral or to carry out any of the transactions necessary under the Programme;
 - (d) fees and expenses to carry out the business of the Trust;
 - (e) amounts payable to the Trustee with respect to expenses or obligations for which the Trustee is not otherwise indemnified; and
 - (f) other obligations, costs and expenses incurred by the Trust in connection with the Programme,

other than amounts which a court determines have been caused by the bad faith, gross negligence or wilful conduct of the Trustee.

2005 BCSECCOM 234

14. Maritime Life has also provided an indemnity to the Trust in respect of taxes which may be incurred by the Trust with respect to:
 - (a) amounts received by the Trust from the Annuities and any other amounts which form part of the Series Collateral; and
 - (b) amounts required to be included in the capital of the Trust in respect of the issuance of Notes to finance the acquisition of, or the payment of a premium under, an Annuity.
15. If an event of default occurs in respect of a series of Notes, remedies will be available to the Noteholders under the Indenture.
16. The Trust will not issue additional Notes or other securities in the future.

Maritime Life

17. On February 28, 2003, the Decision Makers, other than the Decision Maker in New Brunswick, issued an MRRS Decision Document (the 2003 Order) that granted to the Trust relief that is substantially identical to the Requested Relief. At the time that the 2003 Order was granted and the Outstanding Notes were issued by the Trust, Maritime Life was an insurance company under the *Insurance Companies Act* (Canada) (the ICA).
18. On April 28, 2004, Maritime Life became an indirect subsidiary of Manulife Financial Corporation (MFC) as a result of the merger of a subsidiary of MFC and John Hancock Financial Services, Inc. John Hancock Canadian Holdings Limited, a wholly owned subsidiary of John Hancock Financial Services, Inc., owns all of the common shares of Maritime Life. As a result of these transactions, MFC became the indirect owner of all of the common shares of Maritime Life.
19. MFC combined the operations of certain of its Canadian insurance subsidiaries into a single Canadian insurance company in order to simplify the capital structure of the overall organization (the Reorganization). As part of the Reorganization, on December 29, 2004 Maritime Life transferred its business to a transferee company formed under the name "MFC Insurance Company Limited" (New MFC Insurance) pursuant to the ICA. New MFC Insurance assumed, as an additional obligor, all of Maritime Life's obligations and liabilities, including Maritime Life's obligations under the Annuities and under the other contractual arrangements supporting the Outstanding Notes described under paragraphs 9 to 14 hereof (collectively, the Maritime Life Obligations).

2005 BCSECCOM 234

On December 30, 2004, New MFC Insurance was amalgamated with The Manufacturers Life Insurance Company to form “The Manufacturers Life Insurance Company” (Manufacturers Life) pursuant to the ICA. As a result, Manufacturers Life has assumed all of Maritime Life’s obligations and liabilities, including under the Maritime Life Obligations.

20. On December 31, 2004, Maritime Life continued its corporate existence under the *Canada Business Corporations Act* and changed its name to “4274946 Canada Inc.” On January 21, 2005, 4274946 Canada Inc. changed its name to “Old Maritime Corporation” (references herein to “Maritime Life” include 4274946 Canada Inc. and Old Maritime Corporation, as the context requires). As a result, Maritime Life is no longer an insurance company.
21. Maritime Life’s reporting profile currently indicates that it is a reporting issuer or the equivalent thereof in each of the Jurisdictions. However, Maritime Life has made application to cease to be a reporting issuer in each of the Jurisdictions. If such exemptive relief is granted, Maritime Life will no longer be obligated to prepare, file and deliver continuous disclosure documents under applicable securities laws. As a result, Noteholders would not have access to such disclosure relating to Maritime Life.

Manufacturers Life’s Assumption of the Maritime Life Obligations

22. As a consequence of the Reorganization, the Trust will be able to look to Manufacturers Life to pay amounts due and owing under the Maritime Life Obligations. The terms of the Annuities and the other Maritime Life Obligations have not changed. The maturity, payment and annuity rate provisions of the Annuities will obligate Manufacturers Life to make payments that are sufficient to satisfy the Trust’s principal, interest and other payment obligations (if any) under the Outstanding Notes.
23. The Annuities are unsecured obligations of Manufacturers Life and, in the event that Manufacturers Life becomes subject to an insolvency proceeding, the obligations of Manufacturers Life (including its obligations under the Annuities) will be subject to the provisions of the *Winding-up and Restructuring Act* (Canada), which establish the priority of claims against the estate of an insolvent Canadian insurance company. The *Winding-up and Restructuring Act* (Canada) provides that, upon the winding-up of an insurance company, claims of policyholders rank ahead of ordinary unsecured claims.

