

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to a U.S. Person. Information has been incorporated by reference in this prospectus from documents filed with the securities commissions or similar authorities in Canada (the permanent information record in Québec). Copies of the documents incorporated by reference may be obtained on request without charge from the Corporate Secretary of Sun Life Financial Services of Canada Inc., 150 King Street West, 6th Floor, Toronto, Canada M5H 1J9 (416) 979-4188.

New Issue

June 18, 2002



SUN LIFE CAPITAL TRUST™
(a trust established under the laws of Ontario)

\$200,000,000

200,000 Sun Life Exchangeable Capital Securities — Series B (SLEECSTM Series B)

Sun Life Capital Trust (the “Trust”) is an open-end trust established under the laws of Ontario by The Canada Trust Company (the “Trustee”) pursuant to an amended and restated declaration of trust dated as of October 19, 2001, as supplemented by a supplemental declaration of trust to be entered into on the Closing Date (as defined below) (the “Declaration of Trust”). The Trust proposes to issue and sell to investors pursuant to this prospectus (the “Offering”) a second series of transferable trust units called Sun Life Exchangeable Capital Securities — Series B, or “SLEECSTM Series B”, each of which represents an undivided beneficial ownership interest in the Trust Assets, principally comprised of senior debentures issued by Sun Life Assurance Company of Canada (“Sun Life Assurance”), including a senior debenture issued in respect of the SLEECSTM Series B by Sun Life Assurance (the “Sun Life Series B Debenture” and, together with other senior debentures of Sun Life Assurance held by the Trust from time to time, the “Sun Life Debentures”). The SLEECSTM Series B will constitute a second series of Sun Life Exchangeable Capital Securities (“SLEECSTM”) issued by the Trust, the first series, in the amount of \$950,000,000 and designated Sun Life Exchangeable Capital Securities — Series A (“SLEECSTM Series A”), having been issued by the Trust on October 19, 2001. The Trust has also issued securities called Special Trust Securities (the “Special Trust Securities” and, together with the SLEECSTM Series A and the SLEECSTM Series B, the “Trust Securities”) to Sun Life Assurance. See “Description of the Trust Securities”. The Trust is not a trust company and does not carry on business as a trust company and, accordingly, the Trust is not registered under the trust company legislation of any jurisdiction.

The Trust distributes its Net Distributable Funds on the last day of June and December of each year (each, a “Distribution Date”). On each Distribution Date that is a Regular Distribution Date, a holder of SLEECSTM Series B will be entitled to receive a non-cumulative fixed cash distribution of \$35.465 per SLEECSTM Series B (an “Indicated Yield”), representing an annual yield of 7.093% of the \$1,000 initial issue price. The initial Indicated Yield payable on December 31, 2002 in respect of the period from and including June 25, 2002 to but excluding December 31, 2002 will be approximately \$36.44 per SLEECSTM Series B, based on an anticipated closing date of June 25, 2002 (the “Closing Date”). The Sun Life Series B Debenture will bear interest at a fixed annual rate of 7.093%, payable in equal semi-annual instalments in arrears of \$35.465 for each \$1,000 principal amount of the Sun Life Series B Debenture, on the last day of June and December of each year (each, a “Debenture Interest Payment Date”) commencing December 31, 2002. Each Distribution Date will be either a Regular Distribution Date or a Distribution Diversion Date. A Distribution Date will be a Regular Distribution Date if Sun Life Assurance has declared Dividends as described under “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Indicated Yield”. On a Regular Distribution Date, the Trust will pay the indicated yield on all SLEECSTM (including the Indicated Yield on the SLEECSTM Series B) and the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the indicated yield on all SLEECSTM. A Distribution Date will be a Distribution Diversion Date if Sun Life Assurance has not declared Dividends on the basis described in this prospectus. In that case, although the Sun Life Series B Debenture will pay interest to the Trust on the Debenture Interest Payment Date, the Trust will not pay the indicated yield on any SLEECSTM (including the Indicated Yield on the SLEECSTM Series B); instead, it will pay the Net Distributable Funds, if any, as at such Distribution Diversion Date to the holder of the Special Trust Securities.

(Continued on next page)

Price: \$1,000 per SLEECSTM Series B

	<u>Price to the Public</u>	<u>Underwriters' Fee⁽¹⁾</u>	<u>Net Proceeds to the Trust⁽²⁾</u>
Per SLEECSTM Series B	\$1,000	\$10	\$990
Total	\$200,000,000	\$2,000,000	\$198,000,000

- (1) The Underwriters' fee is \$10 for each SLEECSTM Series B sold. The “Per SLEECSTM Series B” and “Total” amounts represent the Underwriters' fee and net proceeds to the Trust based on the expected sales of the SLEECSTM Series B. See “Plan of Distribution”.
- (2) The Offering expenses of the Trust, estimated at \$2,587,000, will be paid by the Trust from funds borrowed under the Credit Facility. See “The Trust — Liquidity”.

TM Trade marks of Sun Life Assurance used under license by the Trust.

(Continued from cover)

On June 30, 2007 and on any Distribution Date thereafter, the Trust, at its option, and with the prior approval (“Superintendent Approval”) of the Superintendent of Financial Institutions (Canada) (the “Superintendent”), may redeem the SLEECs Series B, in whole or in part, without the consent of the holders, for an amount in cash per SLEECs Series B equal to the Early Redemption Price, if the SLEECs Series B are redeemed prior to June 30, 2032, and the Redemption Price, if the SLEECs Series B are redeemed on or after June 30, 2032. See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Trust Redemption Right”.

Upon the occurrence of a Regulatory Event or a Tax Event (each, a “Special Event”), the Trust, at its option and with Superintendent Approval, may redeem all but not less than all of the SLEECs Series B, without the consent of the holders, for an amount in cash per SLEECs Series B equal to the Early Redemption Price, if the SLEECs Series B are redeemed prior to June 30, 2032, and the Redemption Price, if the SLEECs Series B are redeemed on or after June 30, 2032. See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Trust Special Event Redemption Right”.

Holders of SLEECs Series B will have the right at any time to exchange all or part of their SLEECs Series B for newly issued Class A Non-Cumulative Preferred Shares Series X of Sun Life Assurance (“SLA Preferred Shares Series X”). See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Holder Exchange Right”. On and after June 30, 2032, so long as a Loss Absorption Event has not occurred and is not then continuing, the SLA Preferred Shares Series X will be exchangeable, at the option of the holders, into common shares (“SLF Common Shares”) of Sun Life Financial Services of Canada Inc. (“SLF Inc.”), the parent company of Sun Life Assurance. See “Description of Share Capital of Sun Life Assurance — Class A Non-Cumulative Preferred Shares”.

Upon the occurrence of a Loss Absorption Event, all of the then outstanding SLEECs Series B will be automatically exchanged, without the consent of the holders, for newly issued Class A Non-Cumulative Preferred Shares Series W of Sun Life Assurance (“SLA Preferred Shares Series W”). See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Automatic Exchange”. On and after June 30, 2032, so long as a Loss Absorption Event has not occurred and is not then continuing, the SLA Preferred Shares Series W will be exchangeable, at the option of the holders, into SLF Common Shares. See “Description of Share Capital of Sun Life Assurance — Class A Non-Cumulative Preferred Shares”.

An investment in SLEECs Series B could be replaced in certain circumstances, without the consent of the holder, by an investment in SLA Preferred Shares Series W. Investors should therefore carefully consider the disclosure with respect to Sun Life Assurance included and incorporated by reference in this prospectus. An investment in SLEECs Series B is subject to certain risks. See “Risk Factors”.

It is not expected that the SLEECs Series B will be listed on any stock exchange. There can be no assurance that an active trading market will develop or be sustained or that the SLEECs Series B may be resold at or above the initial public offering price. Pursuant to the Share Exchange Agreement, Sun Life Assurance will undertake to list on the Toronto Stock Exchange (the “TSX”) any SLA Preferred Shares Series W or SLA Preferred Shares Series X issued upon the occurrence of an Automatic Exchange or exercise of the Holder Exchange Right.

The Trust is a registered investment for purposes of the *Income Tax Act* (Canada) (the “Tax Act”). So long as the Trust is a registered investment under the Tax Act, SLEECs Series B will be qualified investments, and will not be foreign property, for Deferred Income Plans. See “Eligibility for Investment”.

The Underwriters, as principals, conditionally offer the SLEECs Series B, subject to prior sale if, as and when issued by the Trust and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Trust, Sun Life Assurance and SLF Inc. by Torys LLP and on behalf of the Underwriters by McCarthy Tétrault LLP. This prospectus also qualifies for distribution the Exchange Provisions, the Subscription Right, the SLF Common Share Exchange Right, the SLA Preferred Shares Redemption Right and the Conversion Right.

Subscriptions for the SLEECs Series B will be received by the Underwriters subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Closing Date will be June 25, 2002 or such later date as the Trust and the Underwriters may agree, but in any event not later than June 30, 2002. The SLEECs Series B will be issued in “book-entry only” form and, accordingly, physical certificates representing SLEECs Series B will not be available except in limited circumstances. See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Book-Entry Only Form”.

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EXCHANGE RATE INFORMATION

Unless otherwise indicated, references in this prospectus to “\$”, “Can. \$” or “dollars” are to Canadian dollars and references to “U.S.\$” are to United States dollars. In accordance with Canadian generally accepted accounting principles (“Canadian GAAP”), SLF Inc. and Sun Life Assurance use period-end exchange rates to convert balance sheet amounts and average exchange rates in effect during reporting periods to convert statement of operations amounts. Rates shown below are the Canadian dollar price per United States dollar and are based upon closing bid rates published by Reuters.

	Three months ended March 31, 2002	Year ended December 31,		
		2001	2000	1999
U.S. Dollar:				
Period-end rates	1.590	1.590	1.500	1.450
Average for the period	1.594	1.548	1.485	1.485
High for the period	1.614	1.603	1.558	1.534
Low for the period	1.577	1.493	1.434	1.447

As at June 17, 2002, the closing bid rate for currency conversion of U.S. dollars to Canadian dollars was U.S.\$1.00 = Can. 1.546.

ELIGIBILITY FOR INVESTMENT

In the opinion of Torys LLP, counsel to the Trust, and McCarthy Tétrault LLP, counsel to the Underwriters, subject to compliance with the prudent investment standards and the general investment provisions and restrictions of the statutes referred to below and, where applicable, the regulations thereunder and, in certain cases, subject to satisfaction of additional requirements relating to investment or lending policies or goals and, in certain cases, the filing of such policies or goals, the SLEECs Series B to be issued by the Trust, if issued on the date hereof, would not be precluded as investments under or by the following statutes:

<i>Insurance Companies Act</i> (Canada)	<i>Supplemental Pension Plans Act</i> (Québec)
<i>Pension Benefits Standards Act, 1985</i> (Canada)	<i>an Act respecting insurance</i> (Québec) (other than by a guarantee fund corporation)
<i>Trust and Loan Companies Act</i> (Canada)	<i>an Act respecting trust companies and savings companies</i> (Québec) (for a trust company investing its own funds and funds received as deposits and for a savings company)
<i>Financial Institutions Act</i> (British Columbia)	
<i>Insurance Act</i> (Alberta)	
<i>Loan and Trust Corporations Act</i> (Alberta)	
<i>Pension Benefits Act</i> (Ontario)	

The Trust is a registered investment for purposes of the Tax Act effective from the time the Trust was established. In the opinion of such counsel, so long as the Trust is a registered investment under the Tax Act, the SLEECs Series B will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans (each, a “Deferred Income Plan”). In addition, so long as the Trust is a registered investment under the Tax Act, the SLEECs Series B will not be foreign property for purposes of Part XI of the Tax Act.

THE SLEECs SERIES B, WHILE EXCHANGEABLE FOR PREFERRED SHARES OF SUN LIFE ASSURANCE, WHICH, IN TURN, ARE EXCHANGEABLE FOR COMMON SHARES OF SLF INC., DO NOT REPRESENT OBLIGATIONS OF OR INTERESTS IN, AND ARE NOT GUARANTEED OR INSURED BY, SUN LIFE ASSURANCE, SLF INC. OR THE CANADA TRUST COMPANY OR ANY OF THEIR RESPECTIVE AGENTS OR AFFILIATES. THE SLEECs SERIES B ARE NOT INSURED OR GUARANTEED BY THE CANADA DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY OR INSTRUMENTALITY.

FORWARD-LOOKING STATEMENTS

THIS PROSPECTUS INCLUDES FORWARD-LOOKING STATEMENTS WITH RESPECT TO SLF INC. AND ITS CONSOLIDATED SUBSIDIARIES (TOGETHER, “SUN LIFE FINANCIAL”), INCLUDING ITS BUSINESS OPERATIONS, STRATEGY AND FINANCIAL PERFORMANCE AND CONDITION. THESE STATEMENTS, WHICH APPEAR UNDER THE HEADINGS “SLF INC. AND SUN LIFE ASSURANCE” AND “RISK FACTORS”, AS WELL AS ELSEWHERE IN THIS PROSPECTUS (INCLUDING THE DOCUMENTS INCORPORATED BY REFERENCE HEREIN), GENERALLY CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING WORDS SUCH AS “MAY”, “WILL”, “EXPECT”, “INTEND”, “ESTIMATE”, “ANTICIPATE”, “BELIEVE”, OR “CONTINUE” OR THE NEGATIVE THEREOF OR SIMILAR VARIATIONS. ALTHOUGH MANAGEMENT BELIEVES THAT THE EXPECTATIONS REFLECTED IN SUCH FORWARD-LOOKING STATEMENTS ARE REASONABLE, THESE STATEMENTS INVOLVE RISKS AND UNCERTAINTIES AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY THE FORWARD-LOOKING STATEMENTS. IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM SUN LIFE FINANCIAL’S EXPECTATIONS INCLUDE, AMONG OTHER THINGS, GENERAL ECONOMIC AND MARKET FACTORS, INCLUDING INTEREST RATES, EQUITY MARKETS, BUSINESS COMPETITION, CHANGES IN GOVERNMENT REGULATIONS OR IN TAX LAWS AND OTHER FACTORS DISCUSSED UNDER “RISK FACTORS”.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed by SLF Inc. with the various securities commissions or similar authorities in Canada, are incorporated by reference into this prospectus:

1. SLF Inc.'s 2001 Annual Information Form dated May 15, 2002;
2. SLF Inc.'s audited consolidated financial statements and the notes thereto as at December 31, 2001 and 2000 and for each of the three years ended December 31, 2001, 2000 and 1999, together with the report of the auditors thereon and the report of the appointed actuary;
3. SLF Inc.'s management's discussion and analysis as at and for the year ended December 31, 2001;
4. SLF Inc.'s unaudited first quarter 2002 interim consolidated financial statements and the notes thereto as at and for the three months ended March 31, 2002;
5. SLF Inc.'s management's discussion and analysis as at and for the three months ended March 31, 2002;
6. SLF Inc.'s management information circular dated May 8, 2002 in connection with the 2002 annual meeting of SLF Inc.'s shareholders, other than the sections entitled "Report on Executive Compensation — Presented by the Management Resources Committee", "Performance Graph" and "Report on Corporate Governance";
7. Keyport Life Insurance Company's ("Keyport") audited consolidated financial statements and the notes thereto as at December 31, 2000 and 1999 and for each of the three years ended December 31, 2000, 1999 and 1998, including a reconciliation of such financial statements to Canadian GAAP, as at and for the years ended December 31, 2000 and 1999, together with the report of the auditors thereon;
8. Keyport's unaudited third quarter 2001 interim consolidated financial statements and the notes thereto, including a reconciliation of such financial statements to Canadian GAAP, as at and for the nine months ended September 30, 2001;
9. Clarica Life Insurance Company's ("Clarica") audited consolidated financial statements and the notes thereto as at December 31, 2001 and 2000 and for each of the two years ended December 31, 2001 and 2000, together with the report of the auditors thereon and the report of the appointed actuary;
10. Clarica's unaudited first quarter 2002 interim consolidated financial statements and the notes thereto as at and for the three months ended March 31, 2002;
11. the material change report dated May 31, 2002 concerning the proposed sale by Sun Life Assurance and Clarica of Spectrum Investment Management Limited ("Spectrum") and Clarica Diversico Ltd. ("Diversico"), respectively, to C.I. Fund Management Inc. ("CI") (filed by both SLF Inc. and Sun Life Assurance); and
12. the material change report dated June 5, 2002 concerning the acquisition of Clarica by SLF Inc. and the proposed amalgamation of Sun Life Assurance and Clarica (filed by both SLF Inc. and Sun Life Assurance).

The following documents, filed by Sun Life Assurance with the various securities commissions or similar authorities in Canada, are incorporated by reference into this prospectus:

1. Sun Life Assurance's 2001 Annual Information Form dated May 15, 2002 excluding the section entitled "Report on Executive Compensation — Presented by the Management Resources Committee" set out in Sun Life Assurance's Annual Filing of Reporting Issuer (Form 28) dated May 8, 2002 incorporated by reference in the Annual Information Form;
2. Sun Life Assurance's audited consolidated financial statements and the notes thereto as at December 31, 2001 and 2000 and for each of the three years ended December 31, 2001, 2000 and 1999 together with the report of the auditors thereon and the report of the appointed actuary;
3. Sun Life Assurance's management's discussion and analysis as at and for the year ended December 31, 2001;

4. Sun Life Assurance's unaudited first quarter 2002 interim consolidated financial statements and notes thereto as at and for the three months ended March 31, 2002;
5. Sun Life Assurance's management's discussion and analysis as at and for the three months ended March 31, 2002; and
6. Sun Life Assurance's Annual Filing of Reporting Issuer (Form 28) dated May 8, 2002 excluding the section entitled "Report on Executive Compensation — Presented by the Management Resources Committee".

Any documents of the types referred to above (excluding confidential material change reports), filed by SLF Inc. or Sun Life Assurance with securities regulatory authorities in Canada after the date of this prospectus and prior to the termination of the Offering will be deemed to be incorporated by reference into this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference may be obtained on request without charge from the Corporate Secretary of SLF Inc. at 150 King Street West, Toronto, Ontario, M5H 1J9 telephone: (416) 979-4188. For the purpose of the Province of Québec, this prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may also be obtained from the Corporate Secretary of SLF Inc.

Financial information in this prospectus with respect to Clarica and its subsidiaries has been derived without independent verification from publicly available information filed with Canadian securities regulatory authorities.

Financial information in this prospectus with respect to Liberty Financial Companies, Inc. ("LFC") and its subsidiaries, including Keyport, has been derived without independent verification from publicly available information filed with the U.S. Securities and Exchange Commission or otherwise provided by LFC to SLF Inc. and filed with Canadian securities regulatory authorities. Financial information in this prospectus with respect to Independent Financial Marketing Group, Inc. ("IFMG") has been derived from information provided by LFC to SLF Inc. Financial information relating to Keyport and IFMG has been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"), including Keyport's financial statements incorporated by reference in this prospectus. U.S. GAAP differs in certain significant respects from Canadian GAAP. However, except as otherwise noted, the financial information relating to Keyport and IFMG contained in this prospectus (other than items incorporated by reference) has been prepared in accordance with Canadian GAAP. The financial statements of Keyport incorporated by reference in this prospectus include a reconciliation of such financial statements to Canadian GAAP.

SUMMARY

The following summary information should be read in conjunction with the full text of this prospectus and is qualified in its entirety by the more detailed information appearing elsewhere or incorporated by reference in this prospectus. In this prospectus, "SLF Inc." refers to Sun Life Financial Services of Canada Inc., "Sun Life Financial" refers to Sun Life Financial Services of Canada Inc. and its consolidated subsidiaries, and "Sun Life Assurance" refers to Sun Life Assurance Company of Canada.

THE OFFERING

Issuer:	Sun Life Capital Trust, an open-end trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust.
Offering:	200,000 Sun Life Exchangeable Capital Securities — Series B ("SLEEC Series B"), being a class of units of the Trust.
Amount of Offering:	\$200,000,000.
Price:	\$1,000 per SLEEC Series B.
Ratings:	The SLEEC Series B are rated A+ by Standard & Poor's Corporation ("S&P"), A2 by Moody's Investors Services Inc. ("Moody's"), A (high) by Dominion Bond Rating Service Limited ("DBRS") and a+ by A.M. Best Company, Inc. ("A.M. Best"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization.
Use of Proceeds:	The gross proceeds from the Offering of approximately \$200,000,000 will be used by the Trust to acquire the Sun Life Series B Debenture from Sun Life Assurance. Sun Life Assurance, in turn, intends to use the proceeds from the sale of the Sun Life Series B Debenture for general corporate purposes, including investments in subsidiaries. See "Use of Proceeds".
Sun Life Series B Debenture:	The Sun Life Series B Debenture will bear interest at a fixed annual rate of 7.093%, payable in equal semi-annual instalments in arrears of \$35.465 per \$1,000 principal amount of the Sun Life Series B Debenture on each Debenture Interest Payment Date commencing December 31, 2002. The initial interest payment due on December 31, 2002 will be approximately \$36.44 per \$1,000 principal amount of the Sun Life Series B Debenture assuming a Closing Date of June 25, 2002. The Sun Life Series B Debenture will have a maturity date of June 30, 2052. In addition to the Sun Life Series B Debenture, the Trust may acquire other Eligible Investments. See "Description of the Sun Life Series B Debenture".
Indicated Yield:	Each SLEEC Series B entitles the holder to receive the Indicated Yield of \$35.465 on each Regular Distribution Date commencing December 31, 2002, representing an annual yield of 7.093%. The initial Indicated Yield payable on December 31, 2002 will be approximately \$36.44 per SLEEC Series B, assuming a Closing Date of June 25, 2002. A Distribution Date will be a Regular Distribution Date unless (i) Sun Life Assurance fails to declare Dividends on its Class B Non-Cumulative Preferred Shares Series A (the "SLA Class B Preferred Shares Series A") or (ii) if there are Public Preferred Shares outstanding, Sun Life Assurance fails to declare Dividends on any of the Public Preferred Shares in accordance with their respective terms, 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 (the "Dividend Reference Period") (each such failure being a "Distribution Diversion Event"). The periods commencing on and including the Closing Date to but excluding December 31, 2002 and thereafter

from and including each Distribution Date to but excluding the next Distribution Date are referred to as “Distribution Periods”.

“Public Preferred Shares” means, at any time, preferred shares of Sun Life Assurance which, at that time (i) have been issued to the public (excluding any preferred shares of Sun Life Assurance held beneficially by affiliates of Sun Life Assurance), (ii) are listed on a recognized stock exchange, and (iii) have an aggregate liquidation entitlement of at least \$200 million.

Where Sun Life Assurance does not have Public Preferred Shares outstanding, SLF Inc. will agree under the Share Exchange Agreement not to declare or pay Dividends during a Distribution Period on any of its preferred shares (the “SLF Preferred Shares”), if any SLF Preferred Shares are outstanding, and on the SLF Common Shares (collectively, the “SLF Dividend Restricted Shares”) unless Sun Life Assurance has declared and paid a dividend on the SLA Class B Preferred Shares Series A during the Dividend Reference Period preceding that Distribution Period. Accordingly, whether or not the Indicated Yield on the SLEECs Series B will be payable by the Trust on any Distribution Date will be determined prior to the commencement of the Distribution Period ending on the day preceding that Distribution Date. On each Regular Distribution Date, the Trust will pay the indicated yield to the holders of all SLEECs (including the Indicated Yield on the SLEECs Series B) and the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the indicated yield on all SLEECs.

If a Distribution Diversion Event occurs, the Distribution Date occurring on the day immediately following the end of the first Distribution Period following the Distribution Diversion Event will be a Distribution Diversion Date. In that case, although the Sun Life Series B Debenture will pay interest on the Debenture Interest Payment Date, the Trust will not pay the indicated yield on any SLEECs (including the Indicated Yield on the SLEECs Series B) on the Distribution Diversion Date; instead, it will distribute the Net Distributable Funds of the Trust, if any, as at such Distribution Diversion Date to the holder of the Special Trust Securities. See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Indicated Yield”.

“Net Distributable Funds” means, at any time, the amount by which the sum of (i) income and gains derived by the Trust from the Trust Assets, and (ii) amounts received by the Trust from Sun Life Assurance that are designated by Sun Life Assurance as such, in each case that have not previously been distributed to holders of SLEECs or the holder of the Special Trust Securities, exceeds expenses of the Trust and any required liability for expenses established by the Trust.

“Dividends” means cash dividends declared in the ordinary course by (i) Sun Life Assurance on the SLA Class B Preferred Shares Series A or on the Public Preferred Shares, if any such shares are outstanding, or (ii) SLF Inc. on the SLF Preferred Shares, if any such shares are outstanding, and on the SLF Common Shares.

Voting Rights:

The SLEECs Series B are non-voting except in limited circumstances. See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Voting Rights”.

Trust Redemption Right:

On June 30, 2007 and on any Distribution Date thereafter, the Trust, at its option, and with Superintendent Approval, and on not less than 30 nor more than 60 days’ prior written notice, may redeem the SLEECs Series B in whole or in part, without

the consent of the holders, for an amount in cash per SLEECs Series B equal to (i) the greater of (A) \$1,000 per SLEECs Series B, together with any Unpaid Indicated Yield to the date of redemption (the “Redemption Date”) stated in the notice (the “Redemption Price”), and (B) the SLEECs Series B Canada Yield Price (the “Early Redemption Price”), if the SLEECs Series B are redeemed prior to June 30, 2032, and (ii) the Redemption Price, if the SLEECs Series B are redeemed on or after June 30, 2032. See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Trust Redemption Right”.

“SLEECs Series B Canada Yield Price” means a price per SLEECs Series B calculated to provide an annual yield thereon to June 30, 2032 equal to the Government of Canada Yield plus 0.32% determined on the Business Day immediately preceding the date on which the Trust has given notice of the redemption of the SLEECs Series B (whether pursuant to the Trust Redemption Right or the Trust Special Event Redemption Right) or the Business Day immediately preceding the date of the termination of the Trust, as the case may be, plus the Unpaid Indicated Yield. For this purpose, it is assumed that the Indicated Yield will be paid on each Distribution Date to June 30, 2032.

“Government of Canada Yield” means, on any date, the average of the yields determined by any two registered Canadian investment dealers selected by Sun Life Assurance as being the annual yield to maturity on such date, compounded semi-annually, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on the date of redemption or termination, as the case may be, with a maturity date of June 30, 2032.

