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Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief granted from the prohibition against investing in the securities of a person who is a substantial securityholder of the manager of mutual funds, subject to certain conditions.

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 120(1), 120(2), 121(2), and 123

**IN THE MATTER OF THE SECURITIES LEGISLATION OF ONTARIO,
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, 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 CLARICA CANADIAN GROWTH EQUITY FUND
AND CLARICA BALANCED FUND (collectively, the "Funds")**

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia, and Newfoundland and Labrador (the "Jurisdictions") has received an application from Clarica Diversico Ltd. ("Diversico"), as manager of each of the Funds, for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the restrictions contained in the Legislation requiring that the Funds not knowingly hold an investment in the securities of any person or company who is a substantial security holder of the Funds, its management company or distribution company (the "Investment Restrictions") shall not apply in respect of certain investments held by the Funds in the common shares of Sun Life Financial Services of Canada Inc. ("Sun Life Common Shares").

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

AND WHEREAS Diversico has represented to the Decision Makers that:

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1. Diversico is a corporation amalgamated under the laws of Canada.
2. Diversico is a direct, wholly-owned subsidiary of Clarica Life Insurance Company ("Clarica"). Clarica is an insurance company incorporated under the *Insurance Companies Act* (Canada) and is a reporting issuer in each of the Jurisdictions and the common shares of Clarica trade on The Toronto Stock Exchange.
3. Sun Life Financial Services of Canada Inc. ("Sun Life") is a holding company incorporated under the *Insurance Companies Act* (Canada) and is a reporting issuer in each of the provinces and territories of Canada. The Sun Life Common Shares are listed on the Toronto, New York, London and Philippines stock exchanges. To the knowledge of Sun Life, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the votes attaching to the Sun Life Common Shares.
4. On December 17, 2001, Clarica and Sun Life entered into a transaction agreement (the "Transaction Agreement"), pursuant to which Sun Life agreed to acquire all of the outstanding common shares of Clarica (the "Transaction"). The Transaction is proposed to be effected through a reorganization of Clarica's capital structure to provide for the exchange of each of the common shares of Clarica ("Clarica Common Shares"), except those Clarica Common Shares beneficially owned by Sun Life as general fund assets, for 1.5135 Sun Life Common Shares through a series of transactions. Subject to the satisfaction of all closing conditions and the receipt of all applicable regulatory approvals, it is anticipated that the Transaction will be completed during the second quarter of 2002.
5. On closing of the proposed transaction with Sun Life, Sun Life will own all of the outstanding common shares of Clarica and Diversico will be an indirect, wholly-owned subsidiary of Sun Life.
6. Diversico is the manager of the Funds. The custodian of the Funds is Canadian Imperial Bank of Commerce.
7. The Funds are advised by external, arm's-length third party portfolio advisors, including AGF Funds Inc., AMI Partners Inc., AIM Funds Management Inc., Brinson Canada Co., KBSH Capital Management Inc., Mackenzie Financial Corporation, McLean Budden Limited, Natcan Investment Management Inc., Perigee Investment Counsel Inc., State Street Research & Management Company and TD Asset Management Inc. McLean Budden Limited is an indirect subsidiary of Sun Life.

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8. Each of the Funds is an open-end mutual fund trust established under the laws of Ontario. The securities of the Funds are offered by prospectus in each of the provinces and territories of Canada.

9. Each Fund is a reporting issuer under the securities laws of each of the provinces and territories of Canada. None of the Funds is in default of any requirements of the Legislation.

10. As at April 1, 2002, the Funds held Sun Life Common Shares as follows:

- (a) Clarica Canadian Growth Equity Fund held 60,700 Sun Life Common Shares, representing approximately 2.1% of the net asset value of such Fund's assets; and
- (b) Clarica Balanced Fund held 2,600 Sun Life Common Shares, representing approximately 0.5% of the net asset value of such Fund's assets.

11. The aggregate number of Sun Life Common Shares which will be held by all of the Funds immediately after completion of the Transaction will represent less than 0.02% of the outstanding Sun Life Common Shares immediately after the completion of the Transaction, assuming that the Funds do not sell any of the Sun Life Common Shares held by them prior to completion of the Transaction.

12. The Funds have not made any investment in Sun Life Common Shares following the execution of the Agreement and will not make any such purchases in the future unless the Agreement is terminated and the Share Transaction contemplated by the Agreement is not consummated.

13. At the time it was made, each investment by the Funds in Sun Life Common Shares represented the business judgement of professional independent portfolio advisers uninfluenced by considerations other than the best interests of the securityholders of the applicable Fund.

14. In the absence of the Decision evidenced by this Decision Document, the Funds would be required to divest the Sun Life Common Shares immediately on the effective date of the closing of the Transaction upon Diversico becoming an indirect wholly-owned subsidiary of Sun Life.

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

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AND WHEREAS each Decision Maker 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 Investment Restrictions do not apply so as to prevent the Funds from holding their investments in the Sun Life Common Shares beyond the date of completion of the Transaction when Diversico will become an indirect wholly-owned subsidiary of Sun Life, provided that:

- (a) the Funds do not make any additional purchases of Sun Life Common Shares;
- (b) the Funds divest the Sun Life Common Shares acquired prior to the Transaction as quickly as is commercially reasonable so that no later than six months from the date of closing of the Transaction, the Funds do not hold Sun Life Common Shares; and
- (c) the Funds do not vote their Sun Life Common Shares at any meeting of holders of Sun Life Common Shares.

DATED at Toronto, on May 24, 2002.

Robert Korthals

Harold P. Hands