2005 BCSECCOM 234

24. Manufacturers Life will be the relevant source of credit support for the purposes of assessing the strength of the Annuity payment covenants underlying the Notes.
25. Noteholders will be able to assess the strength of Manufacturers Life's covenants by reviewing information prepared and filed by Manufacturers Life in connection with Manufacturers Life's performance, as a "reporting issuer" or the equivalent thereof, of the continuous disclosure obligations and other requirements arising under the applicable securities laws of each Jurisdiction.
26. To ensure an uninterrupted flow of such information, Manufacturers Life has undertaken (among other things) that if it ceases to be a "reporting issuer" under the *Securities Act* (Ontario), it will prepare and deliver to the Trust such documents, financial statements, information and notices as it would be required to file were it a "reporting issuer" at the time.
27. The current claims paying rating of Manufacturers Life from Standard & Poor's is "AA+" and from Moody's Investor Services, Inc. is "Aa2".
28. Manufacturers Life has delivered an Undertaking and Notice of Assumption (the Undertaking) to the Trust and certain other persons in connection with the implementation of the Reorganization, which:
 - (a) provides representations and confirmations from Manufacturers Life regarding the factual basis for the Reorganization and its relevant effects;
 - (b) sets out the terms on which Manufacturers Life has assumed, as an additional obligor, the Maritime Life Obligations; and
 - (c) creates covenants, undertakings and indemnities applicable to Manufacturers Life equivalent to those applicable to Maritime Life on a go-forward basis, with appropriate changes to make sense in the relevant context and with the objective of preserving the intended protections and benefits of such provisions for the Trust and, indirectly, the Noteholders.

The Trust filed the Undertaking on SEDAR as a material contract of the Trust.

Related Matters

29. The market value of the Outstanding Notes will depend primarily on the following:

2005 BCSECCOM 234

- (a) the creditworthiness of Manufacturers Life with respect to the Annuities and other contractual arrangements in place to fund payments in respect of the Outstanding Notes;
 - (b) the Noteholders' security and remedies (directly and indirectly) under the Programme documents; and
 - (c) the rate of interest on the Outstanding Notes in comparison to the prevailing Canadian interest rates.
- 30. The Trust will continue to file its AIF, annual financial statements and management's discussion and analysis thereon with the Decision Makers in accordance with the Legislation.
- 31. Noteholders are entitled and shall continue to be entitled to receive the following documentation and information:
 - (a) the Shelf Prospectus and prospectus supplement related to the series of Notes of which they are holders and, upon request, all documents incorporated by reference therein;
 - (b) the list of holders in the register of Noteholders for a particular series, provided that such Noteholder or Noteholders represent at least 10% of the aggregate principal amount of a series and are accessing the list for the purpose of communicating with other Noteholders;
 - (c) notice by the Indenture Trustee to Noteholders of a series of the occurrence of a continuing event of default in respect of such series; and
 - (d) all such continuous disclosure documents of the Trust as the Trust may be required to deliver to its security holders under the Legislation, if any, except as such requirements are modified by this Decision Document or any other applicable decision of the Decision Makers.
- 32. The Trust will issue press releases and file material change reports in accordance with the requirements of the Legislation in respect of material changes in its affairs which do not relate solely to the affairs of Manufacturers Life and which have not been the subject of a filing by Manufacturers Life.

2005 BCSECCOM 234

33. The Trust will file or cause to be filed under its SEDAR profile a notice to Noteholders that provides Noteholders with a reasonable description of the indirect acquisition of Maritime Life by MFC, the Reorganization, the assumption by Manufacturers Life of the Maritime Life Obligations, and the consequences of this decision to Noteholders. The Trust will also file a notice to Noteholders under its SEDAR profile that it will undertake, upon the request of a Noteholder, to deliver to that Noteholder the continuous disclosure materials of Manufacturers Life which have been filed with the Decision Makers.

Decisions

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.

1. The decision of the Decision Makers under the Legislation is that the requirements contained in:
- (a) National Instrument 51-102 – *Continuous Disclosure Obligations*:
 - (i) to file interim financial statements with the Decision Makers and to deliver such interim financial statements to Noteholders;
 - (ii) to file interim management's discussion and analysis of the financial condition and results of operations of the Trust with the Decision Makers and send such interim management's discussion and analysis to Noteholders; and
 - (iii) to file material change reports and issue and file press releases related to the Trust, only where such requirement relates solely to a material change in the affairs of Manufacturers Life and which is the subject of a filing by Manufacturers Life, and
 - (b) in respect of the Decision Makers in each of the Jurisdictions other than British Columbia and Québec, Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* concerning the filing of interim certificates,

shall not apply to the Trust (in Québec, the exemption in paragraph (a) will be granted by a revision of the general order No. 2004-PDG-0020 dated

2005 BCSECCOM 234

March 26, 2004), provided that, at the time that any such requirement would otherwise apply:

- (i) the Trust has filed a current AIF on SEDAR;
- (ii) Manufacturers Life is a reporting issuer;
- (iii) the Trust carries on no other business or activities other than those set out at paragraph 4 hereof; and
- (iv) the Trust complies with paragraph 32 and 33 hereof;

provided that this Decision shall terminate within thirty (30) days of a material change in the affairs of the Trust, except where such material change relates solely to the affairs of Manufacturers Life and which is the subject of a filing by Manufacturers Life, unless the Trust satisfies the Decision Makers that the Decision should continue, which satisfaction shall be evidenced in writing.

John Hughes
Manager, Corporate Finance

2. It is further the decision of the Decision Makers under the Legislation that the requirements contained in the Legislation for an insider of a reporting issuer to file:
- (a) reports disclosing the insider's direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer;
 - (b) disclosing any trade by the insider in such securities; and
 - (c) an insider profile report under National Instrument 55-102 – *System for Electronic Disclosure by Insiders*,

shall not apply to the Trust or any insider of the Trust, who is not otherwise an insider of Manufacturers Life and who does not receive or have access to, in the ordinary course, information as to material facts or material changes concerning the Trust before the material facts or material changes are generally disclosed.

Paul M. Moore
Commissioner
Ontario Securities Commission

Susan Wolburgh Jenah
Commissioner
Ontario Securities Commission