“Business Day” means a day on which the Trustee is open for business in Toronto, Ontario other than a Saturday, Sunday or statutory or civic holiday in Toronto, Ontario.

“Unpaid Indicated Yield” means, at any time, the sum of the Accumulated Unpaid Indicated Yield and the Current Indicated Yield.

“Accumulated Unpaid Indicated Yield” means, at any time, an amount, if any, per SLEECs Series B equal to the Indicated Yield payable by the Trust thereon in respect of all previous Regular Distribution Dates remaining unpaid by the Trust.

“Current Indicated Yield” means, at any time, in respect of the current Distribution Period, an amount per SLEECs Series B equal to the Indicated Yield pro-rated for the number of days elapsed from and including the first day of the Distribution Period to but excluding the Redemption Date, provided that there has not been a Distribution Diversion Event with respect to such Distribution Period.

Trust Special Event Redemption Right:

Upon the occurrence of a Special Event, the Trust, at its option, and with Superintendent Approval, and on not less than 30 nor more than 90 days’ prior written notice, may redeem at any time all but not less than all of the SLEECs Series B, without the consent of the holders, for an amount in cash per SLEECs Series B equal to (i) the Early Redemption Price, if the SLEECs Series B are redeemed prior to June 30, 2032, and (ii) the Redemption Price, if the SLEECs Series B are redeemed on or after June 30, 2032. See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Trust Special Event Redemption Right”.

Holder Exchange Right:

Holders of SLEECS Series B will have the right, at any time, on not less than three and not more than 90 days' prior written notice to the Trust and Sun Life Assurance, to surrender all or part of their SLEECS Series B to the Trust at a price (the "Surrender Price"), for each SLEECS Series B, equal to 40 newly issued SLA Preferred Shares Series X (the "Holder Exchange Right"). Sun Life Assurance will have the right, at any time before the exchange is completed, to arrange for a substituted purchaser to purchase SLEECS Series B tendered for exchange so long as the holder of the SLEECS Series B so tendered has not withheld consent to the purchase of its SLEECS Series B. If a substituted purchaser is found, the price to be paid to the holders of the SLEECS Series B will be not less than 91% of the closing price of the SLEECS Series B on the last trading day immediately before the date fixed for purchase and such purchase price is intended to represent a fair equivalent in cash of the Surrender Price. Since the SLEECS Series B will not be listed on any public securities exchange, the "closing price" of any SLEECS Series B for that trading day will be the average of the last institutional bid price of such SLEECS Series B as quoted by two major Canadian investment dealers selected by Sun Life Assurance for this purpose.

The SLA Preferred Shares Series X will pay semi-annual non-cumulative cash dividends, as and when declared by the board of directors of Sun Life Assurance (the "SLA Board of Directors"), equal to approximately \$0.61 per share, representing an annual yield of 4.91%.

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. The Trust, as holder of the Sun Life Series B Debenture, will have the right, at any time, to convert all or part of the Sun Life Series B Debenture into SLA Preferred Shares Series X. Immediately following that conversion, the Trust will arrange through The Canadian Depository for Securities Limited or its nominee ("CDS") to credit the accounts of the holders of SLEECS Series B exercising the Holder Exchange Right with the requisite number of SLA Preferred Shares Series X, and the SLEECS Series B surrendered for exchange will be cancelled. See "Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Holder Exchange Right", "Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Capital Reorganizations and Amalgamations", "Description of Share Capital of Sun Life Assurance — Class A Non-Cumulative Preferred Shares" and "Description of the Sun Life Series B Debenture".

SLA Preferred Shares Series W and SLA Preferred Shares Series X Exchange Rights:

On the last day of June and December of each year, commencing on December 31, 2032 (each, an "Exchange Date"), and provided that a Loss Absorption Event has not occurred and is not then continuing, each SLA Preferred Share Series W and each SLA Preferred Share Series X (collectively, the "SLA Preferred Shares") will be exchangeable, at the option of the holder, on not more than 90 and not less than 60 days' prior written notice before the date fixed for exchange, for that number of fully-paid and freely tradeable SLF Common Shares determined by dividing \$25, together with any declared and unpaid dividends on SLA Preferred Shares Series W or SLA Preferred Shares Series X, as applicable, to the date of exchange (the "Cash Exchange Price"), by the greater of \$1.00 and 95% of the weighted average trading price of the SLF Common Shares on the TSX or, if not then listed on that exchange, on another exchange or market chosen by the board of directors of SLF Inc. (the "SLF Board of Directors") on which the SLF Common Shares are then traded, during the 20 consecutive trading-day period ending on the fourth trading day immediately prior to the date of exchange (the "Common Share

Exchange Rate”). See “Description of Share Capital of Sun Life Assurance — Class A Non-Cumulative Preferred Shares”.

Automatic Exchange:

Each SLEECs Series B will be exchanged automatically (the “Automatic Exchange”), without the consent of the holders, for 40 SLA Preferred Shares Series W upon the occurrence of any one of the following events: (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 *Insurance Companies Act* (Canada) (the “Insurance Act”); (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 SLA Board of Directors 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 Insurance Act, to increase its capital or 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 (each, a “Loss Absorption Event”). Following the Automatic Exchange, holders of SLEECs Series B will cease to have any claim or entitlement in relation to the Trust Assets.

The SLA Preferred Shares Series W will pay semi-annual non-cumulative cash dividends, as and when declared by the SLA Board of Directors, equal to \$0.75 per share, representing an annual yield of 6.00%.

The Automatic Exchange will be effected through the automatic conversion of each \$1,000 principal amount of the Sun Life Series B Debenture then held by the Trust into 40 SLA Preferred Shares Series W. Immediately following that conversion, each holder of SLEECs Series B will be deemed to have surrendered its SLEECs Series B to the Trust for a price, for each SLEECs Series B, equal to 40 SLA Preferred Shares Series W. The Trust will arrange through CDS to credit the accounts of the holders of SLEECs Series B with the requisite number of SLA Preferred Shares Series W in accordance with their respective entitlements and the SLEECs Series B will be cancelled. **If the Automatic Exchange were to occur and SLA Preferred Shares Series W were ultimately issued in exchange for the SLEECs Series B, the cost-effective nature of the consolidated capital raised by Sun Life Assurance through the issuance of the SLEECs Series B (assuming the Superintendent approves the inclusion of the SLEECs Series B as Tier 1 capital of Sun Life Assurance) would be lost. Accordingly, it is in the interest of SLF Inc. and Sun Life Assurance to ensure that a Loss Absorption Event does not occur, although the events that could give rise to a Loss Absorption Event may be beyond their control.** See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Automatic Exchange” and “Description of Share Capital of Sun Life Assurance — Class A Non-Cumulative Preferred Shares”.

Purchase for Cancellation:

On and after the fifth anniversary date following the Closing Date, the SLEECs Series B may be purchased at any time, in whole or in part, by the Trust, at the direction of the holder of the Special Trust Securities. The purchases may be made in the open market or by tender or private contract at any price. Any such

purchases will require Superintendent Approval. SLEECs Series B purchased by the Trust will be cancelled and will not be reissued.

Rights on Termination of the Trust:

As long as any SLEECs are outstanding, the Trust may only be terminated with the approval of the holder of the Special Trust Securities and with Superintendent Approval (i) upon the occurrence of a Special Event prior to June 30, 2007, or (ii) for any reason on June 30, 2007 or on the last day of June and December of each year thereafter. The Declaration of Trust provides that holders of SLEECs are not entitled to initiate proceedings for the termination of the Trust.

Pursuant to the Share Exchange Agreement, SLF Inc. and Sun Life Assurance will agree for the benefit of holders of SLEECs Series B that, as long as any SLEECs Series B are outstanding, neither SLF Inc. nor Sun Life Assurance will approve the termination of the Trust unless the Trust has sufficient funds to pay the Early Redemption Price or the Redemption Price, as applicable. Holders of SLEECs of any series and the holder of the Special Trust Securities will rank *pari passu* in the distribution of the property of the Trust in the event of a termination of the Trust, after the discharge of the claims of creditors, if any. See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Rights on Termination of the Trust”.

Dividend Stopper Undertaking:

Pursuant to the Share Exchange Agreement, Sun Life Assurance and SLF Inc. will agree for the benefit of holders of SLEECs Series B that, if the Trust fails on any Regular Distribution Date to pay the Indicated Yield on the SLEECs Series B in full, Sun Life Assurance will not pay Dividends on the “SLA Dividend Restricted Shares”, being the Public Preferred Shares, or, if SLA Dividend Restricted Shares are not outstanding, SLF Inc. will not pay Dividends on the SLF Dividend Restricted Shares, in each case, until the 12th month following the Trust’s failure to pay the Indicated Yield in full on the SLEECs Series B (the “Dividend Payment Resumption Month”), unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to the holders of SLEECs Series B. Any Indicated Yield (or portion thereof) that the Trust fails to pay to the holders of SLEECs Series B on a Regular Distribution Date will form part of the Accumulated Unpaid Indicated Yield. **It is in the interest of Sun Life Assurance and SLF Inc. to ensure, to the extent within their control, that the Trust pays the Indicated Yield on the SLEECs Series B on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertaking.** See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Dividend Stopper Undertaking” and “Risk Factors”.

The following table indicates the relationship among the Dividend Reference Period, the Distribution Period, the Distribution Date and the Dividend Payment Resumption Month.

<u>Dividend Reference Period</u>	<u>Commencement of the Current Distribution Period⁽¹⁾</u>	<u>Distribution Date</u>	<u>Dividend Payment Resumption Month⁽²⁾</u>
Three month period prior to the Closing Date	Closing Date	December 31, 2002	December 2003
September 30, 2002 to December 30, 2002	December 31, 2002	June 30, 2003	June 2004
March 31, 2003 to June 29, 2003	June 30, 2003	December 31, 2003	December 2004

(1) The entitlement of holders of SLEECs Series B to the Indicated Yield and the determination of whether a Distribution Date will be a Regular Distribution Date or a Distribution Diversion Date will be determined prior to the commencement of any Distribution Period.

(2) The Dividend Payment Resumption Month is only relevant if the Trust fails to pay the Indicated Yield in full on the SLEECs Series B on any Regular Distribution Date.

Additional SLF Inc. and Sun Life Assurance Covenants:

In addition to the Dividend Stopper Undertaking, SLF Inc. and Sun Life Assurance will agree for the benefit of the holders of SLEECs Series B, pursuant to the Share Exchange Agreement, that:

- (i) all the outstanding Special Trust Securities will be owned at all times, directly or indirectly, by Sun Life Assurance or, with Superintendent Approval, any of its subsidiaries;
- (ii) as long as any SLEECs Series B are outstanding, neither SLF Inc. nor Sun Life Assurance will take any action to cause the termination of the Trust except as set forth under “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Rights on Termination of the Trust” and only with Superintendent Approval;
- (iii) as long as any SLEECs Series B are outstanding, and provided that Sun Life Assurance does not have outstanding Public Preferred Shares, SLF Inc. will not declare or pay Dividends during a Distribution Period on any of the SLF Dividend Restricted Shares unless Sun Life Assurance has declared and paid a Dividend on the SLA Class B Preferred Shares Series A during the Dividend Reference Period preceding that Distribution Period; and
- (iv) neither SLF Inc. nor Sun Life Assurance will assign or otherwise transfer any of its obligations under the Share Exchange Agreement, except in the case of a merger, amalgamation, reorganization or a sale of substantially all of the assets of SLF Inc. or Sun Life Assurance, as the case may be. See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Share Exchange Agreement”.

It is in the interest of Sun Life Assurance and SLF Inc. to ensure, to the extent within their control and while Sun Life Assurance does not have Public Preferred Shares outstanding, that Sun Life Assurance declares and pays a dividend on any of its shares so as to avoid triggering the obligation under clause (iii) above.

Book-Entry Only Form:

The SLEECs Series B will be issued under the book-entry only system operated by CDS and must be purchased or transferred through participants (“Participants”) in the depository service of CDS. Participants include securities brokers and dealers, banks and trust companies. Accordingly, physical certificates representing the SLEECs Series B will not be available except in the limited circumstances described under “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Book-Entry Only Form”.

SLEECs Series A:

On October 19, 2001, the Trust issued 950,000 of the initial series of SLEECs designated Sun Life Exchangeable Capital Securities — Series A (the “SLEECs Series A”) at a price of \$1,000 per SLEECs Series A for total gross proceeds of \$950,000,000. Holders of SLEECs Series A are entitled to receive an indicated yield of \$34.325 per SLEECs Series A. SLEECs Series A may be exchanged at the option of the holder for Class A Non-Cumulative Preferred Shares Series Z of Sun Life Assurance (“SLA Preferred Shares Series Z”) or automatically under certain circumstances for Class A Non-Cumulative Preferred Shares Series Y of Sun Life Assurance (“SLA Preferred Shares Series Y”). The SLA Preferred Shares Series Z and the SLA Preferred Shares Series Y have substantially the same rights, privileges, restrictions and conditions attached to them as the SLA Preferred Shares Series X and SLA Preferred Shares Series W, respectively, except that the semi-annual non-cumulative cash dividend is \$0.55 per SLA Preferred Share Series Z and \$0.75 per SLA Preferred Share Series Y.

THE TRUST

The Trust is an open-end trust established under the laws of Ontario by the Trustee pursuant to the Declaration of Trust. The Trust's business objective is to acquire and hold Trust Assets that will generate income for distribution to holders of Trust Securities. Immediately after the issuance by the Trust of the SLEECs Series B pursuant to the Offering, the acquisition by the Trust of the Sun Life Series B Debenture and the acquisition by the Trust of the Funding Debenture financed by funds borrowed by the Trust from Sun Life Assurance under the Credit Facility, the Trust will have approximately \$1,205,000,000 in Trust Assets, \$1,150,000,000 of capital attributable to the SLEECs (including the SLEECs Series B), \$2,000,000 of capital attributable to the Special Trust Securities and \$69,000,000 of funds borrowed under credit facilities with Sun Life Assurance, including the Credit Facility, less approximately \$16,000,000 of the offering expenses of the Trust for the SLEECs (including the SLEECs Series B).

RISK FACTORS

The purchase of SLEECs Series B and the holding of SLA Preferred Shares and SLF Common Shares are subject to certain risks and prospective investors should carefully consider the risk factors and other information in this prospectus before purchasing SLEECs Series B. See "Risk Factors".

THE TRUST

General

The Trust is an open-end trust established under the laws of Ontario by the Trustee pursuant to the Declaration of Trust. The Trust has been formed for the purpose of issuing the Trust Securities and acquiring the Trust Assets in order to generate income for distribution to holders of Trust Securities.

The principal office of the Trust is located at 100 Wellington Street West, 4th Floor, Toronto, Ontario, M5K 1A2.

The Trust is not a trust company and does not carry on business as a trust company and, accordingly, the Trust is not registered under the trust company legislation of any jurisdiction. Trust Securities are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.

Business of the Trust

The Trust’s only business is to invest its assets. The Trust’s investment objective is to acquire and hold Trust Assets in order to generate income for distribution to holders of Trust Securities. The Trust’s assets currently consist primarily of a Sun Life Debenture issued in respect of the SLEECs Series A by Sun Life Assurance. Immediately following closing of the Offering, the Trust’s assets will also include the Sun Life Series B Debenture, which is to be purchased pursuant to an agreement between the Trust and Sun Life Assurance (the “Debenture Purchase Agreement”). The Trust’s assets may also include any securities into which the Sun Life Debentures are converted, cash, amounts receivable from third parties and other Eligible Investments (together with the Sun Life Debentures, the “Trust Assets”). The Sun Life Series B Debenture is a senior unsecured obligation of Sun Life Assurance that ranks on a parity with all other unsecured and unsubordinated liabilities of Sun Life Assurance, except for policyholder liabilities and liabilities of certain other claimants which rank in priority to the Sun Life Series B Debenture, as provided in the Winding-Up Act. The Sun Life Series B Debenture contains provisions that will permit the conversion of the Sun Life Series B Debenture, in whole or in part, to reflect the operation of the Holder Exchange Right and the Automatic Exchange (the “Exchange Provisions”) from time to time in respect of the SLEECs Series B.

“Eligible Investments” means any property, including money, securities, amounts receivable from third parties, mortgages, an interest in an Eligible Investment, and any debt obligation that is a qualified investment under the Tax Act for Deferred Income Plans, except where the qualification of such property contains conditions regarding the annuitant, the beneficiary, the employer or the subscriber under the plan unless the Trust is satisfied that such conditions are satisfied, except that, upon the maturity of the Sun Life Series B Debenture, Eligible Investments will not include debt of Sun Life Assurance or of any person related to Sun Life Assurance within the meaning of the Tax Act.

Capitalization

Immediately after the issuance by the Trust of the SLEECs Series B pursuant to the Offering, the acquisition by the Trust of the Sun Life Series B Debenture and the acquisition by the Trust of the Funding Debenture financed by funds borrowed by the Trust from Sun Life Assurance under the Credit Facility, the Trust will have approximately \$1,205,000,000 in Trust Assets, \$1,150,000,000 of capital attributable to the SLEECs (including the SLEECs Series B), \$2,000,000 of capital attributable to the Special Trust Securities and \$69,000,000 of funds borrowed under credit facilities with Sun Life Assurance, including the Credit Facility, less approximately \$16,000,000 of the offering expenses of the Trust for the SLEECs (including the SLEECs Series B).

Conflicts of Interest

Due to the nature of the Trust’s relationship with SLF Inc. and Sun Life Assurance and their affiliates, it is possible that conflicts of interest will arise with respect to certain transactions, including the subscription by the Trust of the Sun Life Series B Debenture and the Trust’s potential acquisition of other Trust Assets from

Sun Life Assurance. It will be the Trust's policy that the terms of any financial dealings with Sun Life Assurance or any of its affiliates will be consistent with those available from third parties.

Conflicts of interest between the Trust and Sun Life Assurance and its affiliates may also arise in connection with actions taken by Sun Life Assurance, as holder of the Special Trust Securities. It is intended that any agreements and transactions between the Trust, on the one hand, and SLF Inc., Sun Life Assurance and their affiliates, on the other hand, including the Administration Agreement, will be fair to the parties.

Liquidity

The Trust will only borrow funds from Sun Life Assurance or its affiliates pursuant to unsecured, non-interest-bearing, credit facilities extended by such entity to the Trust. In connection with the Offering, the Trust intends to enter into such a credit facility with Sun Life Assurance (the "Credit Facility"). The Trust will use the Credit Facility only for the purposes of ensuring liquidity in the normal course of the Trust's activities, to facilitate the payment by the Trust of the expenses of the Offering and to finance the purchase of a debenture from Sun Life Assurance (the "Funding Debenture").

Administrative Agent

The Trustee has entered into an agreement (as amended from time to time, the "Administration Agreement") with Sun Life Assurance, as "Administrative Agent", pursuant to which the Trustee has delegated to Sun Life Assurance certain of its obligations in relation to the administration of the Trust, including the day-to-day operations of the Trust and such other matters as may be requested from time to time by the Trustee. The Administrative Agent is entitled to receive a reasonable administration fee consistent with market terms and conditions.

The Administration Agreement has an initial term of 10 years and after that will be renewed automatically on an annual basis. The Trustee has the right to terminate the Administration Agreement at any time on 90 days' prior written notice on the occurrence of one or more events generally related to the failure of the Administrative Agent to perform its obligations under the Administration Agreement in a proper and timely manner.

Exemptions from Certain Continuous Disclosure Requirements

The Trust is a reporting issuer in each of the provinces and territories of Canada where such concept exists. The Trust has received from the securities regulatory authorities in these provinces and territories (the "Commissions") exemptions from certain continuous disclosure requirements prescribed by applicable securities legislation for reporting issuers.

The exemptions are conditional on holders of SLEECs receiving the interim and annual audited financial statements and annual reports of Sun Life Assurance and SLF Inc., and each of Sun Life Assurance and SLF Inc. continuing to file with the Commissions its interim and annual audited financial statements, annual filing or management information circular and annual reports (with the Commission des valeurs mobilières du Québec). Provided such conditions are met, the Trust is not required to file with the Commissions interim and annual audited financial statements, including management's discussion and analysis of the financial conditions and results of operation of the Trust, an information circular or an annual filing in lieu thereof (an "annual filing"), an annual information form of the Trust (an "AIF"), and, in the case of the Commission des valeurs mobilières du Québec, an annual report, and holders of SLEECs will not receive such financial statements and annual reports of the Trust. The Trust remains subject to the requirement to file material change reports in the event of any material change in the affairs of the Trust.

This exemptive relief was granted based on the following terms and conditions of the SLEECs and for the following reasons. The operating activity of the Trust consists of acquiring and holding Trust Assets for the purpose of generating income for distribution to holders of SLEECs and Special Trust Securities. Accordingly, the information relating to the financial condition and operations of a reporting issuer that is contained in an AIF and an annual filing would not, in respect of the Trust, be meaningful to holders of SLEECs. The payment of the applicable indicated yield on SLEECs is dependent on the payment of Dividends by Sun Life Assurance,

where it has Public Preferred Shares outstanding, and otherwise by SLF Inc. because the indicated yield will not be payable if Sun Life Assurance or SLF Inc., as applicable, fails to declare Dividends (see “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Indicated Yield”). Furthermore, in certain circumstances, 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 (see “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Automatic Exchange”), the SLEECs will be automatically exchanged for preferred shares of Sun Life Assurance. As a result of the foregoing and because SLEECs are also exchangeable for preferred shares of Sun Life Assurance under other circumstances, details of Sun Life Assurance’s financial condition (as opposed to that of the Trust) will be of interest to holders of SLEECs.

CAPITALIZATION OF THE TRUST

The following table sets out the capitalization of the Trust as at March 31, 2002 and at that date adjusted to reflect the closing of the Offering.

	Outstanding as at March 31, 2002	Outstanding as at March 31, 2002 after giving effect to the Offering
	(unaudited, in thousands)	
SLEECs — Series A	\$950,000	\$ 950,000
SLEECs — Series B	—	200,000
Special Trust Securities	2,000	2,000
Net Undistributed Income	559	559
Net Offering Expenses	(7,364)	(8,864) ⁽¹⁾
Trust Capital	<u>\$945,195</u>	<u>\$1,143,695</u>

(1) The net Offering expenses of the Trust, estimated at \$1,500 (\$2,587 before an income tax benefit of \$1,087), will be paid by the Trust from funds borrowed under the Credit Facility.

This table should be read in conjunction with the financial statements of the Trust appearing elsewhere in this prospectus.

SLF INC. AND SUN LIFE ASSURANCE

General

SLF Inc. was incorporated under the Insurance Act on August 5, 1999. On the completion of the demutualization of Sun Life Assurance on March 22, 2000, SLF Inc. became the holding company which holds directly all of the outstanding shares of Sun Life Assurance.

Sun Life Assurance was incorporated as a stock life company by a Special Act of Parliament of Canada in 1865. Sun Life Assurance was converted into a mutual company through a process that was completed in 1962 under the provisions of the Canadian and British Insurance Companies Act. The Special Act of Sun Life Assurance, as amended, was replaced in 1992 by amending letters patent issued under the Insurance Act. Sun Life Assurance was converted on the demutualization from a mutual insurance company to a stock insurance company pursuant to letters patent of conversion issued under the Insurance Act on March 22, 2000. In this prospectus, the term “Sun Life Financial” refers, at all times after the demutualization, to SLF Inc. and its consolidated subsidiaries and, at all times before the demutualization, to Sun Life Assurance and its consolidated subsidiaries.

Sun Life Financial has had operations in Canada since 1871, in the United States since 1895, in the United Kingdom since 1893 and in Asia since 1892. SLF Inc.’s head office, and the principal office of Sun Life Financial, is located at Sun Life Tower, 150 King Street West, Toronto, Ontario, Canada M5H 1J9. Sun Life Financial’s principal office in the United States is located at One Sun Life Executive Park, Wellesley Hills, Massachusetts, U.S.A. 02481, its principal office in the United Kingdom is located at Basing View, Basingstoke,

United Kingdom RG21 4DZ and its regional headquarters for Asia are located at 2008 Two Pacific Place, 88 Queensway, Hong Kong, China.

Recent Developments

Sale of Mutual Fund Business

On May 22, 2002, Sun Life Assurance and Clarica entered into an agreement with CI pursuant to which Sun Life Assurance and Clarica have agreed to sell to CI their respective mutual fund management subsidiaries, Spectrum and Diversico, and certain other related property. Sun Life Assurance and Clarica have also agreed to transfer to CI the management and administration of their respective Canadian retail segregated funds. On closing of the transaction, Sun Life Assurance and Clarica will enter into a distribution agreement with CI which will provide CI with preferred access for its products to Clarica's network of more than 4,000 independent career advisers. In consideration, Sun Life Assurance and Clarica will receive, collectively, approximately 74 million common shares of CI, which will represent 30% of the outstanding common shares of CI immediately following the closing of the transaction. Subject to the receipt of all necessary regulatory approvals, the transaction is expected to close in late July 2002. CI is an independent investment management company with \$26.5 billion of assets under management as of May 17, 2002.

Acquisition of Clarica Life Insurance Company

On May 29, 2002, SLF Inc. completed the acquisition of all of the outstanding common shares of Clarica. The acquisition was effected through a series of transactions resulting in the exchange of each Clarica common share (other than those shares held by SLF Inc. or its subsidiaries as general fund assets) for 1.5135 common shares of SLF Inc. Approximately 186 million common shares of SLF Inc. were issued in connection with the transaction. Clarica is one of the largest life insurance companies in Canada, offering a wide range of life and health insurance products, wealth management products and other financial services to both individuals and corporations. At March 31, 2002, Clarica had total assets under management of \$47.6 billion and total corporate assets of \$31.8 billion.

Proposed Amalgamation of Sun Life Assurance and Clarica

On May 29, 2002, Sun Life Assurance announced that it intends to amalgamate with Clarica. Subject to the receipt of all necessary regulatory, shareholder and voting policyholder approvals, the amalgamation is expected to be completed on or about December 31, 2002. The pro forma financial results of the Corporation, giving effect to the proposed amalgamation with Clarica, are described under "Sun Life Assurance Company of Canada Pro Forma Consolidated Financial Statements".

Acquisition of Keyport Life Insurance Company and Independent Financial Marketing Group, Inc.

On October 31, 2001, Sun Life Financial acquired from LFC and Liberty Financial Services, Inc. ("LFS"), Keyport and IFMG and certain of their respective subsidiaries, as well as certain other subsidiaries of LFS, all of which operated the annuity and bank marketing segment of LFC's business. Keyport is a specialty insurance company providing a diversified line of fixed, indexed and variable annuity products in the United States. IFMG is a leading distributor of annuities and mutual funds through financial institutions in the United States.

Consolidated Capitalization of SLF Inc.

The following table sets forth the consolidated capitalization of SLF Inc. at March 31, 2002 and the adjusted consolidated capitalization of SLF Inc. at March 31, 2002 after giving effect to the acquisition of Clarica and to the Offering as if they had occurred as at that date. The following table should be read in conjunction with:

- (i) SLF Inc.'s unaudited interim comparative consolidated financial statements and the notes thereto and management's discussion and analysis at and for the three months ended March 31, 2002 incorporated by reference in this prospectus; and

- (ii) Clarica's unaudited interim consolidated financial statements and the notes thereto as at and for the three months ended March 31, 2002 incorporated by reference in this prospectus.

	At March 31, 2002	
	Actual	As Adjusted
	(unaudited, in millions)	
Subordinated Debt	\$ 476	\$ 1,220
8.526% Cumulative Capital Securities of a subsidiary	954	954
Sun Life Exchangeable Capital Securities — Series A ⁽¹⁾	950	950
Sun Life Exchangeable Capital Securities — Series B (the Offering)	—	200
Preferred Shares ⁽¹⁾	—	158
Total Equity		
Participating Policyholders' Account	78	77
Shareholders' Equity	7,811	14,149
	<u>7,889</u>	<u>14,226</u>
Total Capitalization	<u>\$10,269</u>	<u>\$17,708</u>

(1) Included in "Non-controlling interests in net income of subsidiaries" in the unaudited pro forma consolidated balance sheet of SLF Inc. as at March 31, 2002 contained in this prospectus.

Minimum Continuing Capital and Surplus Requirements

The Insurance Act requires SLF Inc. and Sun Life Assurance to maintain adequate capital and adequate and appropriate forms of liquidity in relation to their operations. In furtherance of this requirement, the Superintendent has established the Minimum Continuing Capital and Surplus Requirements ("MCCSR").

The following table sets forth the MCCSR ratios of Sun Life Assurance as at the dates indicated.

	December 31				
	2001	2000	1999	1998	1997
MCCSR Ratio	186%	290%	262%	284%	288%

The MCCSR ratio level of Sun Life Assurance as at March 31, 2002, on a pro forma basis, after giving effect to the Offering would have been 193%.

DESCRIPTION OF THE TRUST SECURITIES

Pursuant to the Declaration of Trust, the Trust may issue one or more series of Special Trust Securities and one or more series of Sun Life Exchangeable Capital Securities. At the date hereof, there are 2,000 Special Trust Securities issued and outstanding, all of which are held by Sun Life Assurance, and 950,000 Sun Life Exchangeable Capital Securities — Series A issued and outstanding.

Sun Life Exchangeable Capital Securities — Series A

On October 19, 2001, the Trust issued 950,000 of the initial series of SLEECS designated Sun Life Exchangeable Capital Securities — Series A (the "SLEECS Series A") at a price of \$1,000 per SLEECS Series A for total gross proceeds of \$950,000,000. Holders of SLEECS Series A are entitled to receive an indicated yield of \$34.325 per SLEECS Series A. SLEECS Series A may be exchanged at any time at the option of the holder for SLA Preferred Shares Series Z or automatically under certain circumstances for SLA Preferred Shares Series Y. The SLA Preferred Shares Series Z and SLA Preferred Shares Series Y have substantially the same rights, privileges, restrictions and conditions attached to them as the SLA Preferred Series X and SLA Preferred Shares Series W, respectively, except that the semi-annual non cumulative cash dividend is \$0.55 per SLA Preferred Share Series Z and \$0.75 per SLA Preferred Share Series Y.

The SLEECs Series A and the SLEECs Series B rank *pari passu* on the distribution of the property of the Trust in the event of a termination of the Trust (together with Sun Life Assurance, as holder of the Special Trust Securities) and rank *pari passu* in respect of the applicable indicated yield payable on each series of SLEECs.

Sun Life Exchangeable Capital Securities — Series B

The following is a summary of the rights, privileges, restrictions and conditions attaching to the SLEECs Series B. This summary is qualified in its entirety by the provisions of the Declaration of Trust. For information concerning SLA Preferred Shares into which, in certain circumstances, the SLEECs Series B are exchangeable, see “Description of Share Capital of Sun Life Assurance — Class A Non-Cumulative Preferred Shares” and for information with respect to the Sun Life Series B Debenture, see “Description of the Sun Life Series B Debenture”.

Indicated Yield

Holders of SLEECs Series B will be entitled to receive the Indicated Yield, being a cash amount of \$35.465 per SLEECs Series B, in respect of each Distribution Period on the Distribution Date immediately following that Distribution Period unless a Distribution Diversion Event has occurred. The initial Indicated Yield, payable on December 31, 2002 will be approximately \$36.44 per SLEECs Series B, assuming a Closing Date of June 25, 2002.

A Distribution Date will be a Regular Distribution Date unless (i) Sun Life Assurance fails to declare Dividends on the SLA Class B Preferred Shares Series A or (ii) if there are Public Preferred Shares outstanding, Sun Life Assurance fails to declare Dividends on any of the Public Preferred Shares in accordance with their respective terms, in either case, during the Dividend Reference Period. Accordingly, whether or not the Indicated Yield on the SLEECs Series B will be payable by the Trust on any Distribution Date will be determined prior to the commencement of the Distribution Period ending on the day preceding that Distribution Date. On each Regular Distribution Date, the Trust will pay the indicated yield to the holders of all SLEECs (including the Indicated Yield on the SLEECs Series B) and the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the indicated yield on all SLEECs. If Sun Life Assurance does not declare a Dividend during the relevant Dividend Reference Period, a Distribution Diversion Event will occur.

If a Distribution Diversion Event occurs, the Distribution Date occurring on the day immediately following the end of the first Distribution Period following the Distribution Diversion Event will be a Distribution Diversion Date. In that case, although the Sun Life Series B Debenture will pay interest to the Trust on the Debenture Interest Payment Date, the Trust will not pay the indicated yield on any SLEECs (including the Indicated Yield on the SLEECs Series B) on the Distribution Diversion Date; instead, it will pay the Net Distributable Funds, if any, as at such Distribution Diversion Date to the holder of the Special Trust Securities.

If the Net Distributable Funds of the Trust are insufficient to enable the Trust to pay the Indicated Yield on all outstanding SLEECs Series B on a Regular Distribution Date, the Trust will, nevertheless, pay such portion of the Indicated Yield as may then be paid with the Net Distributable Funds and the amount of the Indicated Yield remaining unpaid then will form part of the Accumulated Unpaid Indicated Yield until it is paid. The Trust may pay the Accumulated Unpaid Indicated Yield to the holders of the SLEECs Series B at any time; however, the Trust will not be obligated, and holders of SLEECs Series B will not have any right to cause the Trust, to pay such amount until the occurrence of an event giving rise to the obligation of the Trust to pay the Early Redemption Price or the Redemption Price, as the case may be. See “— Rights on Termination of the Trust”.

Voting Rights

The SLEECs are non-voting except in the limited circumstances set out in the Declaration of Trust involving changes to the terms and conditions of the SLEECs. The Declaration of Trust provides that those terms and conditions may be changed if authorized by the holders of SLEECs by way of an Extraordinary Resolution. The holder of the Special Trust Securities must approve any such change and, in addition, any such change that would affect the status of the SLEECs as capital of Sun Life Assurance is subject to Superintendent

Approval. The term “Extraordinary Resolution” means, in effect, a resolution passed by the holders of SLEECs representing not less than 66⅔% of the SLEECs represented and voted at a meeting of holders of SLEECs, or a resolution in writing signed by the holders of SLEECs representing not less than 66⅔% of the outstanding SLEECs. The quorum at any such meeting will be two or more holders of SLEECs present in person or represented by proxy and owning or representing not less than 25% of the aggregate number of SLEECs then outstanding, provided that if a quorum is not present and the meeting is adjourned, at the meeting following such adjournment those holders present in person or represented by proxy will constitute a quorum even though they may represent less than 25% of the aggregate number of SLEECs then outstanding. Notwithstanding the foregoing, the Trustee may, without the consent of holders of SLEECs, execute instruments supplemental to the Declaration of Trust and any other relevant instruments for certain limited purposes, including curing ambiguities or defects, and making any modification that, in the opinion of the Trustee, would not be prejudicial to the interest of holders of SLEECs and making such changes as may be required to conform with applicable regulatory requirements from time to time.

Trust Redemption Right

On June 30, 2007 and on any Distribution Date thereafter, the Trust, at its option, and with Superintendent Approval, and on not less than 30 nor more than 60 days’ prior written notice, may redeem the SLEECs Series B in whole or in part, without the consent of the holders, for an amount in cash per SLEECs Series B equal to (i) the Early Redemption Price, if the SLEECs Series B are redeemed prior to June 30, 2032, and (ii) the Redemption Price, if the SLEECs Series B are redeemed on or after June 30, 2032.

Any partial redemption will be carried out by lot or in some other equitable manner.

Trust Special Event Redemption Right

Upon the occurrence of a Regulatory Event or a Tax Event, the Trust, at its option, and with Superintendent Approval, and on not less than 30 nor more than 90 days’ prior written notice, may redeem at any time, all but not less than all of the SLEECs Series B, without the consent of the holders, for an amount in cash per SLEECs Series B equal to (i) the Early Redemption Price, if the SLEECs Series B are redeemed prior to June 30, 2032, and (ii) the Redemption Price, if the SLEECs Series B are redeemed on or after June 30, 2032.

“Regulatory Event” means (assuming the Superintendent approves the inclusion of the SLEECs Series B as Tier 1 capital of Sun Life Assurance) the receipt by the Trust or Sun Life Assurance of a notice or advice from the Superintendent that the SLEECs Series B no longer qualify as eligible Tier 1 capital under the Superintendent’s interpretation of the MCCSR.

“Tax Event” means the receipt by Sun Life Assurance or the Trust of an opinion of independent counsel of recognized standing experienced in such matters (who may be counsel to Sun Life Assurance or the Trust) to the effect that, as a result of (i) any amendment to, clarification of, or change (including any announced prospective change) in, the laws, or any regulations thereunder, of Canada or any political subdivision or taxing authority thereof or therein, affecting taxation, (ii) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of an intention to adopt such procedures or regulations) by any legislative body, court, governmental authority or agency or regulatory body having appropriate jurisdiction (collectively, “Administrative Action”) or (iii) any amendment to, clarification of, or change in, the official position or the interpretation of any Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the previously generally accepted position, in each case, by any legislative body, court, governmental authority or agency or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective or such pronouncement or decision is announced on or after the date of issue of the SLEECs Series B, there is more than an insubstantial risk that (A) the treatment of any of Sun Life Assurance’s or the Trust’s items of income or expense (including the treatment by Sun Life Assurance or the Trust of interest on the Sun Life Series B Debenture or of distributions made on the SLEECs Series B or the Special Trust Securities) or treatment of the Sun Life Series B Debenture or other property of the Trust, in each case as reflected in tax returns filed (or to be filed), will be challenged by a taxing authority, and that such challenge could subject Sun Life Assurance or the

Trust to more than a de minimis amount of additional taxes, duties or other governmental charges or civil liabilities or (B) the Trust is, or will be, subject to more than a de minimis amount of taxes, duties or other governmental charges or civil liabilities.

Holder Exchange Right

Holders of SLEECs Series B will have the right, at any time, on not less than three and not more than 90 days' prior written notice to the Trust and Sun Life Assurance, to surrender all or part of their SLEECs Series B to the Trust at a price, for each SLEECs Series B, equal to 40 newly issued SLA Preferred Shares Series X. The Trust will have the right, at any time before the exchange is completed, to arrange for a substituted purchaser to purchase SLEECs Series B tendered for surrender to the Trust so long as the holder of the SLEECs Series B so tendered has not withheld consent to the purchase of its SLEECs Series B. If a substituted purchaser is found, the price to be paid to the holders of the SLEECs Series B will be not less than 91% of the closing price of the SLEECs Series B on the last trading day immediately before the date fixed for purchase and such purchase price is intended to represent a fair equivalent in cash of the Surrender Price. Since the SLEECs Series B will not be listed on any public securities exchange, the "closing price" of any SLEECs Series B for that trading day will be the average of the last institutional bid price of such SLEECs Series B as quoted by two major Canadian investment dealers selected by Sun Life Assurance for this purpose.

The SLA Preferred Shares Series X will pay semi-annual non-cumulative cash dividends, as and when declared by the SLA Board of Directors, equal to approximately \$0.61 per share, representing an annual yield of 4.91%. 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. The Trust, as holder of the Sun Life Series B Debenture, will have the right at any time to convert all or part of the Sun Life Series B Debenture into SLA Preferred Shares Series X. Immediately following that conversion, the Trust will arrange through CDS to credit the accounts of the holders of SLEECs Series B exercising the Holder Exchange Right with the requisite number of SLA Preferred Shares Series X and the SLEECs Series B surrendered for exchange will be cancelled.

As long as the SLEECs Series B are held in the CDS book-entry only system, beneficial owners of SLEECs Series B may exercise the Holder Exchange Right by providing instructions to the Participants through whom they hold SLEECs Series B. In turn, such Participants will communicate those exchange instructions to the Trustee through CDS. Participants may be required to include a declaration on behalf of any beneficial holder of SLEECs Series B purporting to exercise the Holder Exchange Right for the purpose of establishing whether any such beneficial holder would as a result of the exercise of the Holder Exchange Right be an Ineligible Person. Where SLEECs Series B are not held in the CDS book-entry only system, the Holder Exchange Right may be effected by the registered holder of SLEECs Series B depositing with the Trustee, within the time periods referred to above, certificates representing the SLEECs Series B with a duly completed exchange panel in the form contemplated by the Declaration of Trust.

Pursuant to the Share Exchange Agreement, Sun Life Assurance will agree to issue, and SLF Inc. will agree to purchase or arrange for the purchase of, for nominal consideration, a sufficient number of one or more new series of SLA Class A Shares such that, on the exercise of the Holder Exchange Right, no person other than SLF Inc. will be a Significant Shareholder of the SLA Class A Shares.

"Significant Shareholder" means any person who beneficially owns directly, or indirectly through entities controlled by such person or persons associated with or acting jointly or in concert with such person, shares of any class of Sun Life Assurance or SLF Inc. in excess of 10% of the total number of outstanding shares of that class.

Upon the exercise of the Holder Exchange Right, the Trust reserves the right not to deliver SLA Preferred Shares Series X to any person whose address is in, or whom the Trust or Sun Life Assurance has reason to believe is a resident of, any jurisdiction outside Canada (an "Ineligible Person"), to the extent that such delivery would require the Trust or Sun Life Assurance to take any action to comply with securities, insurance or analogous laws of such jurisdiction. In such circumstances, the Trustee will hold all SLA Preferred Shares Series X that would otherwise be delivered to Ineligible Persons, as agent for Ineligible Persons, and the Trustee

will attempt to sell such SLA Preferred Shares Series X (to parties other than Sun Life Assurance and its affiliates) on behalf of such Ineligible Persons. Such sales, if any, will be made at such times and at such prices as the Trustee, in its sole discretion, may determine. None of Sun Life Assurance, SLF Inc. or the Trustee will be subject to any liability for failing to sell SLA Preferred Shares Series X on behalf of any such Ineligible Persons or at any particular price on any particular day. The net proceeds received by the Trustee from the sale of any SLA Preferred Shares Series X will be divided among the Ineligible Persons in proportion to the number of SLA Preferred Shares Series X that would otherwise have been deliverable to them, after deducting the costs of sale and any applicable withholding taxes. The Trustee will make payment of the aggregate net proceeds to CDS (if the SLEECs Series B are then held in the book-entry only system) or to the registrar and transfer agent (in all other cases) for distribution to such Ineligible Persons in accordance with the customary practice and procedures of CDS (“CDS Procedures”) or otherwise.

Automatic Exchange

Each SLEECs Series B will be exchanged automatically, without the consent of the holders, for 40 SLA Preferred Shares Series W upon the occurrence of a Loss Absorption Event. The SLA Preferred Shares Series W will pay semi-annual non-cumulative cash dividends, as and when declared by the SLA Board of Directors, equal to \$0.75 per share, representing an annual yield of 6.00%. The Automatic Exchange will be deemed to occur as of 8:00 a.m. (Eastern time) on the date that a Loss Absorption Event occurs. The Automatic Exchange will be effected through the automatic conversion of each \$1,000 principal amount of the Sun Life Series B Debenture then held by the Trust into 40 SLA Preferred Shares Series W. Upon an Automatic Exchange and the deemed surrender of the SLEECs Series B by their holders, the Exchange Trustee will arrange through CDS to credit the accounts of the holders of SLEECs Series B with the requisite number of SLA Preferred Shares Series W in accordance with their respective entitlements and the SLEECs Series B will be cancelled. Sun Life Assurance will mail notice of the occurrence of the Loss Absorption Event to the Trustee within 10 days of such event. If for any reason the Automatic Exchange does not result in the exchange of all SLEECs Series B then outstanding for SLA Preferred Shares Series W, the Trust will redeem each SLEECs Series B not so surrendered for 40 SLA Preferred Shares Series W. The Trust will have the right, pursuant to the Subscription Right, to have Sun Life Assurance issue to the Trust a sufficient number of SLA Preferred Shares Series W for that purpose.

Upon an Automatic Exchange of the SLEECs Series B for SLA Preferred Shares Series W, the Trust reserves the right not to deliver SLA Preferred Shares Series W to Ineligible Persons or to persons who would as a result of the Automatic Exchange become Significant Shareholders. The procedures to be followed in respect of the disposition of SLA Preferred Shares Series W on behalf of Ineligible Persons will be as set forth under “—Holder Exchange Right”.

Upon an Automatic Exchange, the Trust reserves the right not to deliver SLA Preferred Shares Series W to any person who would as a result of such delivery become a Significant Shareholder. In such circumstances, the Trustee will hold all SLA Preferred Shares Series W that would otherwise be issued to Significant Shareholders, as agent for Significant Shareholders, and the Trustee will attempt to sell such SLA Preferred Shares Series W (to parties other than Sun Life Assurance and its affiliates) on behalf of such Significant Shareholders. Such sales, if any, will be made at such times and at such prices as the Trustee, in its sole discretion, may determine. None of Sun Life Assurance, SLF Inc. or the Trustee will be subject to any liability for failing to sell SLA Preferred Shares Series W on behalf of any such Significant Shareholders or at any particular price on any particular day. The net proceeds received by the Trustee from the sale of any SLA Preferred Shares Series W will be divided among the Significant Shareholders in proportion to the number of SLA Preferred Shares Series W that would otherwise have been deliverable to them, after deducting the costs of sale and any applicable withholding taxes. The Trustee will make payment of the aggregate net proceeds to CDS (if the SLEECs Series B are then held in the book-entry only system) or to the the registrar and transfer agent (in all other cases) for distribution to such Significant Shareholders in accordance with CDS Procedures or otherwise.

If an Automatic Exchange were to occur and SLA Preferred Shares Series W are issued in exchange for SLEECs Series B, the cost-effective nature of the consolidated capital raised by Sun Life Assurance through the issuance of the SLEECs Series B (assuming the Superintendent approves the inclusion of the SLEECs Series B as Tier 1 capital of Sun Life Assurance) would be lost. Accordingly, it is in the interest of SLF Inc. and Sun Life

Assurance to ensure that a Loss Absorption Event does not occur, although the events that could give rise to a Loss Absorption Event may be beyond their control.

Non-Resident Ownership Restrictions

Non-residents of Canada within the meaning of the Tax Act may not own in the aggregate more than 50% of the SLEECs outstanding at any time. The Trust will not accept any subscription for SLEECs from any person, issue any SLEECs to any person or register or otherwise recognize a transfer of any SLEECs to any person if, after giving effect thereto, more than 50% of the outstanding SLEECs would be held or beneficially owned, directly or indirectly, by persons who are non-residents of Canada. The Declaration of Trust includes a mechanism to permit the Trust to sell SLEECs in order to remedy any contravention of this restriction.

Extinguishment of Rights of Holders

As of the time of exchange, each holder of SLEECs Series B surrendered for exchange will cease to be a holder thereof and all rights of such holder as a securityholder of the Trust will cease. Such holder after that time will be deemed to be for all purposes and will be for all purposes a holder of SLA Preferred Shares Series W or SLA Preferred Shares Series X, as the case may be (unless payment in the form of SLA Preferred Shares Series W or SLA Preferred Shares Series X is not made). The SLEECs Series B surrendered for exchange will be cancelled.

Purchase for Cancellation

On and after June 30, 2007, the SLEECs Series B may be purchased at any time, in whole or in part, by the Trust, at the direction of the holder of the Special Trust Securities. The purchases may be made in the open market or by tender or private contract at any price. Any such purchases will require Superintendent Approval. SLEECs Series B purchased by the Trust will be cancelled and will not be reissued.

Rights on Termination of the Trust

As long as any SLEECs Series B are outstanding, the Trust may only be terminated with the approval of the holder of the Special Trust Securities and with Superintendent Approval (i) upon the occurrence of a Special Event prior to June 30, 2007 or (ii) for any reason on June 30, 2007 or on the last day of June and December of each year thereafter. The Declaration of Trust provides that holders of SLEECs Series B are not entitled to initiate proceedings for the termination of the Trust.

Holders of SLEECs and holders of Special Trust Securities will rank *pari passu* in the distribution of the property of the Trust in the event of a termination of the Trust, after the discharge of claims of creditors, if any. The entitlement of the holder of each SLEECs Series B on a termination of the Trust will be determined by multiplying the Early Redemption Price (if the termination is as a result of action taken by Sun Life Assurance and occurs prior to June 30, 2032) or the Redemption Price (in all other cases), in either case, by a fraction, the numerator of which is the value of the Trust Assets to be distributed to holders of Trust Securities and the denominator of which is an amount equal to the sum of (i) the aggregate applicable Early Redemption Price of all SLEECs then outstanding, if the termination is as a result of action taken by Sun Life Assurance and occurs prior to December 31, 2011, or the aggregate Early Redemption Price of all SLEECs Series B then outstanding, if the termination is as a result of action taken by Sun Life Assurance and occurs on or after December 31, 2011 and prior to June 30, 2032, (ii) the aggregate Redemption Price of all SLEECs then outstanding and not provided for in (i) above and (iii) an amount equal to the aggregate subscription price for all Special Trust Securities then outstanding (such fraction being the "Termination Distribution Ratio"). Should additional series of SLEECs be issued, then the Termination Distribution Ratio will be adjusted to reflect the issuance of such additional SLEECs and to recognize that all outstanding series of SLEECs will rank *pari passu*. The entitlement of Sun Life Assurance, as the holder of the Special Trust Securities, will be determined by multiplying Sun Life Assurance's subscription price for all Special Trust Securities then outstanding by the Termination Distribution Ratio.

So long as any SLEECs Series B are outstanding, neither SLF Inc. nor Sun Life Assurance will approve the termination of the Trust unless the Trust has sufficient funds to pay the Early Redemption Price or the

Redemption Price, as applicable. See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Share Exchange Agreement.”

Dividend Stopper Undertaking

If the Trust fails on any Regular Distribution Date to pay the Indicated Yield on the SLEECs Series B in full, Sun Life Assurance and SLF Inc. have agreed for the benefit of holders of SLEECs Series B that (i) Sun Life Assurance will not pay Dividends on the SLA Dividend Restricted Shares or (ii) if SLA Dividend Restricted Shares are not outstanding, SLF Inc. will not pay Dividends on the SLF Dividend Restricted Shares, in each case, until the Dividend Payment Resumption Month, unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to the holders of SLEECs Series B. Any Indicated Yield (or portion thereof) that the Trust fails to pay to the holders of SLEECs Series B on a Regular Distribution Date will form part of the Accumulated Unpaid Indicated Yield. **It is in the interest of SLF Inc. and Sun Life Assurance to ensure, to the extent within their control, that the Trust pays the Indicated Yield on the SLEECs Series B on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertaking.**

The following table indicates the relationship among the Dividend Reference Period, the Distribution Period, the Distribution Date and the Dividend Payment Resumption Month.

<u>Dividend Reference Period</u>	<u>Commencement of the Current Distribution Period⁽¹⁾</u>	<u>Distribution Date</u>	<u>Dividend Payment Resumption Month⁽²⁾</u>
Three month period prior to the Closing Date	Closing Date	December 31, 2002	December 2003
September 30, 2002 to December 30, 2002	December 31, 2002	June 30, 2003	June 2004
March 31, 2003 to June 29, 2003	June 30, 2003	December 31, 2003	December 2004

(1) The entitlement of holders of SLEECs Series B to the Indicated Yield and the determination of whether a Distribution Date will be a Regular Distribution Date or a Distribution Diversion Date will be determined prior to the commencement of any Distribution Period.

(2) The Dividend Payment Resumption Month is only relevant if the Trust fails to pay the Indicated Yield in full on the SLEECs Series B on any Regular Distribution Date.

Share Exchange Agreement

On closing of the Offering, the Trust, SLF Inc., Sun Life Assurance and the Exchange Trustee, as trustee for the holders of the SLEECs Series B and holders of the SLA Preferred Shares, will enter into the Share Exchange Agreement providing for, among other things:

- (a) the Dividend Stopper Undertaking;
- (b) the grant by Sun Life Assurance to the Trust of the right to subscribe for SLA Preferred Shares Series W or SLA Preferred Shares Series X, as the case may be, in order to enable the Trust to redeem the SLEECs Series B pursuant to the Holder Exchange Right or an Automatic Exchange (the “Subscription Right”);
- (c) the grant by SLF Inc. to the Exchange Trustee, for the benefit of holders of SLA Preferred Shares, of the right to exchange such shares for SLF Common Shares (the “SLF Common Share Exchange Right”);
- (d) the grant by SLF Inc. to Sun Life Assurance of the right to subscribe for SLF Common Shares to redeem outstanding SLA Preferred Shares (the “SLA Preferred Shares Redemption Right”); and
- (e) the purchase by SLF Inc., or as arranged by SLF Inc., for nominal consideration, of a sufficient number of one or more new series of SLA Class A Shares such that, on the exercise of the Holder Exchange Right, no person other than SLF Inc. will be a Significant Shareholder of the SLA Class A Shares.

The issuance of SLA Preferred Shares Series W, SLA Preferred Shares Series X and SLF Common Shares pursuant to these rights is subject to Superintendent Approval or the obtaining of an exemption under applicable securities legislation in certain of the provinces and territories of Canada. Applications for

Superintendent Approval and these exemptions have been made by Sun Life Assurance. SLF Inc. and Sun Life Assurance will take all necessary corporate action before the Closing Date to enable them to comply with their obligations in respect of these rights.

The Share Exchange Agreement will also provide that, as long as any SLEECS Series B are outstanding, and provided that Sun Life Assurance does not have Public Preferred Shares outstanding, SLF Inc. will not declare or pay Dividends during a Distribution Period on any of the SLF Dividend Restricted Shares unless Sun Life Assurance has declared and paid a Dividend on the SLA Class B Preferred Shares Series A during the Dividend Reference Period preceding that Distribution Period.

SLF Inc. and Sun Life Assurance will also agree in the Share Exchange Agreement to take or refrain from taking certain actions so as to ensure that holders of SLEECS Series B will receive the benefit of the Exchange Provisions, including obtaining the requisite approval of holders of the SLEECS Series B to any amendment to the provisions of the SLA Preferred Shares Series W and SLA Preferred Shares Series X (other than any amendments relating to SLA Class A Shares as a class).

The Share Exchange Agreement will also provide that:

- (a) all the outstanding Special Trust Securities will be owned at all times, directly or indirectly, by Sun Life Assurance or, with Superintendent Approval, any of its subsidiaries;
- (b) as long as any SLEECS Series B are outstanding, neither SLF Inc. nor Sun Life Assurance will take any action to cause the termination of the Trust unless the Trust has sufficient funds to pay the Early Redemption Price or the Redemption Price, as applicable, and only with Superintendent Approval; and
- (c) neither SLF Inc. nor Sun Life Assurance will assign or otherwise transfer any of its obligations under the Share Exchange Agreement, except in the case of a merger, amalgamation, reorganization or a sale of substantially all of the assets of SLF Inc. or Sun Life Assurance, as the case may be.

Capital Reorganizations and Amalgamations

If there is a capital reorganization, merger or amalgamation of Sun Life Assurance, the Share Exchange Agreement will provide that holders of SLEECS Series B will be entitled to receive, pursuant to the Exchange Provisions, after the capital reorganization, merger or amalgamation, the number of SLA Preferred Shares or other securities or consideration of Sun Life Assurance or of a corporation resulting, surviving or continuing from the capital reorganization, merger or amalgamation that such holder would have received had its SLEECS Series B been exchanged, pursuant to the Exchange Provisions, for SLA Preferred Shares Series W or SLA Preferred Shares Series X, as applicable, immediately prior to the record date of the capital reorganization, merger or amalgamation. Similarly, the terms and conditions of the Sun Life Series B Debenture will provide that the holder of the Sun Life Series B Debenture will be entitled to receive, after the capital reorganization, merger or amalgamation, the number of SLA Preferred Shares or other securities or consideration of Sun Life Assurance or of a corporation resulting, surviving or continuing from the capital reorganization, merger or amalgamation that such holder would have received had the Sun Life Series B Debenture been converted into SLA Preferred Shares Series W or SLA Preferred Shares Series X, as applicable, immediately prior to the record date of the capital reorganization, merger or amalgamation. The entitlement of the Trust under the Subscription Right will be similarly adjusted.

Additional Securities of the Trust

The Trust may issue, at any time and from time to time, additional Special Trust Securities of any series or SLEECS of another series without the authorization of holders of SLEECS Series B. If the Trust issues additional series of SLEECS, the rights, privileges, restrictions and conditions attached to those additional series may vary materially from those of the SLEECS Series B. In such event, the rights of the holders of SLEECS Series B to receive the Indicated Yield from the Net Distributable Funds of the Trust on any Regular Distribution Date and the right of the holders of SLEECS Series B to receive property of the Trust on termination of the Trust may rank *pari passu* with the rights of the holders of SLEECS of one or more other series in addition to the SLEECS Series A.

Trust Assets

The Trust's assets currently consist primarily of a Sun Life Debenture issued by Sun Life Assurance in respect of the SLEECs Series A. Immediately following closing of the Offering, the Trust will also hold the Sun Life Series B Debenture, which will mature on June 30, 2052. If any SLEECs Series B remain outstanding as of that date, the Trust will invest the proceeds received on repayment of the Sun Life Series B Debenture in Eligible Investments acquired from Sun Life Assurance. Each of the Trust, Sun Life Assurance and SLF Inc. have agreed, subject to Superintendent Approval, to enter into agreements by which the assets in which the Trust may invest after June 30, 2052 will be held by the Trust for the purpose of meeting its obligations to the holders of the SLEECs Series B.

Book-Entry Only Form

Except as otherwise provided below, the SLEECs Series B will be issued in "book-entry only" form and must be purchased or transferred through Participants in the depository service of CDS. Participants include securities brokers and dealers, banks and trust companies. On the Closing Date, the Trust will arrange for a global certificate representing the SLEECs Series B to be delivered to, and registered in the name of, CDS. Except as described below, no holder of SLEECs Series B will be entitled to a certificate or other instrument from the Trust or CDS evidencing that holder's ownership thereof, and no holder will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such holder. Each holder of SLEECs Series B will receive a customer confirmation of purchase from the registered dealer from which the SLEECs Series B are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order.

CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the SLEECs Series B. If (i) the book-entry only system ceases to exist, (ii) the Trust determines that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the SLEECs Series B and the Trust is unable to locate a qualified successor, or (iii) the Trust at its option elects, or is required by applicable law or the rules of any securities exchange, to withdraw the SLEECs Series B from the book-entry only system, then physical certificates representing the SLEECs Series B will be issued to holders thereof or their nominees.

None of SLF Inc., Sun Life Assurance, the Trustee, the Exchange Trustee or the Underwriters will assume any liability for (i) any aspect of the records relating to the beneficial ownership of the SLEECs Series B held by CDS or the payments or deliveries relating thereto, (ii) maintaining, supervising or reviewing any records relating to the SLEECs Series B, or (iii) any advice or representation made by or with respect to CDS relating to the rules governing CDS or any action to be taken by CDS or at the direction of Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS, and persons, other than Participants having an interest in the SLEECs Series B, must look solely to Participants, for payments or deliveries made by or on behalf of the Trust, Sun Life Assurance or SLF Inc. to CDS in respect of the SLEECs Series B.

Transfers

Transfers of ownership of SLEECs Series B will be effected only through records maintained by CDS for such SLEECs Series B with respect to interests of Participants and on the records of Participants with respect to interests of persons other than Participants. Holders of SLEECs Series B who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the SLEECs Series B, may do so only through Participants. The ability of a holder to pledge SLEECs Series B or otherwise take action with respect to such holder's interest in SLEECs Series B (other than through a Participant) may be limited due to the lack of a physical certificate. See "Risk Factors — Risk Factors Associated with the SLEECs Series B — Liquidity of and Dealings in SLEECs Series B".

Payments and Deliveries

The Trust will make, or cause to be made, payments of the Indicated Yield in respect of SLEECs Series B to CDS as the registered holder of the SLEECs Series B and the Trust understands that the payments will be forwarded by CDS to Participants in accordance with CDS Procedures. Deliveries of SLA Preferred Shares Series X in respect of the exercise of the Holder Exchange Right or deliveries of SLA Preferred Shares Series W upon an Automatic Exchange will be made by or on behalf of the Trust to CDS as the registered holder of the SLEECs Series B and the Trust understands that such shares will be forwarded by CDS to Participants in accordance with CDS Procedures. As long as CDS is the registered owner of the SLEECs Series B, CDS will be considered the sole owner of the SLEECs Series B for the purposes of receiving payments on the SLEECs Series B, including payment of the Indicated Yield and the Early Redemption Price or Redemption Price on a redemption of the SLEECs Series B by the Trust, or the delivery of SLA Preferred Shares upon the exercise or operation of the Exchange Provisions. As long as the SLEECs Series B are held in the CDS book-entry only system, the responsibility and liability of the Trustee, Sun Life Assurance and/or SLF Inc. in respect of the SLEECs Series B is limited to making payment of any amount due on the SLEECs Series B and/or making delivery of SLA Preferred Shares in respect thereof to CDS or its nominee, as registered holder of SLEECs Series B.

Special Trust Securities

Voting Rights

The Declaration of Trust provides that the Special Trust Securities are voting. The Holder of Special Trust Securities is entitled to vote in respect of, among other things (i) the termination of the Trust, as set forth under “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Rights on Termination of the Trust”, (ii) the removal and replacement of the Trustee and (iii) the removal and replacement of the Administrative Agent.

Distributions

On any Regular Distribution Date, the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the indicated yield on all SLEECs (including the SLEECs Series B). On a Distribution Date that is a Distribution Diversion Date, the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust and payment of the indicated yield will not be made on any SLEECs (including the SLEECs Series B). On a Debenture Interest Payment Date that is also a Distribution Diversion Date, the interest then due and payable on the Sun Life Series B Debenture will be paid to the Trust which will then distribute such amount to the holder of the Special Trust Securities as the Net Distributable Funds.

Redemption

The Trust may redeem part of the Special Trust Securities at any time but will not redeem all unless there are no SLEECs outstanding. Any such redemption will require Superintendent Approval.

Rights on Termination of the Trust

In the event of a termination of the Trust, after the discharge of the obligations of the Trust to creditors, the holder of the Special Trust Securities will be entitled to participate, *pari passu* with the holders of the SLEECs, in the distribution of the remaining property of the Trust. On a termination of the Trust, the holder of the Special Trust Securities will be entitled to receive an amount equal to the subscription price of the Special Trust Securities then outstanding multiplied by the Termination Distribution Ratio.

DESCRIPTION OF SHARE CAPITAL OF SUN LIFE ASSURANCE

General

The authorized capital of Sun Life Assurance consists of (i) an unlimited number of Class A Shares without nominal or par value, issuable in series (the “SLA Class A Shares”), (ii) an unlimited number of Class B Shares without nominal or par value, issuable in series (the “SLA Class B Shares”), (iii) an unlimited number of Class C Shares without nominal or par value, issuable in series (the “SLA Class C Shares”), (iv) an unlimited number of Class D Shares without nominal or par value, issuable in series (the “SLA Class D Shares”), and (v) an unlimited number of Common Shares without nominal or par value (the “SLA Common Shares”). At May 31, 2002, the only shares 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 Inc.

SLA Class A Shares

The SLA Class A Shares may be issued at any time or from time to time in one or more series as may be determined by the SLA Board of Directors. The SLA Board of Directors is authorized to fix before issue the number, the consideration per share and the designation of and, subject to the special rights and restrictions attached to all SLA Class A Shares, the rights and restrictions attached to the SLA Class A Shares of each series. The SLA Class A Shares of each series rank on a parity with the SLA Class A Shares of each other series with respect to the payment of dividends and the return of capital on the liquidation, dissolution or winding-up of Sun Life Assurance. The SLA Class A Shares rank equally with the SLA Class B Shares and the SLA Class C Shares and are entitled to preference over the SLA Class D Shares, the SLA Common Shares and any other shares ranking junior to the SLA Class A Shares with respect to the payment of dividends and the return of capital. The special rights and restrictions attaching to the SLA Class A Shares as a class may not be amended without such approval as may then be required by law, subject to a minimum requirement of approval by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of the SLA Class A Shares to be called and held for that purpose. The holders of SLA Class A Shares are not entitled to any voting rights except as provided by law.

SLA Class B Shares

The SLA Class B Shares may be issued at any time or from time to time in one or more series as may be determined by the SLA Board of Directors. The SLA Board of Directors is authorized to fix before issue the number, the consideration per share and the designation of and, subject to the special rights and restrictions attached to all SLA Class B Shares, the rights and restrictions attached to the SLA Class B Shares of each series. The SLA Class B Shares of each series rank on a parity with the SLA Class B Shares of each other series with respect to the payment of dividends and the return of capital on the liquidation, dissolution or winding-up of Sun Life Assurance. The SLA Class B Shares rank equally to the SLA Class A Shares and the SLA Class C Shares and are entitled to preference over the SLA Class D Shares, the SLA Common Shares and any other shares ranking junior to the SLA Class B Shares with respect to the payment of dividends and the return of capital. The special rights and restrictions attaching to the SLA Class B Shares as a class may not be amended without such approval as may then be required by law, subject to a minimum requirement of approval by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of the SLA Class B Shares to be called and held for that purpose. The holders of SLA Class B Shares are not entitled to any voting rights except as provided by law.

SLA Class C Shares

The SLA Class C Shares may be issued at any time or from time to time in one or more series as may be determined by the SLA Board of Directors. The SLA Board of Directors is authorized to fix before issue the number, the consideration per share and the designation of and, subject to the special rights and restrictions attached to all SLA Class C Shares, the rights and restrictions attached to the SLA Class C Shares of each series. The SLA Class C Shares of each series rank on a parity with the SLA Class C Shares of each other series with respect to the payment of dividends and the return of capital on the liquidation, dissolution or winding-up of Sun Life Assurance. The SLA Class C Shares rank equally with the SLA Class A Shares and the SLA Class B

Shares and are entitled to preference over the SLA Class D Shares, the SLA Common Shares and any other shares ranking junior to the SLA Class C Shares with respect to the payment of dividends and the return of capital. The special rights and restrictions attaching to the SLA Class C Shares as a class may not be amended without such approval as may then be required by law, subject to a minimum requirement of approval by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of the SLA Class C Shares to be called and held for that purpose. The holders of SLA Class C Shares are not entitled to any voting rights except as provided by law.

SLA Class D Shares

The SLA Class D Shares may be issued at any time or from time to time in one or more series as may be determined by the SLA Board of Directors. The SLA Board of Directors is authorized to fix before issue the number, the consideration per share and the designation of and, subject to the special rights and restrictions attached to all SLA Class D Shares, the rights and restrictions attached to the SLA Class D Shares of each series. The SLA Class D Shares of each series rank on a parity with the SLA Class D Shares of each other series with respect to the payment of dividends and the return of capital on the liquidation, dissolution or winding-up of Sun Life Assurance. The SLA Class D Shares are entitled to preference over the SLA Common Shares and any other shares ranking junior to the SLA Class D Shares with respect to the payment of dividends and the return of capital but are subordinate to the SLA Class A Shares, the SLA Class B Shares and the SLA Class C Shares and any other shares ranking senior to the SLA Class D Shares with respect to the payment of dividends and return of capital. The special rights and restrictions attaching to the SLA Class D Shares as a class may not be amended without such approval as may then be required by law, subject to a minimum requirement of approval by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of SLA Class D Shares to be called and held for that purpose. The holders of SLA Class D Shares are not entitled to any voting rights except as provided by law.

Class A Non-Cumulative Preferred Shares

The following is a summary of the rights, privileges, restrictions and conditions attaching to the SLA Preferred Shares. This summary is qualified in its entirety by the letters patent and share capital by-laws of Sun Life Assurance and the actual terms and conditions of the SLA Preferred Shares Series W and SLA Preferred Shares Series X. For information concerning SLF Common Shares into which the SLA Preferred Shares are exchangeable, see “Description of Share Capital of SLF Inc. — SLF Common Shares”.

Dividends

Holders of SLA Preferred Shares Series X will be entitled to receive semi-annual non-cumulative preferential cash dividends, as and when declared by the SLA Board of Directors and subject to the provisions of the Insurance Act, equal to approximately \$0.61 per share (representing an annual yield of 4.91%), payable on the last day of June and December in each year (each, a “Dividend Payment Date” for the purposes of this paragraph). Holders of SLA Preferred Shares Series W will be entitled to receive semi-annual non-cumulative preferential cash dividends, as and when declared by the SLA Board of Directors and subject to the provisions of the Insurance Act, equal to \$0.75 per share (representing an annual yield of 6.00%), payable on each Dividend Payment Date. If the SLA Board of Directors does not declare the dividends, or any part thereof, on the SLA Preferred Shares on or before the Dividend Payment Date for a particular semi-annual period, the rights of the holders of SLA Preferred Shares to receive such dividends, or any part thereof, for such semi-annual period will be extinguished.

Redemption

The SLA Preferred Shares will not be redeemable prior to June 30, 2007. On and after that date, but subject to the provisions of the Insurance Act and Superintendent Approval and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, Sun Life Assurance may redeem at any time all, or

from time to time any part, of the outstanding SLA Preferred Shares, without the consent of the holders, by either:

- (a) the payment of \$25 together with any declared and unpaid dividends on SLA Preferred Shares Series W or SLA Preferred Shares Series X, as applicable, to the date of the redemption (the “Cash Redemption Price”); or
- (b) subject to the approval of any applicable regulatory authority, including any applicable stock exchange, the delivery of that number of fully-paid and freely tradeable SLF Common Shares listed on a recognized stock exchange in Canada for each such SLA Preferred Share so redeemed determined by dividing the Cash Redemption Price by the Common Share Exchange Rate.

Fractional SLF Common Shares will not be issued on any redemption of SLA Preferred Shares, but instead, Sun Life Assurance will make cash payments equal to the balance of the Cash Redemption Price not otherwise satisfied by the delivery of SLF Common Shares.

Written notice of any redemption will be given by Sun Life Assurance at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding SLA Preferred Shares Series W or SLA Preferred Shares Series X, respectively, are at any time to be redeemed, the shares to be redeemed will be selected by lot (in single shares or in units of 10 shares or less) or in such other manner as the SLA Board of Directors may determine. See also “Exchange of SLA Preferred Shares at the Option of the Holder”.

On a redemption of SLA Preferred Shares for SLF Common Shares, Sun Life Assurance reserves the right not to deliver SLF Common Shares to any Ineligible Person or a person who, as a result, would become a Significant Shareholder.

Exchange of SLA Preferred Shares at the Option of the Holder

Under the Share Exchange Agreement, holders of SLA Preferred Shares will be entitled to exchange their SLA Preferred Shares with SLF Inc. or any affiliate of SLF Inc. for SLF Common Shares in the following manner.

On any Exchange Date, and provided that a Loss Absorption Event has not occurred and is not then continuing, each SLA Preferred Share will be exchangeable, at the option of the holder on not more than 90 and not less than 60 days’ prior written notice before the date fixed for exchange (which notice will be irrevocable), for that number of fully-paid and freely tradeable SLF Common Shares determined by dividing the Cash Exchange Price by the Common Share Exchange Rate. Fractional SLF Common Shares will not be issued on any exchange of SLA Preferred Shares but, instead, SLF Inc. or an affiliate will make cash payments equal to the balance of the Cash Exchange Price not otherwise satisfied by the delivery of SLF Common Shares.

If a Loss Absorption Event has occurred and is continuing, on and after December 31, 2032, the right of holders of SLA Preferred Shares to submit notice to SLF Inc. of their intention to exchange such shares into SLF Common Shares will be suspended until the Loss Absorption Event is no longer continuing and exchange notices may thereafter only be submitted in respect of Exchange Dates occurring after the cessation of the Loss Absorption Event, in accordance with the timing provisions referred to above. All notices of exchange delivered prior to the occurrence of the Loss Absorption Event in respect of any Exchange Date falling after such occurrence will be null and void. Sun Life Assurance will issue press releases notifying holders of SLA Preferred Shares as to the occurrence and cessation of any event giving rise to a suspension of the exchange right attached to SLA Preferred Shares. Any holder of SLA Preferred Shares that has submitted an exchange notice rendered null and void by the foregoing events will be required to submit a further exchange notice in order to subsequently exchange its shares.

The terms of the SLA Preferred Shares Series X and the Share Exchange Agreement provide that a holder of SLEECs Series B exercising the Holder Exchange Right with an effective Exchange Date on or after December 31, 2032, who wishes to immediately exchange SLA Preferred Shares to be so received into SLF Common Shares may do so, provided that a Loss Absorption Event has not occurred and is not then continuing, by completing the exchange instructions contained in the exchange panel of the SLEECs Series B. In such circumstances, the exchange instructions so completed will be deemed to constitute a valid exchange notice

pursuant to the terms of SLA Preferred Shares Series X and the Share Exchange Agreement with the result that, upon the first Exchange Date on or after issuance and delivery of the SLA Preferred Shares Series X pursuant to the Holder Exchange Right, such shares will be immediately exchanged into SLF Common Shares provided that a Loss Absorption Event has not occurred and is not then continuing. Accordingly, in that case, on the first Exchange Date on or after the effective date of exercise of the Holder Exchange Right, the holder will receive SLF Common Shares if so elected. Fractional SLF Common Shares will not be issued on any exchange of SLA Preferred Shares Series X, but instead, SLF Inc. or an affiliate will make cash payments equal to the balance of the Cash Exchange Price not otherwise satisfied by the delivery of SLF Common Shares.

Sun Life Assurance, subject to the provisions of the Insurance Act, Superintendent Approval and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, as applicable, by prior written notice given not later than 40 days before the date fixed for exchange to all holders who have given an exchange notice may either (i) redeem for cash on the Business Day after the date fixed for exchange all but not less than all of the SLA Preferred Shares forming the subject matter of the applicable exchange notice or (ii) cause the holder of such SLA Preferred Shares to sell on the Business Day after the date fixed for exchange such SLA Preferred Shares to another purchaser or purchasers, if a purchaser or purchasers willing to purchase all but not less than all of such SLA Preferred Shares is or are found. Any such redemption or purchase will be made by the payment of an amount in cash equal to the Cash Redemption Price. In such event, SLA Preferred Shares to be so redeemed or purchased will not be exchanged on the date set forth in the exchange notice.

Upon exercise by a holder of its right to exchange SLA Preferred Shares for SLF Common Shares, SLF Inc. reserves the right not to issue SLF Common Shares to any Ineligible Person or a person who, as a result, would become a Significant Shareholder.

Presentation for Exchange, Redemption or Sale

An exchange, redemption or sale by a holder of SLA Preferred Shares will be effected by the holder transferring its SLA Preferred Shares to be exchanged, redeemed or sold, as the case may be, to the account of Sun Life Assurance, SLF Inc. or a designated affiliate of SLF Inc. in CDS (or, if SLA Preferred Shares are not then issued in book-entry only form, by depositing with the transfer agent for the SLA Preferred Shares, at one of its principal offices, certificates representing such SLA Preferred Shares).

Purchase for Cancellation

On and after June 30, 2007, but subject to the provisions of the Insurance Act, Superintendent Approval and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, Sun Life Assurance may at any time purchase for cancellation any SLA Preferred Shares Series W or SLA Preferred Shares Series X in the open market or by tender or private contract at any price.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of Sun Life Assurance, the holders of SLA Preferred Shares will be entitled to receive \$25 per share, together with any declared and unpaid dividends to the date of payment, before any amount will be paid or any assets of Sun Life Assurance distributed to the holders of SLA Common Shares or any shares ranking junior to the SLA Preferred Shares. The holders of SLA Preferred Shares will not be entitled to share in any further distribution of the property or assets of Sun Life Assurance.

Restrictions on Dividends and Retirement of Shares

So long as any SLA Preferred Shares Series W and SLA Preferred Shares Series X are outstanding, Sun Life Assurance will not at any time, without the approval of the holders of SLA Preferred Shares Series W and SLA Preferred Shares Series X, respectively, given as specified below:

- (a) declare any dividend on the SLA Common Shares or any other shares ranking junior to the SLA Preferred Shares Series W and SLA Preferred Shares Series X, respectively (other than stock dividends

payable in the form of shares ranking junior to the SLA Preferred Shares Series W and SLA Preferred Shares Series X);

- (b) redeem, purchase or otherwise retire any SLA Common Shares or any other shares ranking junior to the SLA Preferred Shares Series W and SLA Preferred Shares Series X, respectively (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the SLA Preferred Shares Series W and SLA Preferred Shares Series X, respectively);
- (c) redeem, purchase or otherwise retire less than all the SLA Preferred Shares Series W and SLA Preferred Shares Series X, respectively; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of Sun Life Assurance, redeem, purchase or otherwise retire any other shares ranking on a parity with the SLA Preferred Shares Series W and SLA Preferred Shares Series X, respectively;

unless, in each case, all dividends on the SLA Preferred Shares Series W and SLA Preferred Shares Series X, respectively, up to and including those payable on the Dividend Payment Date for the last completed period for which dividends are payable and in respect of which the rights of holders have not been extinguished, and all dividends then accrued on all other shares ranking senior to or on a parity with the SLA Preferred Shares Series W and SLA Preferred Shares Series X, respectively, up to the immediately preceding respective date or dates for payment and in respect of which the right of the holders thereof have not been extinguished, have been declared and paid or set aside for payment.

Issue of Additional Series of SLA Class A Shares

Sun Life Assurance may issue other series of SLA Class A Shares without the authorization of the holders of the SLA Preferred Shares.

In particular, Sun Life Assurance may issue and SLF Inc. may purchase or arrange for the purchase of additional SLA Class A Shares to ensure that, on any vote of holders of SLA Class A Shares, no person other than SLF Inc. will hold sufficient SLA Class A Shares to determine the outcome of any vote. Pursuant to the Share Exchange Agreement, Sun Life Assurance will agree to issue and SLF Inc. will agree to purchase or arrange for the purchase of, for nominal consideration, a sufficient number of one or more new series of SLA Class A Shares such that, on the exercise of the Holder Exchange Right or otherwise, no person other than SLF Inc. will be a Significant Shareholder in the SLA Class A Shares.

Amendments to SLA Preferred Shares

Sun Life Assurance will not, without the approval of the holders of SLA Preferred Shares and any holders of SLEECs Series B then outstanding given as described below, delete or vary any rights, privileges, restrictions and conditions attaching to the SLA Preferred Shares. In addition to this approval, Sun Life Assurance will not without, but may from time to time with, Superintendent Approval, make any such deletion or variation which might affect the classification afforded the SLA Preferred Shares from time to time for capital adequacy requirements pursuant to the Insurance Act or the MCCSR.

SLA Preferred Shares Series W Shareholder Approvals

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the SLA Preferred Shares Series W may be given by a resolution carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at a meeting of holders of SLA Preferred Shares Series W at which at least 25% of the outstanding SLA Preferred Shares Series W is represented or, if no quorum is present at that meeting, at a meeting following such adjourned meeting at which no quorum requirement would apply. Pursuant to the Share Exchange Agreement, Sun Life Assurance will agree that, for as long as any SLEECs Series B remain outstanding, no amendment will be made to the rights, privileges, restrictions and conditions of the SLA Preferred Shares Series W (other than any amendments relating to the SLA Class A Shares as a class) without the prior approval of 66 $\frac{2}{3}$ % of the holders of the SLEECs Series B.

SLA Preferred Shares Series X Shareholder Approvals

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the SLA Preferred Shares Series X may be given by a resolution carried by the affirmative vote of not less than 66⅔% of the votes cast at a meeting of holders of SLA Preferred Shares Series X at which at least 25% of the outstanding SLA Preferred Shares Series X is represented or, if no quorum is present at that meeting, at a meeting following such adjourned meeting at which no quorum requirement would apply. Pursuant to the Share Exchange Agreement, Sun Life Assurance will agree that, for as long as any SLEECs Series B remain outstanding, no amendment will be made to the rights, privileges, restrictions and conditions of the SLA Preferred Shares Series X (other than any amendments relating to the SLA Class A Shares as a class) without the prior approval of 66⅔% of the holders of the SLEECs Series B.

Voting Rights

Subject to applicable law, the holders of SLA Preferred Shares as such will not be entitled to receive notice of or to attend or to vote at any meeting of the shareholders of Sun Life Assurance unless and until the first time at which the SLA Board of Directors has not declared the whole dividend on any of the SLA Preferred Shares in any semi-annual period. In that event, the holders will be entitled to receive notice of and to attend only meetings of shareholders at which directors are to be elected and will be entitled to elect one director at such meeting and, for that purpose, will have one vote for each SLA Preferred Share held. The voting rights of the holders of the SLA Preferred Shares will cease upon payment by Sun Life Assurance of the first dividend on the SLA Preferred Shares to which the holders are entitled after the time such voting rights first arose. At such time as the rights of such holders to any undeclared dividends on the SLA Preferred Shares have again become extinguished, such voting rights will become effective again and so on from time to time.

Capital Reorganizations and Amalgamations

If there is a capital reorganization, merger or amalgamation of SLF Inc., the Share Exchange Agreement will provide that holders of SLA Preferred Shares will be entitled to receive, pursuant to the SLF Common Share Exchange Right, after the capital reorganization, merger or amalgamation, the number of SLF Common Shares or consideration of SLF Inc. or of a corporation resulting, surviving or continuing from the capital reorganization, merger or amalgamation that such holder would have received had its SLA Preferred Shares been exchanged, pursuant to the SLF Common Share Exchange Right, for SLF Common Shares immediately prior to the record date of the capital reorganization, merger or amalgamation.

Book-Entry Only Form

Unless Sun Life Assurance elects otherwise, the SLA Preferred Shares will be issued in “book-entry only” form, and may be purchased, held and transferred in substantially the same manner as the SLEECs Series B. See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Book-Entry Only Form”.

Listing of SLA Preferred Shares Series W and SLA Preferred Shares Series X

Pursuant to the Share Exchange Agreement, Sun Life Assurance will undertake to list on the TSX any SLA Preferred Shares Series W or SLA Preferred Shares Series X issued on the occurrence of an Automatic Exchange or exercise of the Holder Exchange Right.

SLA Class B Preferred Shares Series A

The following is a summary of the rights and privileges, restrictions and conditions attaching to the SLA Class B Preferred Shares Series A. This summary is qualified in its entirety by the letters patent and share capital by-laws of Sun Life Assurance and the actual terms and conditions of the SLA Class B Preferred Shares Series A. There are currently 40,000 SLA Class B Preferred Shares Series A outstanding, at an issue price of \$25 each. All of the SLA Class B Preferred Shares Series A are held by SLF Inc.

Dividends

Holders of SLA Class B Preferred Shares Series A are entitled to receive quarterly non-cumulative preferential cash dividends, as and when declared by the SLA Board of Directors and subject to the provisions of the Insurance Act, equal to \$0.375 per share, payable on the last day of March, June, September and December in each year (each, a “Dividend Payment Date” for the purposes of this paragraph). If the SLA Board of Directors does not declare the dividends, or any part thereof, on the SLA Class B Preferred Shares Series A on or before the Dividend Payment Date for a particular quarterly period, the rights of the holders of SLA Class B Preferred Shares Series A to receive such dividends, or any part thereof, for such quarterly period will be extinguished.

Redemption

The SLA Class B Preferred Shares Series A are not redeemable until the later of October 19, 2006 and the date on which there are no SLEECs outstanding. Thereafter, but subject to the provisions of the Insurance Act and Superintendent Approval, Sun Life Assurance may redeem at any time all, or from time to time any part, of the outstanding SLA Class B Preferred Shares Series A, without the consent of the holders, by the payment in cash of \$25 for each SLA Class B Preferred Shares Series A to be redeemed, together with any declared and unpaid dividends to the date of redemption.

Written notice of any redemption will be given by Sun Life Assurance at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding SLA Class B Preferred Shares Series A are at any time to be redeemed, the shares to be redeemed will be selected by lot (in single shares or in units of 10 shares or less) or in such other manner as the SLA Board of Directors may determine.

Purchase for Cancellation

The SLA Class B Preferred Shares Series A may not be purchased by Sun Life Assurance until the later of October 19, 2006 and the date on which there are no SLEECs outstanding. Thereafter, but subject to the provisions of the Insurance Act and Superintendent Approval, Sun Life Assurance may at any time purchase for cancellation any SLA Class B Preferred Shares Series A in the open market or by tender or private contract at any price.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of Sun Life Assurance, the holders of SLA Class B Preferred Shares Series A will be entitled to receive \$25 per share, together with any declared and unpaid dividends to the date of payment, before any amount will be paid or any assets of Sun Life Assurance distributed to the holders of SLA Common Shares or any shares ranking junior to the SLA Class B Preferred Shares Series A. The holders of SLA Class B Preferred Shares Series A will not be entitled to share in any further distribution of the property or assets of Sun Life Assurance.

Issue of Additional Series of SLA Class B Shares

Sun Life Assurance may issue other series of SLA Class B Shares without the authorization of the holders of the SLA Class B Preferred Shares Series A.

Amendments to SLA Class B Preferred Shares Series A

Sun Life Assurance will not, without the approval of the holders of SLA Class B Preferred Shares Series A given as described below, delete or vary any rights, privileges, restrictions and conditions attaching to the SLA Class B Preferred Shares Series A.

SLA Class B Preferred Shares Series A Shareholder Approval

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the SLA Class B Preferred Shares Series A may be given by a resolution carried by the affirmative vote of not less than 66⅔% of the votes cast at a meeting of holders of SLA Class B Preferred Shares Series A at which at least 25%

of the outstanding SLA Class B Preferred Shares Series A is represented or, if no quorum is present at that meeting, at a meeting following such adjourned meeting at which no quorum requirement would apply.

Voting Rights

The holders of SLA Class B Preferred Shares Series A will be entitled to receive notice of and to attend and vote at any meeting of the shareholders of Sun Life Assurance except for meetings at which only holders of another specified class or series of shares of Sun Life Assurance are entitled to vote separately as a class or series. Each SLA Class B Preferred Shares Series A will be entitled to one vote.

DESCRIPTION OF SHARE CAPITAL OF SLF INC.

The following is a summary of the rights and privileges, restrictions and conditions attaching to the share capital of SLF Inc. This summary is qualified in its entirety by the letters patent and share capital by-laws of SLF Inc.

General

The authorized capital of SLF Inc. consists of an unlimited number of SLF Common Shares, an unlimited number of Class A Shares, issuable in series (the "SLF Class A Shares"), and an unlimited number of Class B Shares, issuable in series (the "SLF Class B Shares"). At May 31, 2002, the only shares outstanding were the SLF Common Shares.

SLF Common Shares

Each SLF Common Share is entitled to one vote at meetings of the shareholders of SLF Inc., except for meetings at which only holders of another specified class or series of shares of SLF Inc. are entitled to vote separately as a class or series. Each SLF Common Share is also entitled to receive dividends if, as and when declared by the SLF Board of Directors. All dividends that the SLF Board of Directors may declare and pay will be declared and paid in equal amounts per share on all SLF Common Shares, subject to the rights of holders of the SLF Class A Shares and the SLF Class B Shares. Holders of SLF Common Shares will participate in any distribution of the net assets of SLF Inc. upon its liquidation, dissolution or winding-up on an equal basis per share, subject to the rights of the holders of the SLF Class A Shares and the SLF Class B Shares. There are no pre-emptive, redemption, purchase or conversion rights attaching to the SLF Common Shares. As at May 31, 2002, there were 617,193,595 SLF Common Shares outstanding.

SLF Class A Shares

The SLF Class A Shares may be issued at any time or from time to time in one or more series as may be determined by the SLF Board of Directors. The SLF Board of Directors is authorized to fix before issue the number, the consideration per share and the designation of and, subject to the special rights and restrictions attached to all SLF Class A Shares, the rights and restrictions attached to the SLF Class A Shares of each series. The SLF Class A Shares of each series rank on a parity with the SLF Class A Shares of each other series with respect to the payment of dividends and the return of capital on the liquidation, dissolution or winding-up of SLF Inc. The SLF Class A Shares are entitled to preference over the SLF Class B Shares, the SLF Common Shares and any other shares ranking junior to the SLF Class A Shares with respect to the payment of dividends and the return of capital. The special rights and restrictions attaching to the SLF Class A Shares as a class may not be amended without such approval as may then be required by law, subject to a minimum requirement of approval by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of SLF Class A Shares to be called and held for that purpose. The holders of SLF Class A Shares are not entitled to any voting rights except as provided by law. No SLF Class A Shares are outstanding.

SLF Class B Shares

The SLF Class B Shares may be issued at any time or from time to time in one or more series as may be determined by the SLF Board of Directors. The SLF Board of Directors is authorized to fix before issue the number, the consideration per share and the designation of and, subject to the special rights and restrictions

attached to all SLF Class B Shares, the rights and restrictions attached to the SLF Class B Shares of each series. The SLF Class B Shares of each series rank on a parity with the SLF Class B Shares of each other series with respect to the payment of dividends and the return of capital on the liquidation, dissolution or winding-up of SLF Inc. The SLF Class B Shares are entitled to preference over the SLF Common Shares and any other shares ranking junior to the SLF Class B Shares with respect to the payment of dividends and the return of capital, but are subordinate to the SLF Class A Shares and any other shares ranking senior to the SLF Class B Shares with respect to the payment of dividends and return of capital. The special rights and restrictions attaching to the SLF Class B Shares as a class may not be amended without such approval as may then be required by law, subject to a minimum requirement of approval by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of SLF Class B Shares to be called and held for that purpose. The holders of SLF Class B Shares are not entitled to any voting rights except as provided by law. No SLF Class B Shares are outstanding.

Price Range and Trading Volume of SLF Common Shares

The following table sets forth the market price range and trading volume of SLF Common Shares on the TSX for the calendar periods indicated.

	The Toronto Stock Exchange		
	Price Range		
	High	Low	Volume (000s)
2000			
2nd Quarter ⁽¹⁾	\$25.25	\$13.75	87,376
3rd Quarter	32.75	24.25	69,571
4th Quarter	40.00	26.75	124,198
2001			
1st Quarter	40.00	26.95	85,697
2nd Quarter	36.43	28.50	55,825
3rd Quarter	38.90	25.75	53,702
4th Quarter	37.25	29.75	67,743
2002			
1st Quarter	35.05	30.51	109,654
April	35.80	32.90	29,939
May	35.50	33.55	28,619
June 1-June 17	35.50	33.40	10,959

(1) SLF Common Shares began trading on the TSX on March 23, 2000.

On June 17, 2002, the closing price was \$35.09 per SLF Common Share on the TSX.

Dividend Policy

SLF Inc. paid a quarterly dividend of \$0.12 per SLF Common Share from the fourth quarter of 2000 to the fourth quarter of 2001 and has paid a quarterly dividend of \$0.14 per SLF Common Share since the first quarter of 2002. SLF Inc.'s policy is to pay dividends to shareholders in a range that is comparable to that of shareholder dividends paid by other publicly traded North American financial services companies. The policy is subject to periodic review by the SLF Board of Directors. The declaration and payment of dividends are at the sole discretion of the SLF Board of Directors and will be dependent on SLF Inc.'s earnings, financial condition and capital requirements. Dividends may be adjusted or eliminated at the discretion of the SLF Board of Directors on the basis of these or other considerations. In certain circumstances, SLF Inc. may not declare dividends on the SLF Common Shares. See "Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Dividend Stopper Undertaking".

As a holding company, SLF Inc.'s ability to meet its cash requirements and pay dividends on the SLF Common Shares will depend in a large part on the receipt of dividends and other payments from its subsidiaries. The payment of dividends to SLF Inc. by certain of its subsidiaries is regulated under corporate and insurance laws.

DESCRIPTION OF THE SUN LIFE SERIES B DEBENTURE

The following is a summary of the terms and conditions attaching to the Sun Life Series B Debenture. This summary is qualified in its entirety by the terms of the Sun Life Series B Debenture.

Interest

Interest on the Sun Life Series B Debenture will be payable at a fixed annual rate of 7.093%, payable in equal semi-annual instalments in arrears of \$35.465 per \$1,000 principal amount of the Sun Life Series B Debenture on each Debenture Interest Payment Date, commencing December 31, 2002. The initial interest payment due on December 31, 2002 will be approximately \$36.44 per \$1,000 principal amount of the Sun Life Series B Debenture, assuming a Closing Date of June 25, 2002. **Interest on the Sun Life Series B Debenture will be payable to the Trust on every Debenture Interest Payment Date regardless of whether that date is a Regular Distribution Date or a Distribution Diversion Date.**

Redemption at the Option of Sun Life Assurance

On and after June 30, 2007 and on any Debenture Interest Payment Date thereafter, the Sun Life Series B Debenture will be redeemable at the option of Sun Life Assurance in whole or in part without the consent of the holder with Superintendent Approval and upon not less than 30 nor more than 60 days' prior written notice by Sun Life Assurance for an amount in cash equal to (i) a cash amount per \$1,000 principal amount of Sun Life Series B Debenture equal to the greater of (A) an amount equal to \$1,000 plus any accrued and unpaid interest thereon to the date of redemption per \$1,000 principal amount of the Sun Life Series B Debenture (the "Debenture Redemption Price") and (B) the Debenture Canada Yield Price (the "Early Debenture Redemption Price"), if the Sun Life Series B Debenture is redeemed prior to June 30, 2032, and (ii) the Debenture Redemption Price, if the Sun Life Series B Debenture is redeemed on or after June 30, 2032. If Sun Life Assurance has redeemed the Sun Life Series B Debenture, in whole or in part, the Trust will be required to redeem a corresponding amount of SLEECs Series B. It is the intention of the Trust to use the proceeds of redemption received in respect of the Sun Life Series B Debenture to make payment to the holders of SLEECs Series B to be redeemed, as required.

"Debenture Canada Yield Price" means a price per \$1,000 principal amount of the Sun Life Series B Debenture calculated to provide an annual yield thereon to June 30, 2032 equal to the Government of Canada Yield plus 0.32% determined on the Business Day immediately preceding the date on which Sun Life Assurance has given notice of the redemption of the Sun Life Series B Debenture (including as a result of the occurrence of a Special Event) plus accrued and unpaid interest thereon.

Conversion at Option of the Holder

Each \$1,000 principal amount of the Sun Life Series B Debenture will be convertible at any time at the option of the holder into 40 SLA Preferred Shares Series X. The Trust will exercise its right to convert the Sun Life Series B Debenture in circumstances in which holders of SLEECs Series B exercise the Holder Exchange Right to acquire SLA Preferred Shares Series X, so as to enable the Trust to fulfil its obligations under the Holder Exchange Right. Upon any such conversion of the Sun Life Series B Debenture, the SLA Preferred Shares Series X so acquired by the Trust will be delivered to the holders of SLEECs Series B who have exercised the Holder Exchange Right in accordance with their respective entitlements.

Automatic Conversion

If a Loss Absorption Event occurs giving rise to an Automatic Exchange, each \$1,000 principal amount of the Sun Life Series B Debenture then outstanding will be automatically converted into 40 SLA Preferred Shares Series W. Upon any such conversion of the Sun Life Series B Debenture, the SLA Preferred Shares Series W so acquired will be transferred to the holders of SLEECs Series B in accordance with their respective entitlements.

The right to convert and the automatic conversion of the Sun Life Series B Debenture into SLA Preferred Shares Series X and SLA Preferred Shares Series W, respectively, are called the "Conversion Right".

Redemption Upon Tax Event or Regulatory Event

Upon the occurrence of a Special Event, Sun Life Assurance, at its option, and with Superintendent Approval, and on not less than 30 nor more than 90 days' prior written notice, may redeem at any time the Sun Life Series B Debenture in whole (but not in part), without the consent of the holder, for an amount in cash for each \$1,000 principal amount of the Sun Life Series B Debenture equal to (i) the Early Debenture Redemption Price, if the Sun Life Series B Debenture is redeemed prior to June 30, 2032, and (ii) the Debenture Redemption Price, if the Sun Life Series B Debenture is redeemed on or after June 30, 2032. If Sun Life Assurance has redeemed the Sun Life Series B Debenture, the Trust will be required to redeem all of the SLEECs Series B.

Purchase for Cancellation

On and after the fifth anniversary date of the Closing Date, the Sun Life Series B Debenture may be purchased, in whole or in part, subject to the provisions of the Insurance Act and Superintendent Approval, in the open market or by tender or by private contract at any price. Any part of the Sun Life Series B Debenture purchased by Sun Life Assurance will be cancelled and will not be reissued.

Events of Default

Failure by Sun Life Assurance to make payments or to satisfy its other obligations under the Sun Life Series B Debenture will not entitle the Trust to accelerate the Sun Life Series B Debenture.

Priority of the Sun Life Series B Debenture

The Sun Life Series B Debenture will rank on a parity with all other unsubordinated unsecured indebtedness of Sun Life Assurance, other than obligations owed to policyholders and certain other specified claimants as provided in the Winding-Up Act. Upon any distribution of assets of Sun Life Assurance to creditors upon any dissolution, winding-up, liquidation, reorganization, bankruptcy or insolvency, all principal and accrued interest due on the Sun Life Series B Debenture must be paid in full before holders of junior or subordinated debentures are entitled to receive any payment. If a liquidation, dissolution or winding-up of Sun Life Assurance occurs, the Sun Life Series B Debenture will rank in priority to any shares of Sun Life Assurance with respect to payments and the distribution of assets.

Maturity Date

The Sun Life Series B Debenture will mature on June 30, 2052. On maturity of the Sun Life Series B Debenture, Sun Life Assurance will be required to pay the principal amount of the Sun Life Series B Debenture and any accrued and unpaid interest thereon to the Trust in cash. If any SLEECs Series B remain outstanding as of that date, the Trust will invest the proceeds received on repayment of the Sun Life Series B Debenture in Eligible Investments, for a price equal to the fair market value thereof. If following maturity of the Sun Life Series B Debenture there is an Automatic Exchange or a holder of SLEECs Series B exercises the Holder Exchange Right, the Trust will subscribe for, and Sun Life Assurance has agreed to issue, pursuant to the Subscription Right, SLA Preferred Shares Series W or SLA Preferred Shares Series X, as applicable, to satisfy the Trust's obligation to deliver 40 SLA Preferred Shares Series W for each SLEECs Series B outstanding upon an Automatic Exchange and 40 SLA Preferred Shares Series X for each SLEECs Series B tendered for exchange pursuant to the exercise of the Holder Exchange Right. The SLA Preferred Shares Series W or SLA Preferred Shares Series X tendered, as applicable, will then be delivered to the relevant holders of SLEECs Series B and the SLEECs Series B will be cancelled.

INSURANCE ACT RESTRICTIONS AND APPROVALS

Under the Insurance Act, each of Sun Life Assurance and SLF Inc., with Superintendent Approval, may redeem or purchase any of its respective shares, unless there are reasonable grounds for believing that Sun Life Assurance or SLF Inc., as the case may be, is, or the redemption or purchase would cause Sun Life Assurance or SLF Inc., as the case may be, to be, in contravention of any regulation or guideline made under the Insurance Act respecting the maintenance by life insurance companies of adequate capital and adequate and appropriate

forms of liquidity or any direction to Sun Life Assurance or SLF Inc., as the case may be, made by the Superintendent pursuant to subsection 515(3) of the Insurance Act regarding its capital or its liquidity. No such direction to Sun Life Assurance or SLF Inc. has been made to date. Sun Life Assurance and SLF Inc. are also prohibited under the Insurance Act from paying or declaring a dividend if there are reasonable grounds for believing that Sun Life Assurance or SLF Inc., as the case may be, is, or the payment would cause Sun Life Assurance or SLF Inc., as the case may be, to be, in contravention of any regulation or guideline made under the Insurance Act respecting the maintenance by life insurance companies of adequate capital and adequate and appropriate forms of liquidity or any direction to Sun Life Assurance or SLF Inc., as the case may be, made by the Superintendent pursuant to subsection 515(3) of the Insurance Act regarding its capital or its liquidity. As of the date hereof, this limitation would not restrict a payment of quarterly dividends on the SLA Preferred Shares or the SLF Common Shares and no such direction to Sun Life Assurance or SLF Inc. has been made. In addition, each of Sun Life Assurance and SLF Inc. must provide at least 10 days' prior notice to the Superintendent before paying any dividends, and, in certain limited circumstances, obtain the prior approval of the Superintendent prior to the declaration or payment of a dividend.

CONSTRAINTS ON SHARES UNDER THE INSURANCE ACT

The Insurance Act contains restrictions on the purchase or other acquisition, issue, transfer and voting of the shares of Sun Life Assurance and SLF Inc. Pursuant to these restrictions, no person is permitted to acquire any shares of Sun Life Assurance or SLF Inc. (including SLA Preferred Shares or SLF Common Shares) if the acquisition would cause the person to have a "significant interest" in any class of shares of Sun Life Assurance or SLF Inc. unless the prior approval of the Minister of Finance (Canada) (the "Minister") is obtained. In addition, neither Sun Life Assurance nor SLF Inc. is permitted to record any transfer or issue of shares of Sun Life Assurance or SLF Inc., as the case may be (including SLA Preferred Shares or SLF Common Shares), if the transfer or issue would cause the person to have a significant interest in Sun Life Assurance or SLF Inc., as the case may be, unless the prior approval of the Minister is obtained. No person who has a significant interest in Sun Life Assurance or SLF Inc. may exercise any voting rights attached to the shares held by such person unless the prior approval of the Minister is obtained. If a person contravenes any of these restrictions, the Minister may, by order, direct such person to dispose of all or any portion of those shares. For these purposes, a person has a significant interest in a class of shares of Sun Life Assurance or SLF Inc. where the aggregate of any shares of that class beneficially owned by that person, any entity controlled by that person and by any person associated or acting jointly or in concert with that person exceeds 10% of all the outstanding shares of that class of shares of Sun Life Assurance or SLF Inc., as applicable. Under the Insurance Act, the Minister may only approve the acquisition of a significant interest of up to 30% of the shares of any class of non-voting shares (including the SLA Preferred Shares) and up to 20% of a class of voting shares (including the SLF Common Shares), as the case may be, and provided, in each case, that the person acquiring such shares does not have any direct or indirect influence over Sun Life Assurance or SLF Inc., as applicable, that, if exercised, would result in that person having control in fact of Sun Life Assurance or SLF Inc., as applicable.

In addition, the Insurance Act prohibits life insurance companies, including Sun Life Assurance and SLF Inc., from transferring or issuing shares of any class to Her Majesty in right of Canada or of a province, an agent of Her Majesty, a foreign government or an agent of a foreign government.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP, counsel to the Trust, and McCarthy Tétrault LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to the Trust and a holder of SLEECs Series B who acquires SLEECs Series B under the Offering and who, for purposes of the Tax Act at all relevant times, (i) is resident or deemed to be resident in Canada, (ii) deals at arm's length and is not affiliated with Sun Life Assurance, SLF Inc. or the Trust, (iii) holds SLEECs Series B, any SLA Preferred Shares and any SLF Common Shares as capital property and is not exempt from tax under Part I of the Tax Act and (iv) does not hold SLEECs Series B, any SLA Preferred Shares or any SLF Common Shares in a Deferred Income Plan or other tax-exempt plan. This summary does not take into account the "mark-to-market" rules contained in the Tax Act which apply to certain financial institutions. Furthermore, the part of this summary dealing with the SLA Preferred Shares does not apply to a specified financial institution (as

defined in the Tax Act) that receives (or is deemed to receive), alone or together with persons with whom it does not deal at arm's length, in the aggregate dividends in respect of more than 10% of the SLA Preferred Shares Series X or the SLA Preferred Shares Series W outstanding at the time a dividend is received. This summary also assumes that all issued and outstanding SLA Preferred Shares are listed on a prescribed stock exchange in Canada at such times as dividends (including deemed dividends) are paid or received on such shares.

The summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Consequently, investors are urged to consult their own tax advisors with respect to their particular circumstances.

This summary is based upon the current provisions of the Tax Act and the regulations issued thereunder, all specific proposals to amend the Tax Act and the regulations publicly announced by the Minister of Finance prior to the date hereof, and counsel's understanding of the current administrative and assessing policies of the Canada Customs and Revenue Agency (the "Agency"). This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account any changes in law or administrative and assessing policies, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any other federal tax considerations or provincial, territorial or foreign tax considerations. With respect to the proposed amendments to the Tax Act and the regulations, no assurance can be given that the proposed amendments will become law as proposed or at all.

SLEECs

Taxation of the Trust

The Declaration of Trust requires that, in each taxation year of the Trust, the net income and net realized capital gains, if any, of the Trust as would otherwise be taxable in the Trust will be payable to holders of SLEECs or the holder of the Special Trust Securities. Consequently, the Trust will not be liable for income tax under Part I of the Tax Act. Capital or income losses incurred by the Trust cannot be allocated to holders of the SLEECs or the Special Trust Securities but may, subject to certain limitations, be deducted by the Trust from taxable capital gains or net income realized in other years.

As a registered investment, the Trust is potentially subject to special taxes under the Tax Act. The Declaration of Trust requires the Trust to restrict its investments to the effect that it will not be subject to any of these special taxes.

The Tax Act provides for a special tax on the designated income of certain trusts which have designated beneficiaries. This special tax will not apply to the Trust.

Taxation of Holders of SLEECs Series B

Distributions

A holder of SLEECs Series B will be required to include in computing its income for a taxation year all net income and the taxable portion of net realized capital gains, if any, payable to it in that taxation year. Substantially all of the amounts payable to holders of SLEECs Series B are expected to be treated as income from a trust, rather than capital gains, for income tax purposes.

Disposition

A holder of SLEECs Series B who disposes of or is deemed to dispose of SLEECs Series B will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the SLEECs Series B to the holder. A disposition or deemed disposition of a holder's SLEECs Series B will be considered to occur on, among other events: (i) an exchange of the SLEECs Series B for SLA Preferred Shares Series X pursuant to the exercise by a holder of the Holder Exchange Right (in which event a holder's proceeds of disposition will be equal to the fair market value of the SLA Preferred Shares Series X received on the exchange), (ii) an exchange of the SLEECs Series B for SLA Preferred Shares Series W pursuant to the operation of the Automatic Exchange (in which event a holder's proceeds of disposition will be equal to the fair market value of the SLA Preferred Shares Series W received on the exchange), (iii) a redemption of the SLEECs Series B on the Trust

Special Event Redemption Right or the Trust Redemption Right (in which event a holder's proceeds of disposition will be equal to the Redemption Price; in cases where the Early Redemption Price is payable, the excess of the Early Redemption Price over the Redemption Price will be allocated to the holder as income) and (iv) a termination of the Trust.

Generally, one-half of any such capital gain will be included in computing the holder's income as a taxable capital gain and one-half of any such loss may be deducted from the holder's taxable capital gains in accordance with the rules contained in the Tax Act. Taxable capital gains of a Canadian-controlled private corporation may be subject to an additional refundable tax of 6 $\frac{2}{3}$ % of such taxable gains. Capital gains realized by an individual may give rise to alternative minimum tax under the Tax Act.

Share Exchange Agreement

Sun Life Assurance and the Trustee have been advised by RBC Dominion Securities Inc. and Merrill Lynch Canada Inc. that the value to holders of the rights under the Share Exchange Agreement is nominal and, therefore, Sun Life Assurance is of the view that no amount should be allocated to such rights. However, this determination is not binding on the Agency.

SLF Common Shares and SLA Preferred Shares

Dividends

Dividends (including deemed dividends) received on the SLF Common Shares or the SLA Preferred Shares by an individual will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Dividends (including deemed dividends) on the SLF Common Shares or the SLA Preferred Shares received by a corporation to which this part of the summary applies will be included in computing its income and will generally be deductible in computing its taxable income. However, a corporation will not be entitled to deduct in computing taxable income the amount of a dividend (including a deemed dividend) received on SLA Preferred Shares where, at the time the dividend is paid, dividends in respect of more than 10% of the SLA Preferred Shares are paid to the corporation or to such corporation and one or more (i) persons with whom the corporation does not deal at arm's length; or (ii) partnerships or trusts of which such corporation or any such person is a member or beneficiary.

The SLA Preferred Shares will be taxable preferred shares and may be short term preferred shares as defined in the Tax Act. The terms of the SLA Preferred Shares require Sun Life Assurance to make an election under Part VI.1 of the Tax Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the SLA Preferred Shares.

A private corporation, as defined in the Tax Act, or any other corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual or a related group of individuals, will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the SLF Common Shares or the SLA Preferred Shares to the extent such dividends are deductible in computing its taxable income.

Redemption and Exchange

If SLF Inc. or Sun Life Assurance, redeems for cash or otherwise acquires the SLF Common Shares or the SLA Preferred Shares respectively, other than by a purchase in the manner in which these shares are normally purchased by a member of the public in the open market or by reason of an exchange of the SLA Preferred Shares, the holder will be deemed to have received a dividend equal to the amount, if any, paid by SLF Inc. or Sun Life Assurance, as applicable, in excess of the paid-up capital of such shares at such time. The difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

The exchange of the SLA Preferred Shares for SLF Common Shares by the holder with SLF Inc. will not give rise to a capital gain or a capital loss unless the holder chooses to include any portion of such gain or loss in the holder's income tax return for the year in which the exchange occurs. A holder who receives cash of \$200 or less in lieu of a fraction of an SLF Common Share may either include the capital gain or capital loss on the partial disposition in computing income, or reduce the adjusted cost base of the SLF Common Shares received by the amount of the cash. If SLF Inc. is not the acquiror of the SLA Preferred Shares, such exchange will result in a disposition of the SLA Preferred Shares for proceeds of disposition equal to the fair market value of the SLF Common Shares received and, accordingly, a capital gain or a capital loss may arise to the holder.

Other Dispositions

A holder of SLF Common Shares or SLA Preferred Shares who disposes of or is deemed to dispose of the SLF Common Shares or the SLA Preferred Shares will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder thereof. The amount of any deemed dividend arising on the redemption, acquisition or cancellation by Sun Life Assurance of the SLA Preferred Shares will generally not be included in computing a holder's proceeds of disposition for purposes of computing the capital gain or loss arising on the disposition of such shares. If the shareholder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

PLAN OF DISTRIBUTION

Pursuant to an agreement (the "Underwriting Agreement") dated June 18, 2002 between the Trust, SLF Inc. and Sun Life Assurance and RBC Dominion Securities Inc., Merrill Lynch Canada Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., HSBC Securities (Canada) Inc. and National Bank Financial Inc. (the "Underwriters"), the Trust has agreed to sell, and the Underwriters have agreed to purchase, on June 25, 2002, or on such other date not later than June 30, 2002 as may be agreed upon, all but not less than all of the 200,000 SLEECs Series B at a price of \$1,000 per SLEECs Series B, subject to the terms and conditions set forth in the Underwriting Agreement. The Trust has agreed to pay to the Underwriters a fee of \$10 for each SLEECs Series B sold and the aggregate Underwriters' fee will be \$2,000,000.

The Underwriting Agreement also provides that the Underwriters may, at their discretion, terminate their obligations thereunder upon the occurrence of certain stated events.

The Offering is being made concurrently in all provinces and territories of Canada. The SLEECs Series B have not been and will not be registered under the United States Securities Act of 1933, as amended. The Underwriters have agreed not to offer for sale or sell the SLEECs Series B in the United States or to any U.S. Person within the meaning of applicable U.S. securities laws.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase SLEECs Series B. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution provided that the bid or purchase was not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities. Pursuant to the first mentioned exception, in connection with this Offering and subject to applicable law, the Underwriters may effect the transactions which stabilize or maintain the market price of such securities at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

RATINGS

The SLEECs Series B are rated as follows:

<u>Rating Agency</u>	<u>Rating</u>
S&P	A+
Moody's	A2
DBRS	A (high) yn
A.M. Best	a+

None of the ratings should be construed as a recommendation to buy, sell or hold the SLEECs Series B and any rating may be revised or withdrawn at any time by the respective rating organization.

USE OF PROCEEDS

The gross proceeds to the Trust from the sale of the SLEECs Series B will be \$200,000,000. The Trust will use the gross proceeds to be received on closing of the Offering to purchase the Sun Life Series B Debenture.

Sun Life Assurance, in turn, intends to use the proceeds from the sale of the Sun Life Series B Debenture for general corporate purposes, including investments in subsidiaries.

RISK FACTORS

Prospective investors should carefully consider the following information in conjunction with the other information contained in this prospectus before purchasing SLEECs Series B. In addition, as the SLEECs Series B are exchangeable for SLA Preferred Shares (in certain circumstances without the consent of holders of SLEECs Series B) and the SLA Preferred Shares are exchangeable for SLF Common Shares, prospective investors should also consider certain risks relating to Sun Life Assurance and SLF Inc. described under the heading "Risk Factors" in the respective Annual Information Forms of SLF Inc. and Sun Life Assurance, each of which is incorporated by reference herein, together with the other information relating to Sun Life Assurance and SLF Inc. that is contained or incorporated by reference in this prospectus. These risks include those associated with: the integration of the operations of Clarica, Keyport and IFMG; Sun Life Financial's operations in the United Kingdom; reinsurance liabilities relating to a reinsurance pool and facilities managed by Cragwood Managers, L.L.C. and other discontinued reinsurance operations; the effects of changes in market conditions on Sun Life Financial's wealth management and protection businesses; changes in interest rates; the sale of equity indexed annuity products; the sale of variable annuity products that contain guaranteed minimum benefits; Sun Life Financial's investment portfolio; regulation and supervision by governmental authorities of the business of Sun Life Financial; the retention of key employees; Sun Life Financial's dependence on third party relationships; competition in the wealth management and protection businesses in which Sun Life Financial engages; variations in Sun Life Financial's claims experience; the impact of currency exchange rate fluctuations on Sun Life Financial's international operations; the impact of changes in U.S. tax laws on Sun Life Financial's U.S. annuity and life insurance products; environmental liabilities; and the management of Sun Life Financial's operational and financial risks.

Risk Factors Associated with the SLEECs Series B

Automatic Exchange of SLEECs Series B for SLA Preferred Shares Series W

The purchase of SLEECs Series B involves risk with respect to the performance and capital levels of Sun Life Assurance and SLF Inc. If a Loss Absorption Event occurs, the SLEECs Series B will be automatically exchanged for SLA Preferred Shares Series W, without the consent of the holders. These shares would then be an investment in Sun Life Assurance and not in the Trust. As a result, holders of SLEECs Series B could become shareholders of Sun Life Assurance at a time when Sun Life Assurance's (and, possibly, SLF Inc.'s) financial condition is deteriorating or when Sun Life Assurance (and, possibly, SLF Inc.) had become insolvent or bankrupt or resolved to wind-up or had been ordered wound-up or liquidated. An investment in Sun Life Assurance is also subject to certain risks that are distinct from the risks associated with an investment in the Trust, including the general risks inherent in equity investments in insurance institutions. In the event of a

liquidation of Sun Life Assurance, the claims of policyholders and creditors of Sun Life Assurance would be entitled to a priority of payment over the claims of holders of equity interests such as SLA Preferred Shares Series W or SLA Preferred Shares Series X. If Sun Life Assurance were to become insolvent or bankrupt or resolved to wind-up or was ordered wound-up or liquidated after the Automatic Exchange or if the Automatic Exchange were to occur after the insolvency of Sun Life Assurance, the holders of SLA Preferred Shares Series W may receive, if anything, substantially less than the holders of the SLEECs Series B would have received had the SLEECs Series B not been exchanged for SLA Preferred Shares Series W. Potential investors in the SLEECs Series B should carefully consider the description of SLF Inc. and Sun Life Assurance set forth in the respective Annual Information Forms of SLF Inc. and Sun Life Assurance incorporated by reference in this prospectus. See also “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Automatic Exchange”.

Restrictions on Ownership of Shares of SLF Inc.

Under the Insurance Act, no person, or persons acting jointly or in concert, is permitted to be a Significant Shareholder in SLF Inc. or Sun Life Assurance (other than SLF Inc.). Currently, Sun Life Assurance does not have any SLA Class A Shares outstanding. For that reason, it may be possible for one or more holders of SLEECs Series B who exercise their Holder Exchange Right and receive SLA Preferred Shares Series X, or who receive SLA Preferred Shares Series W as a result of an Automatic Exchange, to hold a significant interest in the SLA Class A Shares. In the case of the exercise of the Holder Exchange Right by a holder of SLEECs Series B, Sun Life Assurance has agreed to issue, and SLF Inc. has agreed to purchase or arrange for the purchase of, for nominal consideration, one or more series of SLA Class A Shares in such number of shares to ensure that no holder of SLEECs will acquire or hold a significant interest in the SLA Class A Shares. In the case of an Automatic Exchange, holders may have some or all of their SLA Preferred Shares Series W disposed of on their behalf pursuant to the procedures referred to under “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Holder Exchange Right” to ensure that no holder of SLEECs will acquire or hold a significant interest in SLA Class A Shares. Purchasers of SLEECs Series B (and Participants) may be required to furnish declarations relating to ownership (and ownership by clients of such Participants) in a form prescribed by Sun Life Assurance or SLF Inc. Furthermore, holders of SLA Preferred Shares who acquire SLF Common Shares upon exchange of such SLA Preferred Shares may be required to dispose of some or all of the SLF Common Shares.

Liquidity of and Dealings in SLEECs Series B

It is not expected that the SLEECs Series B will be listed on any stock exchange. There can be no assurance that an active trading market will develop or be sustained or that the SLEECs Series B may be resold at or above the initial public offering price. The ability of a holder to pledge SLEECs Series B or otherwise take action with respect to its interest in SLEECs Series B (other than through a Participant) may be limited due to the lack of a physical certificate.

Indicated Yield is Non-Cumulative

The Indicated Yield on the SLEECs Series B is non-cumulative. The Indicated Yield on the SLEECs Series B is payable by the Trust on each Regular Distribution Date out of the Net Distributable Funds of the Trust. If the Indicated Yield on the SLEECs Series B for any Distribution Date is not paid by reason of the occurrence of a Distribution Diversion Event, holders of SLEECs Series B will not be entitled to receive the Indicated Yield. See “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Indicated Yield”.

MATERIAL CONTRACTS

The material contracts entered into, or to be entered into, by the Trust in connection with the Offering are as follows:

1. the Declaration of Trust described under “The Trust”;
2. the Administration Agreement described under “The Trust — Administrative Agent”;

3. the Share Exchange Agreement described under “Description of the Trust Securities — Sun Life Exchangeable Capital Securities — Series B — Share Exchange Agreement”;
4. the Debenture Purchase Agreement described under “The Trust — Business of the Trust”;
5. the Credit Facility described under “The Trust — Liquidity”; and
6. the Underwriting Agreement described under “Plan of Distribution”.

PRINCIPAL HOLDERS OF SECURITIES

Sun Life Assurance currently owns and it is intended that, at all times following the Closing Date, Sun Life Assurance or, with Superintendent Approval, its subsidiaries will continue to own, directly or indirectly, all of the Special Trust Securities. See “Capitalization of the Trust”.

INTERESTS OF SUN LIFE ASSURANCE AND ITS AFFILIATES IN MATERIAL TRANSACTIONS

Pursuant to the Administration Agreement, Sun Life Assurance administers the day-to-day operations of the Trust.

Sun Life Assurance and its affiliates may have interests which are not identical to those of the Trust. Consequently, conflicts of interest may arise with respect to transactions, including the renewal, termination or modification of the Administration Agreement. It is the intention of the Trust and Sun Life Assurance that any agreements and transactions between the Trust, on the one hand, and Sun Life Assurance and its affiliates, on the other hand, are fair to all parties and consistent with market terms and conditions.

LEGAL PROCEEDINGS

SLF Inc., Sun Life Assurance and their respective subsidiaries are engaged in litigation arising in the normal course of business as well as certain litigation described under the heading “Risk Factors” in the respective Annual Information Forms of SLF Inc. and Sun Life Assurance incorporated by reference in this prospectus. The Trust is not, to its knowledge, a party to any litigation or arbitration proceedings.

EXPERTS

Certain legal matters in connection with the Offering will be passed upon by Torys LLP, on behalf of the Trust, Sun Life Assurance and SLF Inc., and by McCarthy Tétrault LLP, on behalf of the Underwriters. The partners, counsel and associates of Torys LLP and McCarthy Tétrault LLP, as a group, beneficially own, directly or indirectly, less than 1% of any class of security issued by the Trust, Sun Life Assurance or SLF Inc.

TRANSFER AGENT AND REGISTRAR AND EXCHANGE TRUSTEE

CIBC Mellon Trust Company will act as transfer agent, registrar and exchange trustee for the SLEECs Series B (the “Exchange Trustee”). The SLEECs Series B will be issued in book-entry only form through CDS. See “Description of the Trust Securities — Sun Life Exchangeable Capital Trust Securities — Series B — Book-Entry Only Form”. Subject to the CDS Procedures, registration and transfer of the SLEECs Series B may be effected at its principal office in Toronto, Ontario.

AUDITORS

Deloitte & Touche LLP, Chartered Accountants, Toronto, Ontario are the auditors of the Trust.

PROMOTER

Sun Life Assurance is the promoter of the Trust by reason of its taking the initiative in creating, structuring and promoting the Trust. Sun Life Assurance will not receive any benefits, directly or indirectly, from the issuance of the SLEECs Series B other than as described in this prospectus. See “Business of the Trust”.

Under the Administration Agreement, Sun Life Assurance, as Administrative Agent, provides various services in connection with the Offering and the ongoing operations, maintenance and regulatory compliance of the Trust. Sun Life Assurance receives an administration fee under the Administration Agreement.

The following are the names, municipalities of residence, and offices of the officers of Sun Life Assurance directly involved in its capacity as administrative agent of the Trust:

<u>Name and Municipality of Residence</u>	<u>Office</u>
Paul W. Derksen Mississauga, Ontario	Executive Vice-President and Chief Financial Officer
Thomas Clulow Toronto, Ontario	Vice-President, Capital Finance

Prior to February 2000, Mr. Derksen was the Executive Vice-President and Chief Financial Officer of CT Financial Services Inc. Prior to May 2000, Mr. Clulow was Vice-President, Decision Support of CT Financial Services Inc.; from 1997 to 1999, he served as Vice-President, Capital Management and Business Analysis of CT Financial Services Inc.; and prior to 1997, he served as Assistant Vice-President, Capital Management of CT Financial Services Inc.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in several of the provinces and territories provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

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AUDITOR'S REPORT

To the Trustee and Administrative Agent of
Sun Life Capital Trust

We have audited the balance sheet of Sun Life Capital Trust as at December 31, 2001 and the statements of income and undistributed income, changes in trust capital and cash flows for the period from formation of the trust on August 9, 2001 to December 31, 2001. These financial statements are the responsibility of Sun Life Assurance Company of Canada, as administrative agent of the Trust. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2001 and the results of its operations and its cash flows for the period from August 9, 2001 to December 31, 2001, in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
April 5, 2002 (except as to Note 6,
which is as of June 18, 2002)

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

SUN LIFE CAPITAL TRUST
(a trust established under the laws of Ontario)

BALANCE SHEET
As at December 31, 2001
(in thousands of Canadian dollars)

ASSETS

Cash	\$ 2,048
Sun Life Debenture <i>(Note 4)</i>	990,000
Accrued interest and accounts receivable	191
Future income taxes	5,744
Total Assets	<u>\$997,983</u>

LIABILITIES

Accrued liabilities	\$ 1,959
Distributions payable on Sun Life Exchangeable Capital Securities — Series A	179
Loans payable <i>(Note 4)</i>	51,000
	<u>53,138</u>

TRUST CAPITAL

Sun Life Exchangeable Capital Securities — Series A <i>(Note 3a)</i>	950,000
Special Trust Securities <i>(Note 3b)</i>	2,000
Deficit	<u>(7,155)</u>
	<u>944,845</u>
Total Liabilities and Trust Capital	<u>\$997,983</u>

See accompanying notes

SUN LIFE CAPITAL TRUST
STATEMENT OF INCOME AND UNDISTRIBUTED INCOME
For the period from formation on August 9, 2001 to December 31, 2001
(in thousands of Canadian dollars)

REVENUE	
Interest income	\$13,779
EXPENSE	
Professional and administration fees	<u>12</u>
Income before income taxes	13,767
Future income taxes (<i>Note 5</i>)	<u>336</u>
Net income before distributions on Sun Life Exchangeable Capital Securities	13,431
Distributions on Sun Life Exchangeable Capital Securities — Series A (<i>Note 3a</i>)	<u>13,222</u>
Net undistributed income for the period	<u><u>\$ 209</u></u>

See accompanying notes

SUN LIFE CAPITAL TRUST

STATEMENT OF CHANGES IN TRUST CAPITAL

**For the period from formation on August 9, 2001 to December 31, 2001
(in thousands of Canadian dollars)**

SUN LIFE EXCHANGEABLE CAPITAL SECURITIES — SERIES A	
Balance, beginning of period	\$ —
Proceeds from unit issue (<i>Note 3a</i>)	<u>950,000</u>
Balance, end of period	<u>950,000</u>
SPECIAL TRUST SECURITIES	
Balance, beginning of period	—
Proceeds from unit issue (<i>Note 3b</i>)	<u>2,000</u>
Balance, end of period	<u>2,000</u>
DEFICIT	
Balance, beginning of period	—
Net undistributed income for the period	209
Unit issue costs, net of income taxes (<i>Note 3a</i>)	<u>(7,364)</u>
Balance, end of period	<u>(7,155)</u>
Total Trust Capital	<u><u>\$944,845</u></u>

See accompanying notes

SUN LIFE CAPITAL TRUST
STATEMENT OF CASH FLOWS

For the period from formation on August 9, 2001 to December 31, 2001
(in thousands of Canadian dollars)

Cash flows provided by (used in) operating activities

Net income before distribution to Sun Life Exchangeable Capital Securities — Series A	\$ 13,431
Adjustments to determine net cash flows:	
Changes in non-cash operating assets and liabilities	
Accrued interest and accounts receivable	(191)
Future income taxes	336
Accrued liabilities	1,959
Distributions payable on Sun Life Exchangeable Capital Securities — Series A	179
Net cash provided by operating activities	<u>15,714</u>

Cash flows provided by (used in) investing activities

Purchase of Sun Life Debenture (<i>Note 4</i>)	(990,000)
Net cash used in investing activities	<u>(990,000)</u>

Cash flows provided by (used in) financing activities

Issuance of Sun Life Exchangeable Capital Securities — Series A (<i>Note 3a</i>)	950,000
Issuance of Special Trust Securities (<i>Note 3b</i>)	2,000
Loan payable (<i>Note 4</i>)	51,000
Unit issue costs before future income taxes of \$6,080 (<i>Note 3a</i>)	(13,444)
Distributions on Sun Life Exchangeable Capital Securities — Series A (<i>Note 3a</i>)	(13,222)
Net cash provided by financing activities	<u>976,334</u>

Increase in cash 2,048

Cash, beginning of period —

Cash, end of period \$ 2,048

Supplementary Information

Interest payments	<u>\$ —</u>
Income tax payments	<u><u>\$ —</u></u>

See accompanying notes

SUN LIFE CAPITAL TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in thousands of Canadian dollars)

1. ESTABLISHMENT AND ORGANIZATION

Sun Life Capital Trust (Trust) is an open-end trust formed on August 9, 2001 by The Canada Trust Company (Trustee) pursuant to the Declaration of Trust. An amount of \$1 was settled on the Trust's formation and that amount will be held for the benefit of the beneficiaries. The Trust began active operations on October 19, 2001 and intends to make investments and to conduct its activities at all times in such a manner as to qualify as a registered investment under the *Income Tax Act* (Canada).

2. BASIS OF PRESENTATION

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

The significant accounting policies used in the preparation of these financial statements are summarized below:

- Sun Life Debenture is carried at cost.
- The Trust's unit issue costs, expenses, distributions payable on Sun Life Exchangeable Capital Securities — Series A and interest on Sun Life Debenture are recorded on the accrual basis of accounting.
- Income tax expense is accounted for by the liability method of tax allocation. Under this method, the income tax expense consists of both an expense for current income taxes and an expense for future income taxes. Current income tax expense (recoverable) represents the expected payable (receivable) resulting from the current year's operations. Future income tax expense (recoverable) represents the movement during the year in the cumulative temporary differences between the carrying value of the Company's assets and liabilities on the balance sheet and their values for tax purposes. Future income tax assets are recognized to the extent that they are more likely than not to be realized.

3. TRUST CAPITAL

Authorized

The Trust's authorized capital consists of an unlimited number of Sun Life Exchangeable Capital Securities and an unlimited number of Special Trust Securities (STS).

Issued

(a) Sun Life Exchangeable Capital Securities — Series A

Pursuant to an underwriting agreement dated October 11, 2001, the Trust issued 950,000 Sun Life Exchangeable Capital Securities — Series A (SLEECs) for cash proceeds of \$950,000 on October 19, 2001. Issue costs were \$13,444 before taxes of \$6,080.

The SLEECs are non-voting except in limited circumstances. Holders of SLEECs will be entitled to receive a semi-annual non-cumulative fixed cash distribution of \$34.325 (Indicated Yield) per SLEEC, representing an annual yield of 6.865% of the one thousand dollars initial issue price, payable out of the Trust's net distributable funds. If Sun Life Assurance Company of Canada (Sun Life Assurance) has not declared dividends on its Class B Non-Cumulative Preferred Shares Series A or on any of its preferred shares listed on the stock exchange, cash distributions will not be made on the SLEECs. Subject to regulatory approval, the Trust may redeem the SLEECs at any time after the fifth anniversary of the date of issuance and, in certain limited circumstances, may also redeem the SLEECs during the first five years. The holders of the SLEECs will have the right at any time to surrender each one thousand dollars face amount of SLEECs and to receive from the Trust in exchange 40 Class A Non-Cumulative Preferred Shares Series Z of Sun Life Assurance, subject to compliance with the Declaration of Trust.

Concurrently with the closing of the offering on October 19, 2001, Sun Life Financial Services of Canada Inc. (SLF Inc.), Sun Life Assurance, the Trust and CIBC Mellon Trust Company (the Exchange Trustee), as trustee for the holders of the Class A Non-Cumulative Preferred Shares Series Y and the Class A Non-Cumulative Preferred Shares Series Z of Sun Life Assurance (collectively as "SLA Preferred Shares"), entered into the Share Exchange Agreement providing for, among other things, the respective rights and obligations of SLF Inc., Sun Life Assurance, the Trust, the Exchange Trustee, the holders of the SLEECs and the holders of the SLA Preferred Shares with respect to the exchange of Class A Non-Cumulative Preferred Shares Series Y and Class A Non-Cumulative Preferred Shares Series Z of Sun Life Assurance for SLF Inc. common shares.

(b) Special Trust Securities

On October 19, 2001, the Trust issued 2,000 STS to Sun Life Assurance for cash proceeds of \$2,000, representing 100% of the outstanding STS as at December 31, 2001. The original amount of \$1 settled on the Trust's formation was included as part of

SUN LIFE CAPITAL TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2001
(in thousands of Canadian dollars)

3. TRUST CAPITAL (Continued)

the proceeds for the STS. Holders of the STS are entitled to vote at all meetings of the holders of STS and will be entitled, after the payment of the Indicated Yield to holders of the SLEECs, to the balance of the net distributable funds.

4. RELATED PARTY TRANSACTIONS

On October 19, 2001, Sun Life Assurance provided a non-interest-bearing revolving term credit facility of \$51,000, to the Trust to cover the fees and expenses relating to the SLEECs offering and to finance, in part, the purchase of a senior debenture of Sun Life Assurance (Sun Life Debenture). This credit facility expires on October 17, 2002, and is renewable annually at the discretion of Sun Life Assurance. Amounts drawn may be repaid and reborrowed during the term of the facility. Amounts outstanding at the end of the term of the facility must be repaid in full. As at December 31, 2001, the credit facility was fully drawn and the fair value of this loan was \$49,750.

On October 19, 2001, the aggregate net proceeds of approximately \$990,000 received from the offering of the SLEECs, Sun Life Assurance's subscription for STS and the non-interest bearing loan from Sun Life Assurance were used to purchase the Sun Life Debenture.

The Sun Life Debenture bears interest at a fixed annual rate of 6.865%, payable in equal semi-annual instalments in arrears of \$34.325 for each \$1,000 principal amount of the Sun Life Debenture, on the last day of June and December of each year, commencing December 31, 2001. The Sun Life Debenture will mature on December 31, 2031. As at December 31, 2001, the fair value of the Sun Life Debenture was \$1,005,840.

On October 19, 2001, the Trustee entered into an Administration Agreement with Sun Life Assurance pursuant to which Sun Life Assurance will serve as administrative agent of the Trust for the initial term of ten years. Accordingly, Sun Life Assurance will receive an administration fee in acting in that capacity. The Trust and Sun Life Assurance will determine from time to time, and at least annually, the amount of those fees and terms of payment. During 2001, no administration fee was charged to the Trust.

5. INCOME TAXES

The Trust's effective income tax rate differs from the combined Canadian federal and provincial top marginal statutory income tax rate, as follows:

Net income before distributions to SLEECs and STS	\$13,431	
Add: income taxes	336	
Income before income taxes	<u>\$13,767</u>	
		%
Income taxes at the combined Canadian federal and provincial top marginal statutory income tax rates	\$ 6,389	46.41
Decrease in income taxes resulting from tax benefit of distributions	<u>(6,053)</u>	<u>(43.97)</u>
Income taxes at the effective income tax rate	<u>\$ 336</u>	<u>2.44</u>

6. PROPOSED ISSUE

Pursuant to an underwriting agreement dated June 18, 2002, the Trust has agreed to issue 200,000 Sun Life Exchangeable Capital Securities — Series B (SLEECs — Series B) for cash proceeds of \$200,000. The underwriting commission and other expenses payable by the Trust are estimated to be \$2,587.

Concurrently with the closing of the offering, SLF Inc., Sun Life Assurance, the Trust and the Exchange Trustee of the new issue, as trustee for the holders of Class A Non-Cumulative Preferred Shares Series X and Class A Non-Cumulative Preferred Shares Series W of Sun Life Assurance (collectively as "New SLA Preferred Shares") and the holders of the SLEECs — Series B, will be entitled to the benefits of the Share Exchange Agreement providing for, among other things, the respective rights and obligations of SLF Inc., Sun Life Assurance, the Trust, the Exchange Trustee of the new issue, the holders of the SLEECs — Series B and the holders of the New SLA Preferred Shares with respect to the exchange of the New SLA Preferred Shares for SLF Inc. common shares. Immediately following the closing of the offering, the Trust will acquire an additional Sun Life Debenture from Sun Life Assurance for an aggregate purchase price equal to approximately \$15,500.

SUN LIFE CAPITAL TRUST
(a trust established under the laws of Ontario)

BALANCE SHEET
(in thousands of Canadian dollars)
(unaudited)

	As at	
	March 31 2002	December 31 2001
ASSETS		
Cash	\$ 2,048	\$ 2,048
Sun Life Debenture (<i>Note 4</i>)	990,000	990,000
Accrued interest and accounts receivable	16,948	191
Future income taxes	5,432	5,744
Total Assets	\$1,014,428	\$997,983
LIABILITIES		
Accrued liabilities	\$ 1,973	\$ 1,959
Distributions payable on Sun Life Exchangeable Capital Securities — Series A	16,260	179
Loans payable (<i>Note 4</i>)	51,000	51,000
	69,233	53,138
TRUST CAPITAL		
Sun Life Exchangeable Capital Securities — Series A (<i>Note 3a</i>)	950,000	950,000
Special Trust Securities (<i>Note 3b</i>)	2,000	2,000
Deficit	(6,805)	(7,155)
	945,195	944,845
Total Liabilities and Trust Capital	\$1,014,428	\$997,983

See accompanying notes

SUN LIFE CAPITAL TRUST
STATEMENT OF INCOME AND UNDISTRIBUTED INCOME
For the three months ended March 31, 2002
(in thousands of Canadian dollars)
(unaudited)

REVENUE	
Interest income	\$16,758
EXPENSE	
Professional and administration fees	<u>15</u>
Income before income taxes	16,743
Future income taxes (<i>Note 5</i>)	<u>312</u>
Net income before distributions on Sun Life Exchangeable Capital Securities	16,431
Distributions on Sun Life Exchangeable Capital Securities — Series A (<i>Note 3a</i>)	<u>16,081</u>
Net undistributed income for the period	<u><u>\$ 350</u></u>

See accompanying notes

SUN LIFE CAPITAL TRUST
STATEMENT OF CHANGES IN TRUST CAPITAL
For the three months ended March 31, 2002
(in thousands of Canadian dollars)
(unaudited)

SUN LIFE EXCHANGEABLE CAPITAL SECURITIES — SERIES A	
Balance, beginning and end of period	<u>\$950,000</u>
SPECIAL TRUST SECURITIES	
Balance, beginning and end of period	<u>2,000</u>
DEFICIT	
Balance, beginning of period	(7,155)
Net undistributed income for the period	<u>350</u>
Balance, end of period	<u>(6,805)</u>
Total Trust Capital	<u><u>\$945,195</u></u>

See accompanying notes

SUN LIFE CAPITAL TRUST

STATEMENT OF CASH FLOWS

For the three months ended March 31, 2002

(in thousands of Canadian dollars)

(unaudited)

Cash flows provided by (used in) operating activities

Net income before distribution to Sun Life Exchangeable Capital Securities — Series A	\$ 16,431
Adjustments to determine net cash flows:	
Changes in non-cash operating assets and liabilities	
Accrued interest and accounts receivable	(16,757)
Future income taxes	312
Accrued liabilities	14
Net cash provided by operating activities	<u>—</u>
Increase in cash	<u>—</u>
Cash, beginning of period	2,048
Cash, end of period	<u><u>\$ 2,048</u></u>
Supplementary Information	
Interest payments	\$ —
Income tax payments	<u><u>\$ —</u></u>

See accompanying notes

SUN LIFE CAPITAL TRUST
NOTES TO FINANCIAL STATEMENTS

March 31, 2002
(in thousands of Canadian dollars)
(unaudited)

1. ESTABLISHMENT AND ORGANIZATION

Sun Life Capital Trust (Trust) is an open-end trust formed on August 9, 2001 by The Canada Trust Company (Trustee) pursuant to the Declaration of Trust. An amount of \$1 was settled on the Trust's formation and that amount will be held for the benefit of the beneficiaries. The Trust began active operations on October 19, 2001 and intends to make investments and to conduct its activities at all times in such a manner as to qualify as a registered investment under the *Income Tax Act* (Canada).

2. BASIS OF PRESENTATION

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the preparation of these financial statements are summarized below:

- Sun Life Debenture is carried at cost.
- The Trust's unit issue costs, expenses, distributions payable on Sun Life Exchangeable Capital Securities — Series A and interest on Sun Life Debenture are recorded on the accrual basis of accounting.
- Income tax expense is accounted for by the liability method of tax allocation. Under this method, the income tax expense consists of both an expense for current income taxes and an expense for future income taxes. Current income tax expense (recoverable) represents the expected payable (receivable) resulting from the current year's operations. Future income tax expense (recoverable) represents the movement during the year in the cumulative temporary differences between the carrying value of the Company's assets and liabilities on the balance sheet and their values for tax purposes. Future income tax assets are recognized to the extent that they are more likely than not to be realized.

3. TRUST CAPITAL

Authorized

The Trust's authorized capital consists of an unlimited number of Sun Life Exchangeable Capital Securities and an unlimited number of Special Trust Securities (STS).

Issued

(a) Sun Life Exchangeable Capital Securities — Series A

Pursuant to an underwriting agreement dated October 11, 2001, the Trust issued 950,000 Sun Life Exchangeable Capital Securities — Series A (SLEECs) for cash proceeds of \$950,000 on October 19, 2001. Issue costs were \$13,444 before taxes of \$6,080.

The SLEECs are non-voting except in limited circumstances. Holders of SLEECs will be entitled to receive a semi-annual non-cumulative fixed cash distribution of \$34.325 (Indicated Yield) per SLEEC, representing an annual yield of 6.865% of the one thousand dollars initial issue price, payable out of the Trust's net distributable funds. If Sun Life Assurance Company of Canada (Sun Life Assurance) has not declared dividends on its Class B Non-Cumulative Preferred Shares Series A or on any of its preferred shares listed on the stock exchange, cash distributions will not be made on the SLEECs. Subject to regulatory approval, the Trust may redeem the SLEECs at any time after the fifth anniversary of the date of issuance and, in certain limited circumstances, may also redeem the SLEECs during the first five years. The holders of the SLEECs will have the right at any time to surrender each one thousand dollars face amount of SLEECs and to receive from the Trust in exchange 40 Class A Non-Cumulative Preferred Shares Series Z of Sun Life Assurance, subject to compliance with the Declaration of Trust.

Concurrently with the closing of the offering on October 19, 2001, Sun Life Financial Services of Canada Inc. (SLF Inc.), Sun Life Assurance, the Trust and CIBC Mellon Trust Company (the Exchange Trustee), as trustee for the holders of the Class A Non-Cumulative Preferred Shares Series Y and the Class A Non-Cumulative Preferred Shares Series Z of Sun Life Assurance (collectively as "SLA Preferred Shares"), entered into the Share Exchange Agreement providing for, among other things, the respective rights and obligations of SLF Inc., Sun Life Assurance, the Trust, the Exchange Trustee, the holders of the SLEECs and the holders of the SLA Preferred Shares with respect to the exchange of Class A Non-Cumulative Preferred Shares Series Y and Class A Non-Cumulative Preferred Shares Series Z of Sun Life Assurance for SLF Inc. common shares.

(b) Special Trust Securities

On October 19, 2001, the Trust issued 2,000 STS to Sun Life Assurance for cash proceeds of \$2,000, representing 100% of the outstanding STS as at December 31, 2001. The original amount of \$1 settled on the Trust's formation was included as part of

SUN LIFE CAPITAL TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2002
(in thousands of Canadian dollars)
(unaudited)

3. TRUST CAPITAL (Continued)

the proceeds for the STS. Holders of the STS are entitled to vote at all meetings of the holders of STS and will be entitled, after the payment of the Indicated Yield to holders of the SLEECs, to the balance of the net distributable funds.

4. RELATED PARTY TRANSACTIONS

On October 19, 2001, Sun Life Assurance provided a non-interest-bearing revolving term credit facility of \$51,000, to the Trust to cover the fees and expenses relating to the SLEECs offering and to finance, in part, the purchase of a senior debenture of Sun Life Assurance (Sun Life Debenture). This credit facility expires on October 17, 2002, and is renewable annually at the discretion of Sun Life Assurance. Amounts drawn may be repaid and reborrowed during the term of the facility. Amounts outstanding at the end of the term of the facility must be repaid in full. As at March 31, 2002, the credit facility was fully drawn and the fair value of this loan was \$50,133.

On October 19, 2001, the aggregate net proceeds of approximately \$990,000 received from the offering of the SLEECs, Sun Life Assurance's subscription for STS and the non-interest bearing loan from Sun Life Assurance were used to purchase the Sun Life Debenture.

The Sun Life Debenture bears interest at a fixed annual rate of 6.865%, payable in equal semi-annual instalments in arrears of \$34.325 for each \$1,000 principal amount of the Sun Life Debenture, on the last day of June and December of each year, commencing December 31, 2001. The Sun Life Debenture will mature on December 31, 2031. As at March 31, 2002, the fair value of the Sun Life Debenture was \$1,006,236.

On October 19, 2001, the Trustee entered into an Administration Agreement with Sun Life Assurance pursuant to which Sun Life Assurance will serve as administrative agent of the Trust for the initial term of ten years. Accordingly, Sun Life Assurance will receive an administration fee in acting in that capacity. The Trust and Sun Life Assurance will determine from time to time, and at least annually, the amount of those fees and terms of payment. During the first quarter of 2002, an administration fee of \$10 was charged to the Trust.

5. INCOME TAXES

The Trust's effective income tax rate differs from the combined Canadian federal and provincial top marginal statutory income tax rate, as follows:

Net income before distributions to SLEECs and STS	\$16,431	
Add: income taxes	312	
Income before income taxes	<u>\$16,743</u>	
		%
Income taxes at the combined Canadian federal and provincial top marginal statutory income tax rates	\$ 7,770	46.41
Decrease in income taxes resulting from tax benefit of distributions	<u>(7,458)</u>	<u>(44.55)</u>
Income taxes at the effective income tax rate	<u>\$ 312</u>	<u>1.86</u>

6. PROPOSED ISSUE

Pursuant to an underwriting agreement dated June 18, 2002, the Trust has agreed to issue 200,000 Sun Life Exchangeable Capital Securities — Series B (SLEECs — Series B) for cash proceeds of \$200,000. The underwriting commission and other expenses payable by the Trust are estimated to be \$2,587.

Concurrently with the closing of the offering, SLF Inc., Sun Life Assurance, the Trust and the Exchange Trustee of the new issue, as trustee for the holders of Class A Non-Cumulative Preferred Shares Series X and Class A Non-Cumulative Preferred Shares Series W of Sun Life Assurance (collectively as "New SLA Preferred Shares") and the holders of the SLEECs — Series B, will be entitled to the benefits of the Share Exchange Agreement providing for, among other things, the respective rights and obligations of SLF Inc., Sun Life Assurance, the Trust, the Exchange Trustee of the new issue, the holders of the SLEECs — Series B and the holders of the New SLA Preferred Shares with respect to the exchange of the New SLA Preferred Shares for SLF Inc. common shares. Immediately following the closing of the offering, the Trust will acquire an additional Sun Life Debenture from Sun Life Assurance for an aggregate purchase price equal to approximately \$15,500.

SUN LIFE ASSURANCE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The Pro Forma Consolidated Financial Statements of Sun Life Assurance give effect to (i) the proposed amalgamation of Clarica and Sun Life Assurance (the “Amalgamation”), and (ii) the acquisition of Keyport and IFMG. The unaudited pro forma consolidated balance sheet as at March 31, 2002 gives effect to the Amalgamation as if it had occurred as of that date. The unaudited pro forma consolidated statements of operations for the three months ended March 31, 2002 and the year ended December 31, 2001 give effect to both the Amalgamation and the acquisition of Keyport and IFMG as if they had occurred as of January 1, 2001.

The Pro Forma Consolidated Financial Statements are not intended to reflect the consolidated results of operations that would actually have resulted had the transactions been consummated on the dates indicated, and do not represent a projection or forecast of the results which may be reported in the future. This information has been prepared for illustrative purposes only.

The specific pro forma adjustments and the basic assumptions used in the preparation of the Pro Forma Consolidated Financial Statements are described in the notes thereto. The pro forma adjustments are based on assumptions and estimates that management believes are reasonable based on the information currently available and on recently adopted accounting standards and new practices applicable to business combinations.

COMPILATION REPORT

The Board of Directors of Sun Life Assurance Company of Canada

We have reviewed, as to compilation only, the accompanying Pro Forma Consolidated Balance Sheet of Sun Life Assurance Company of Canada as at March 31, 2002 and the Pro Forma Consolidated Statements of Operations for the three months ended March 31, 2002 and the year ended December 31, 2001, which have been prepared for inclusion in the prospectus relating to the sale and issue of Sun Life Exchangeable Capital Securities — Series B of Sun Life Capital Trust. In our opinion, these pro forma consolidated financial statements have been properly compiled to give effect to the transactions and assumptions described in the notes thereto.

Toronto, Canada
June 18, 2002

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

**SUN LIFE ASSURANCE COMPANY OF CANADA
PRO FORMA CONSOLIDATED BALANCE SHEET**

**As at March 31, 2002
(Unaudited)**

(in millions of Canadian dollars)

	<u>Sun Life Assurance</u>	<u>Clarica</u>	<u>Adjustments</u>	<u>Note Ref.</u>	<u>Pro Forma Sun Life Assurance</u>
Assets					
Bonds	49,970	15,885	—		65,855
Mortgages	8,154	7,503	—		15,657
Stocks	5,002	2,195	(525)	2(b)	6,672
Real estate	2,252	889	—		3,141
Cash, cash equivalents and short-term securities	3,858	2,606	—		6,464
Policy loans and other invested assets	4,601	1,049	—		5,650
Total invested assets	<u>73,837</u>	<u>30,127</u>	<u>(525)</u>		<u>103,439</u>
Goodwill and intangible assets	2,338	393	—		2,731
Other assets	5,081	1,249	—		6,330
Total general fund assets	<u><u>81,256</u></u>	<u><u>31,769</u></u>	<u><u>(525)</u></u>		<u><u>112,500</u></u>
Segregated funds net assets	<u><u>48,703</u></u>	<u><u>11,173</u></u>	<u><u>—</u></u>		<u><u>59,876</u></u>
Liabilities and Equity					
Actuarial liabilities and other policy liabilities	60,392	22,111	—		82,503
Amounts on deposit	1,836	1,307	—		3,143
Deferred net realized gains	3,710	1,213	—		4,923
Other liabilities	5,163	3,117	—		8,280
Total general fund liabilities	<u>71,101</u>	<u>27,748</u>	<u>—</u>		<u>98,849</u>
Subordinated debt	503	745	—		1,248
Cumulative capital securities of a subsidiary	954	—	—		954
Non-controlling interest in subsidiaries	1,016	—	—		1,016
Equity					
Participating policyholders' account	78	(1)	—		77
Preferred shares	—	148	—		148
Shareholders' equity	7,604	3,129	(525)	2(b)	10,208
Total general fund liabilities and equity	<u><u>81,256</u></u>	<u><u>31,769</u></u>	<u><u>(525)</u></u>		<u><u>112,500</u></u>
Segregated funds contract liabilities	<u><u>48,703</u></u>	<u><u>11,173</u></u>	<u><u>—</u></u>		<u><u>59,876</u></u>

SUN LIFE ASSURANCE COMPANY OF CANADA
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

For the three months ended March 31, 2002
(Unaudited)

(in millions of Canadian dollars)

	Sun Life Assurance	Clarica	Pro Forma Sun Life Assurance
Revenue			
Premium income:			
Annuities	2,088	341	2,429
Life insurance	949	607	1,556
Health insurance	396	178	574
	3,433	1,126	4,559
Net investment income	1,159	471	1,630
Fee income	820	78	898
	5,412	1,675	7,087
Policy Benefits and Expenses			
Payments to policyholders, beneficiaries and depositors:			
Maturities and surrenders	1,384	225	1,609
Annuity payments	248	149	397
Death and disability benefits	338	248	586
Health benefits	300	137	437
Policyholder dividends and interest on claims and deposits	207	153	360
	2,477	912	3,389
Net transfers to segregated funds	511	34	545
Increase in actuarial liabilities	954	297	1,251
Commissions	447	95	542
Operating expenses	575	156	731
Premium taxes	31	19	50
Interest expenses	39	15	54
	5,034	1,528	6,562
Operating Income before Income Taxes and Non-Controlling Interests . . .	378	147	525
Income taxes	107	35	142
Non-controlling interests in net income of subsidiaries	21	—	21
	250	112	362
Total Net Income	250	112	362
Less:			
Participating policyholders' net income (loss)	(2)	(2)	(4)
Dividends on preferred shares	—	3	3
	252	111	363
Common Shareholders' Net Income	252	111	363

SUN LIFE ASSURANCE COMPANY OF CANADA
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2001
(Unaudited)

(in millions of Canadian dollars)

	Sun Life Assurance after giving effect to the acquisition of Keyport/ IFMG as if it had occurred on January 1, 2001							
	Sun Life Assurance	Keyport (Note 3(b))	IFMG (Note 3(b))	Adjustments	Note Ref.	Adjusted Sun Life Assurance	Clarica	Pro Forma Sun Life Assurance
Revenue								
Premium income:								
Annuities	4,196	2,716	—	—		6,912	1,049	7,961
Life insurance	3,749	—	—	—		3,749	2,210	5,959
Health insurance	1,409	—	—	—		1,409	711	2,120
	<u>9,354</u>	<u>2,716</u>	<u>—</u>	<u>—</u>		<u>12,070</u>	<u>3,970</u>	<u>16,040</u>
Net investment income	4,115	828	—	(62)	3(c)(i)	4,881	2,008	6,889
Fee income	3,215	83	155	(67)	3(c)(ii)	3,386	274	3,660
	<u>16,684</u>	<u>3,627</u>	<u>155</u>	<u>(129)</u>		<u>20,337</u>	<u>6,252</u>	<u>26,589</u>
Policy Benefits and Expenses								
Payments to policyholders, beneficiaries and depositors:								
Maturities and surrenders	2,604	3,098	—	—		5,702	891	6,593
Annuity payments	952	—	—	—		952	591	1,543
Death and disability benefits	1,197	7	—	—		1,204	969	2,173
Health benefits	1,091	—	—	—		1,091	626	1,717
Policyholder dividends and interest on claims and deposits	960	—	—	—		960	486	1,446
	<u>6,804</u>	<u>3,105</u>	<u>—</u>	<u>—</u>		<u>9,909</u>	<u>3,563</u>	<u>13,472</u>
Net transfers to segregated funds	2,606	207	—	—		2,813	24	2,837
Increase in actuarial liabilities	1,660	136	—	—		1,796	958	2,754
Commissions	1,577	220	121	(67)	3(c)(ii)	1,851	362	2,213
Operating expenses	2,491	123	41	—		2,655	636	3,291
Premium taxes	113	—	—	—		113	71	184
Interest expenses	170	—	—	—		170	58	228
	<u>15,421</u>	<u>3,791</u>	<u>162</u>	<u>(67)</u>		<u>19,307</u>	<u>5,672</u>	<u>24,979</u>
Operating Income (Loss) before Income								
Taxes and Non-Controlling Interests	1,263	(164)	(7)	(62)		1,030	580	1,610
Income taxes	274	(58)	(3)	(26)	3(c)(iii)	187	161	348
Non-controlling interests in net income of subsidiaries	68	—	—	32	3(c)(iv)	100	—	100
Total Net Income (Loss)	<u>921</u>	<u>(106)</u>	<u>(4)</u>	<u>(68)</u>		<u>743</u>	<u>419</u>	<u>1,162</u>
Less:								
Participating policyholders' net income (loss)	(1)	—	—	—		(1)	(5)	(6)
Dividends on preferred shares	—	—	—	—		—	10	10
Common Shareholders' Net Income (Loss)	<u>922</u>	<u>(106)</u>	<u>(4)</u>	<u>(68)</u>		<u>744</u>	<u>414</u>	<u>1,158</u>

SUN LIFE ASSURANCE COMPANY OF CANADA
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION

The unaudited pro forma consolidated financial statements (the “Statements”) give effect to (i) the proposed amalgamation of Clarica Life Insurance Company (“Clarica”) and Sun Life Assurance Company of Canada (“Sun Life Assurance”) (the “Amalgamation”), both of which are under the common control of Sun Life Financial Services of Canada Inc. (“SLF Inc.”) as of May 29, 2002, and (ii) the acquisition by Sun Life Assurance on October 31, 2001 of Keyport Life Insurance Company (“Keyport”) and Independent Financial Marketing Group, Inc. (“IFMG”) (the “Keyport/IFMG” acquisition). The unaudited pro forma consolidated balance sheet as at March 31, 2002 gives effect to the Amalgamation as if it had occurred as of that date. The unaudited pro forma consolidated statements of operations for the three months ended March 31, 2002 and the year ended December 31, 2001 give effect to both the Amalgamation and the Keyport/IFMG acquisition as if they had occurred as of January 1, 2001.

The Statements have been prepared by management in accordance with Canadian generally accepted accounting principles including the accounting requirements of the Office of the Superintendent of Financial Institutions (Canada). The Amalgamation has been accounted for as a continuity of interests and, as a result, the Statements relating to continuing operations have been prepared as though both Clarica and Sun Life Assurance had been combined since inception. Under this method, for the unaudited pro forma consolidated balance sheet as at March 31, 2002, the assets and liabilities of both companies have been recorded at their historical carrying values and, for the unaudited pro forma consolidated statements of operations for the three months ended March 31, 2002 and the year ended December 31, 2001, the earnings of both companies have been combined for those periods.

The Keyport/IFMG acquisition has been accounted for using the recently adopted accounting standards for business combinations which are applicable to transactions completed after June 30, 2001 — see Note 4. In accordance with these standards, goodwill arising from this acquisition is not amortized in the Statements.

For the purposes of the Statements, certain elements of Clarica’s consolidated financial statements have been reclassified to conform to the presentation used by Sun Life Assurance.

The Statements have been prepared based on the following information:

- (a) Unaudited interim consolidated financial statements of Sun Life Assurance for the three months ended March 31, 2002;
- (b) Audited consolidated financial statements of Sun Life Assurance for the year ended December 31, 2001;
- (c) Unaudited interim consolidated financial statements of Clarica for the three months ended March 31, 2002;
- (d) Audited consolidated financial statements of Clarica for the year ended December 31, 2001;
- (e) Unaudited consolidated statement of operations of Keyport for the ten months ended October 31, 2001; and
- (f) Such other supplementary information as was considered necessary to reflect both the Amalgamation and the Keyport/IFMG acquisition in the Statements.

To conform with the approach at Sun Life Assurance, certain of the reinsurance operations of Clarica are being discontinued. Furthermore, there are certain differences between the accounting and actuarial policies and practices of Clarica and Sun Life Assurance. The effect of conforming all of these differences will be reflected in the financial statements of Clarica in the second quarter of 2002, and consequently they have not been reflected in these Statements. The financial impact on a pre-tax basis, is approximately \$270 million for discontinuing certain reinsurance operations and is up to \$200 million for the other accounting and actuarial differences.

The Statements do not include the anticipated financial benefits that may arise from the Amalgamation, including cost savings, nor do the Statements include the related restructuring and integration costs to be incurred by both Clarica and Sun Life Assurance — see Note 2(c).

The Statements are not necessarily indicative of the results of operations or the financial position that would have resulted had both the Amalgamation and the Keyport/IFMG acquisition been effected on the dates indicated or the results that may be obtained in the future. The Statements should be read in conjunction with the financial statements of Clarica and Sun Life Assurance incorporated by reference in this prospectus and the descriptions of the Amalgamation and the Keyport/IFMG acquisitions in the other documents incorporated by reference in this prospectus.

2. THE AMALGAMATION OF CLARICA AND SUN LIFE ASSURANCE

- (a) On May 29, 2002, SLF Inc., of which Sun Life Assurance is a subsidiary, acquired all of the outstanding common shares of Clarica that were not beneficially owned by SLF Inc. or its subsidiaries as general fund assets. Subject to the receipt of all necessary regulatory, shareholder and voting policyholder approvals, Sun Life Assurance and Clarica intend to amalgamate.

SUN LIFE ASSURANCE COMPANY OF CANADA
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

2. THE AMALGAMATION OF CLARICA AND SUN LIFE ASSURANCE (Continued)

- (b) Sun Life Assurance currently owns approximately 11.7 million common shares of Clarica acquired at a total cost of approximately \$525 million. This investment has been eliminated to reflect the effect of the Amalgamation.
- (c) As a result of the acquisition of Clarica by SLF Inc., Clarica will incur estimated costs of \$189 million, after income taxes, comprised of estimated integration costs of \$133 million and transaction costs of \$56 million. Sun Life Assurance will incur estimated integration costs of \$234 million, after income taxes, including recommissioning costs arising from the re-alignment of its and Clarica's respective Canadian retail distribution channels. Following the completion of the Clarica acquisition and the subsequent Amalgamation, these costs will be recorded in the consolidated statement of operations of the amalgamated company. The impact of these charges is excluded in the Statements.

3. THE ACQUISITION OF KEYPORT AND IFMG

- (a) The acquisition of Keyport and IFMG by Sun Life Assurance was completed on October 31, 2001. The purchase price which was paid in cash, together with financing fees and expenses, amounted to approximately \$2,766 million, and was funded by:
 - (i) \$1,486 million from Sun Life Assurance's cash resources;
 - (ii) \$950 million gross proceeds by the issue of Sun Life Exchangeable Capital Securities — Series A ("SLEECs — Series A") on October 19, 2001 which qualifies as Tier 1 regulatory capital of Sun Life Assurance and SLF Inc.; and
 - (iii) \$330 million gross proceeds from the issuance of 11 million SLF Inc. common shares on October 4, 2001 at an offering price of \$30.00 per share.
- (b) The statements of operations for Keyport and IFMG are for the ten months ended October 31, 2001. Both Keyport and IFMG, following their acquisition effective after close of business on October 31, 2001, have been reflected in Sun Life Assurance's consolidated statement of operations.
- (c) The unaudited pro forma consolidated statement of operations for the year ended December 31, 2001 incorporates the following adjustments. These adjustments are for the ten months ended October 31, 2001, prior to the closing of the Keyport/IFMG acquisition.
 - (i) Represents the foregone investment income on the funds of \$1,486 million from Sun Life Assurance's cash resources — see Note 3(a)(i). The assumed interest rate on the cash funds is 5% per annum, based on the average yield earned on Sun Life Assurance's cash and short term securities in 2001.
 - (ii) Represents the elimination of inter-company transactions between Keyport and IFMG.
 - (iii) Represents the tax effects of the above adjustments to the statement of operations.
 - (iv) Represents the distributions on the SLEECs — Series A, net of income taxes, at an indicated yield of 6.865% per annum — see Note 3(a)(ii).

4. GOODWILL AND OTHER INTANGIBLE ASSETS

On August 1, 2001, The Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1581, "Business Combinations", and Section 3062, "Goodwill and Other Intangible Assets". These standards are generally consistent with the provisions of the recently published U.S. Financial Accounting Standards Board Statements 141 and 142.

Section 1581 defines the method of accounting to be applied to all business combinations completed after June 30, 2001. Goodwill and certain intangible assets must be separately identified and recorded in the acquisition balance sheet.

Section 3062 provides guidelines with respect to accounting treatment of goodwill and intangible assets. Goodwill and indefinite term intangible assets are not required to be amortized, while other identified intangible assets should be amortized over the estimated useful life of the asset. On an annual basis, or when there is reason to suspect that their values have been diminished or impaired, these assets must be tested for impairment, and corresponding adjustments may be required.

SLF INC. PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The Pro Forma Consolidated Financial Statements of SLF Inc. give effect to (i) the acquisition of Clarica on May 29, 2002 and (ii) the acquisition by Sun Life Assurance on October 31, 2001 of Keyport and IFMG. The Clarica acquisition has been reflected in the pro forma consolidated balance sheet as at March 31, 2002, as if it had occurred as of that date. The pro forma consolidated statements of operations for the three months ended March 31, 2002 and for the year ended December 31, 2001 give effect to both the Clarica and Keyport/IFMG acquisitions as if they had occurred as of January 1, 2001.

The Pro Forma Consolidated Financial Statements are not intended to reflect the consolidated results of operations or the consolidated financial position that would actually have resulted had the transactions been consummated on the dates indicated, and do not represent a projection or forecast of the results which may be reported in the future. This information has been prepared for illustrative purposes only.

The specific pro forma adjustments and the basic assumptions used in the preparation of the Pro Forma Consolidated Financial Statements are described in detail in the notes thereto. The pro forma adjustments are based on assumptions and estimates that management believes are reasonable based on the information currently available and on recently adopted accounting standards and new practices applicable to business combinations.

COMPILATION REPORT

The Board of Directors of Sun Life Financial Services of Canada Inc.

We have reviewed, as to compilation only, the accompanying Pro Forma Consolidated Balance Sheet of Sun Life Financial Services of Canada Inc. as at March 31, 2002 and the Pro Forma Consolidated Statements of Operations for the three months ended March 31, 2002 and the year ended December 31, 2001, which have been prepared for inclusion in the prospectus relating to the sale and issue of Sun Life Exchangeable Capital Securities — Series B of Sun Life Capital Trust. In our opinion, these pro forma consolidated financial statements have been properly compiled to give effect to the transactions and assumptions described in the notes thereto.

Toronto, Canada
June 18, 2002

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

SUN LIFE FINANCIAL SERVICES OF CANADA INC.
PRO FORMA CONSOLIDATED BALANCE SHEET
As at March 31, 2002
(Unaudited)
(in millions of Canadian dollars)

	<u>SLF Inc.</u>	<u>Clarica</u>	<u>Adjustments</u>	<u>Note Ref.</u>	<u>Pro Forma SLF Inc.</u>
Assets					
Bonds	49,970	15,885	539	2(b)(i)	66,394
Mortgages	8,154	7,503	351	2(b)(i)	16,008
Stocks	5,002	2,195	(525)	2(a)(ii)	6,574
			(98)	2(b)(i)	
Real estate	2,252	889	137	2(b)(i)	3,278
Cash, cash equivalents and short-term securities	4,057	2,606	(59)	2(a)(iii)	6,604
Policy loans and other invested assets	4,601	1,049	26	2(b)(ii)	5,676
Total invested assets	74,036	30,127	371		104,534
Goodwill and intangible assets	2,254	393	3,756	2(b)	6,635
			625	2(b)(iii)	
			(393)	2(b)(iii)	
Other assets	5,157	1,249	—		6,406
Total general fund assets	<u>81,447</u>	<u>31,769</u>	<u>4,359</u>		<u>117,575</u>
Segregated funds net assets	<u>48,703</u>	<u>11,173</u>	<u>—</u>		<u>59,876</u>
Liabilities and Equity					
Actuarial liabilities and other policy liabilities	60,392	22,111	845	2(b)(i)	84,305
			957	2(b)(iv)	
Amounts on deposit	1,836	1,307	—		3,143
Deferred net realized gains	3,710	1,213	(1,213)	2(b)(iv)	3,710
Other liabilities	5,174	3,117	30	2(b)(v)	8,843
			333	2(b)(viii)	
			189	2(c)	
Total general fund liabilities	71,112	27,748	1,141		100,001
Subordinated debt	476	745	(1)	2(b)(vi)	1,220
Cumulative capital securities of a subsidiary	954	—	—		954
Non-controlling interest in subsidiaries	1,016	—	148	2(d)	1,174
			10	2(b)(vii)	
Equity					
Participating policyholders' account	78	(1)	—		77
Preferred shares	—	148	(148)	2(d)	—
Shareholders' equity	7,811	3,129	6,288	2(a)	14,149
			50	2(a)(i)	
			(3,129)	2(e)	
Total general fund liabilities and equity	<u>81,447</u>	<u>31,769</u>	<u>4,359</u>		<u>117,575</u>
Segregated funds contract liabilities	<u>48,703</u>	<u>11,173</u>	<u>—</u>		<u>59,876</u>

SUN LIFE FINANCIAL SERVICES OF CANADA INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the three months ended March 31, 2002
(Unaudited)
(in millions of Canadian dollars except per share data)

	<u>SLF Inc.</u>	<u>Clarica</u>	<u>Adjustments</u>	<u>Note Ref.</u>	<u>Pro Forma SLF Inc.</u>
Revenue					
Premium income:					
Annuities	2,088	341	—		2,429
Life insurance	949	607	—		1,556
Health insurance	396	178	—		574
	<u>3,433</u>	<u>1,126</u>	<u>—</u>		<u>4,559</u>
Net investment income	1,160	471	(11)	2(f)	1,620
Fee income	820	78	—		898
	<u>5,413</u>	<u>1,675</u>	<u>(11)</u>		<u>7,077</u>
Policy Benefits and Expenses					
Payments to policyholders, beneficiaries and depositors:					
Maturities and surrenders	1,384	225	—		1,609
Annuity payments	248	149	—		397
Death and disability benefits	338	248	—		586
Health benefits	300	137	—		437
Policyholder dividends and interest on claims and deposits	<u>207</u>	<u>153</u>	<u>—</u>		<u>360</u>
	<u>2,477</u>	<u>912</u>	<u>—</u>		<u>3,389</u>
Net transfers to segregated funds	511	34	—		545
Increase in actuarial liabilities	954	297	—		1,251
Commissions	447	95	—		542
Operating expenses	573	156	7	2(g)	736
Premium taxes	31	19	—		50
Interest expenses	38	15	—		53
	<u>5,031</u>	<u>1,528</u>	<u>7</u>		<u>6,566</u>
Operating Income before Income Taxes and Non- Controlling Interests					
Income taxes	382	147	(18)		511
Non-controlling interests in net income of subsidiaries . .	107	35	(7)	2(h)	135
	<u>21</u>	<u>—</u>	<u>3</u>	2(d)	<u>24</u>
Total Net Income	<u>254</u>	<u>112</u>	<u>(14)</u>		<u>352</u>
Less:					
Participating policyholders' net income (loss)	(2)	(2)	—		(4)
Dividends on preferred shares	<u>—</u>	<u>3</u>	<u>(3)</u>	2(d)	<u>—</u>
Common Shareholders' Net Income	<u>256</u>	<u>111</u>	<u>(11)</u>		<u>356</u>
Basic Earnings per Common Share	0.59				0.58
Weighted average number of common shares outstanding (in millions)	431.7		185.6	4(a)	617.3

SUN LIFE FINANCIAL SERVICES OF CANADA INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2001
(Unaudited)
(in millions of Canadian dollars except per share data)

	SLF Inc. after giving effect to the acquisition of Keyport/IFMG as if it had occurred on January 1, 2001									
	SLF Inc.	Keyport (Note 3(b))	IFMG (Note 3(b))	Adjustments	Note Ref.	Adjusted SLF Inc.	Clarica	Adjustments	Note Ref.	Pro Forma SLF Inc.
Revenue										
Premium income:										
Annuities	4,196	2,716	—	—		6,912	1,049	—		7,961
Life insurance	3,749	—	—	—		3,749	2,210	—		5,959
Health insurance	1,409	—	—	—		1,409	711	—		2,120
	<u>9,354</u>	<u>2,716</u>	<u>—</u>	<u>—</u>		<u>12,070</u>	<u>3,970</u>	<u>—</u>		<u>16,040</u>
Net investment income	4,120	828	—	(62)	3(c)(i)	4,886	2,008	(53)	2(f)	6,841
Fee income	3,215	83	155	(67)	3(c)(ii)	3,386	274	—		3,660
	<u>16,689</u>	<u>3,627</u>	<u>155</u>	<u>(129)</u>		<u>20,342</u>	<u>6,252</u>	<u>(53)</u>		<u>26,541</u>
Policy Benefits and Expenses										
Payments to policyholders, beneficiaries and depositors:										
Maturities and surrenders	2,604	3,098	—	—		5,702	891	—		6,593
Annuity payments	952	—	—	—		952	591	—		1,543
Death and disability benefits	1,197	7	—	—		1,204	969	—		2,173
Health benefits	1,091	—	—	—		1,091	626	—		1,717
Policyholder dividends and interest on claims and deposits	960	—	—	—		960	486	—		1,446
	<u>6,804</u>	<u>3,105</u>	<u>—</u>	<u>—</u>		<u>9,909</u>	<u>3,563</u>	<u>—</u>		<u>13,472</u>
Net transfers to segregated funds	2,606	207	—	—		2,813	24	—		2,837
Increase in actuarial liabilities	1,660	136	—	—		1,796	958	—		2,754
Commissions	1,577	220	121	(67)	3(c)(ii)	1,851	362	—		2,213
Operating expenses	2,511	123	41	—		2,675	636	26	2(g)	3,337
Premium taxes	113	—	—	—		113	71	—		184
Interest expenses	168	—	—	—		168	58	—		226
	<u>15,439</u>	<u>3,791</u>	<u>162</u>	<u>(67)</u>		<u>19,325</u>	<u>5,672</u>	<u>26</u>		<u>25,023</u>
Operating Income (Loss) before Income Taxes and Non-Controlling Interests										
	1,250	(164)	(7)	(62)		1,017	580	(79)		1,518
Income taxes	301	(58)	(3)	(26)	3(c)(iii)	214	161	(33)	2(h)	342
Non-controlling interests in net income of subsidiaries	68	—	—	32	3(c)(iv)	100	—	10	2(d)	110
Total Net Income (Loss)	<u>881</u>	<u>(106)</u>	<u>(4)</u>	<u>(68)</u>		<u>703</u>	<u>419</u>	<u>(56)</u>		<u>1,066</u>
Less:										
Participating policyholders' net income (loss)	(1)	—	—	—		(1)	(5)	—		(6)
Dividends on preferred shares	—	—	—	—		—	10	(10)	2(d)	—
Common Shareholders' Net Income (Loss)	<u>882</u>	<u>(106)</u>	<u>(4)</u>	<u>(68)</u>		<u>704</u>	<u>414</u>	<u>(46)</u>		<u>1,072</u>
Basic Earnings per Common Share	2.08					1.63				1.74
Weighted average number of common shares outstanding (in millions)	423.6			8.3	4(b)	431.9		185.6	4(b)	617.5

SUN LIFE FINANCIAL SERVICES OF CANADA INC.
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The unaudited pro forma consolidated financial statements (the “Statements”) give effect to (i) the acquisition of Clarica Life Insurance Company (“Clarica”) by Sun Life Financial Services of Canada Inc. (“SLF Inc.”) on May 29, 2002 (the “Clarica acquisition”), and (ii) the acquisition by its subsidiary Sun Life Assurance Company of Canada (“Sun Life Assurance”) on October 31, 2001 of Keyport Life Insurance Company (“Keyport”) and Independent Financial Marketing Group, Inc. (“IFMG”) (the “Keyport/IFMG” acquisition). The unaudited pro forma consolidated balance sheet as at March 31, 2002 gives effect to the Clarica acquisition as if it had occurred as of that date. The unaudited pro forma consolidated statements of operations for the three months ended March 31, 2002 and for the year ended December 31, 2001 give effect to both the Clarica and Keyport/IFMG acquisitions as if they had occurred as of January 1, 2001.

The Statements have been prepared by management in accordance with Canadian generally accepted accounting principles including the accounting requirements of the Office of the Superintendent of Financial Institutions (Canada), and are based on the following information:

- (a) Unaudited interim consolidated financial statements of SLF Inc. for the three months ended March 31, 2002;
- (b) Audited consolidated financial statements of SLF Inc. for the year ended December 31, 2001;
- (c) Unaudited interim consolidated financial statements of Clarica for the three months ended March 31, 2002;
- (d) Audited consolidated financial statements of Clarica for the year ended December 31, 2001;
- (e) Unaudited consolidated statement of operations of Keyport for the ten months ended October 31, 2001; and
- (f) Such other supplementary information as was considered necessary to reflect both the Clarica and Keyport/IFMG acquisitions in the Statements.

The Statements do not include the anticipated financial benefits that include cost savings arising from the Clarica acquisition nor do the Statements include the portion of restructuring and integration costs to be incurred by SLF Inc. Certain elements of Clarica’s consolidated financial statements have been reclassified to conform to the presentation used by SLF Inc.

The Statements are not necessarily indicative of the results of operations or the financial position that would have resulted had both the Clarica and Keyport/IFMG acquisitions been effected on the dates indicated or the results that may be obtained in the future. The Statements should be read in conjunction with the description of the Clarica and Keyport/IFMG acquisitions and the financial statements of SLF Inc. and Clarica incorporated by reference in this prospectus.

2. THE ACQUISITION OF CLARICA

- (a) On May 29, 2002, SLF Inc. acquired all of the outstanding common shares of Clarica that are not beneficially owned by SLF Inc. or its subsidiaries (together, “Sun Life Financial”) as general fund assets. Based on an exchange ratio of 1.5135 SLF Inc. common shares per Clarica common share, SLF Inc. issued approximately 185.6 million common shares at an ascribed price of \$33.88 per share, representing a value of approximately \$6,288 million. The Statements are based on the following information:
 - (i) All of the outstanding Clarica stock options of approximately 3.1 million prior to May 29, 2002 have been exchanged for SLF Inc. stock options under the terms of the Clarica acquisition agreement. The total fair value of the outstanding Clarica stock options is estimated to be \$50 million, and is deemed as part of SLF Inc.’s total purchase cost for Clarica;
 - (ii) Sun Life Financial owns approximately 11.7 million common shares of Clarica acquired prior to the closing of the Clarica acquisition at a total cost of approximately \$525 million;
 - (iii) Transaction costs incurred by SLF Inc. are approximately \$59 million, after income taxes, and are included in the purchase consideration for Clarica;
 - (iv) Excluding the Clarica common shares that are already owned by Sun Life Financial, the total number of outstanding Clarica common shares is approximately 122.6 million as at March 31, 2002. All of these shares have been acquired by SLF Inc. under the terms of the Clarica acquisition agreement; and
 - (v) For the purpose of purchase consideration, the ascribed price for the SLF Inc. common shares issued is \$33.88 which represents the 5-day volume-weighted average closing price of SLF Inc. common shares for the period between two days prior to and two days after the announcement of the Clarica acquisition on December 17, 2001.
- (b) For the purposes of the Statements, the Clarica acquisition is accounted for using the recently adopted accounting standards for business combinations which are applicable to transactions completed after June 30, 2001 — see Note 5. In accordance with these

SUN LIFE FINANCIAL SERVICES OF CANADA INC.
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

2. THE ACQUISITION OF CLARICA (Continued)

standards, goodwill arising from the Clarica acquisition is not amortized in the unaudited pro forma consolidated statements of operations.

The total purchase cost is allocated to balance sheet assets (including identifiable intangible assets arising from the purchase) and liabilities acquired based on their estimated fair value as at March 31, 2002. Certain fair value adjustments to the Clarica balance sheet in connection with the Clarica acquisition are described in Notes 2(b)(i) to (viii). The excess of the total purchase cost over the estimated fair value of the net assets acquired, together with capitalized costs, is allocated to goodwill.

	(in millions of Canadian dollars)
Purchase consideration	
Issuance of Sun Life common shares	\$6,288
Fair value of outstanding Clarica stock options	50
Cost of Clarica common shares already beneficially owned by Sun Life Financial	525
Estimated transaction costs, net of income taxes	59
Total purchase cost	<u>6,922</u>
Net balance sheet assets acquired	
Carrying value of net balance sheet assets prior to the Clarica acquisition	3,129
Estimated fair value adjustments	<u>226</u>
Estimated fair value of net balance sheet assets acquired	3,355
Less capital costs — Note 2(c)	<u>189</u>
Goodwill	<u>\$3,756</u>

The fair value of Clarica's invested assets and policy liabilities as at March 31, 2002 was primarily determined based on Clarica's existing accounting and actuarial policies and practices. To conform with the approach of SLF Inc., certain of the reinsurance operations of Clarica are being discontinued. Furthermore, there are certain differences between the accounting and actuarial policies and practices of Clarica and SLF Inc. The effect of conforming all of these differences has not been reflected in the fair valuation of Clarica's assets and liabilities used for preparation of the Statements. The financial impact, on a pre-tax basis, is approximately \$270 million for discontinuing certain reinsurance operations and is up to \$200 million for the other accounting and actuarial differences.

- (i) Fair value adjustments to Clarica's invested assets reflect the difference between estimated fair value and carrying value of its investment portfolios, including an increase of \$539 million in bond investments, \$351 million in mortgage investments and \$137 million in real estate investments, as well as a reduction of \$98 million in stock investments.

These fair value adjustments amount to \$929 million in total, of which \$845 million represents adjustments to Clarica's invested assets backing actuarial liabilities. As a result, Clarica's actuarial liabilities have been increased by the corresponding amount.

- (ii) Clarica uses derivative instruments for asset/liability management purposes. The estimated net fair value of these instruments amounts to \$26 million.
- (iii) Fair valuation of assets also includes the elimination of Clarica's existing goodwill of \$393 million and the recognition of certain intangible assets arising from the Clarica acquisition, such as Clarica's brand name, distribution network, licensing agreements and contractual rights, totalling approximately \$625 million. Of the total intangible assets, approximately \$525 million has been identified as the value of intangible assets that have finite lives and will be amortized over their estimated useful lives.
- (iv) As part of fair value adjustments, Clarica's deferred net realized gains with a carrying value of \$1,213 million have been eliminated. Actuarial liabilities have accordingly been increased by \$957 million to reflect the estimated portion of the gains attributable to policyholder liabilities. The remaining \$256 million deferred net realized gains are attributable to shareholders.
- (v) Estimated fair value of the liability for Clarica's employee future benefit plans is \$30 million above their carrying value.
- (vi) Fair value of Clarica's subordinated debt is \$1 million below its carrying value.
- (vii) Fair value of Clarica's preferred shares is \$10 million above their carrying value.

SUN LIFE FINANCIAL SERVICES OF CANADA INC.
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

2. THE ACQUISITION OF CLARICA (Continued)

- (viii) Other liabilities have also been increased by \$333 million to reflect net income tax effects on the fair value adjustments to Clarica's balance sheet assets and liabilities as described above.
- (c) As a result of the acquisition, Clarica will incur estimated costs of \$189 million, after income taxes, comprised of estimated integration costs of \$133 million and transaction costs of \$56 million. These costs will be capitalized as part of Clarica's liabilities acquired. The estimated transaction costs of \$59 million, after income taxes, incurred by SLF Inc. are included in the purchase cost — see Note 2(a)(iii) and Note 2(b).

Sun Life Financial will incur estimated integration costs of \$234 million, after income taxes, including recommissioning costs arising from the re-alignment of its and Clarica's respective Canadian retail distribution channels. These costs will be recorded in SLF Inc.'s consolidated statement of operations following the completion of the Clarica acquisition. The impact of these charges is excluded in the Statements.
- (d) Clarica's preferred shares effectively become an issue of a subsidiary of SLF Inc. following the Clarica acquisition. Accordingly, Clarica's preferred shares and dividends have been reclassified to non-controlling interests.
- (e) The shareholders' equity of Clarica has been eliminated to reflect the effect of its acquisition.

The unaudited pro forma consolidated statements of operations for the three months ended March 31, 2002 and for the year ended December 31, 2001 incorporate the following adjustments:

- (f) Represents the elimination of amortization of net unrealized gains and deferred net realized gains attributable to shareholders as a result of fair value adjustments to assets and liabilities in connection with the Clarica acquisition — see Note 2(b)(i) and Note 2(b)(iv).
- (g) Represents the amortization of identifiable intangible assets arising from the Clarica acquisition — see Note 2(b)(iii) and Note 5.
- (h) Represents the income tax effects of the above adjustments to the statements of operations.

3. THE ACQUISITION OF KEYPORT AND IFMG

- (a) The acquisition of Keyport and IFMG by Sun Life Assurance was completed on October 31, 2001. The purchase price which was paid in cash, together with financing fees and expenses, amounted to approximately \$2,766 million, and was funded by:
 - (i) \$1,486 million from Sun Life Assurance's cash resources;
 - (ii) \$950 million gross proceeds by the issue of Sun Life Exchangeable Capital Securities — Series A ("SLEECs — Series A") on October 19, 2001 which qualifies as Tier 1 regulatory capital of SLF Inc. and Sun Life Assurance; and
 - (iii) \$330 million gross proceeds from the issuance of 11 million SLF Inc. common shares on October 4, 2001 at an offering price of \$30.00 per share.
- (b) The statements of operations for Keyport and IFMG are for the ten months ended October 31, 2001. Both Keyport and IFMG, following their acquisition effective after close of business on October 31, 2001, have been reflected in SLF Inc.'s consolidated statement of operations.
- (c) The unaudited pro forma consolidated statement of operations for the year ended December 31, 2001 incorporates the following adjustments. These adjustments are for the ten months ended October 31, 2001, prior to the closing of the Keyport/IFMG acquisition.
 - (i) Represents the foregone investment income on the funds of \$1,486 million from Sun Life Assurance's cash resources — see Note 3(a)(i). The assumed interest rate on the cash funds is 5% per annum, based on the average yield earned on Sun Life Assurance's cash and short term securities in 2001.
 - (ii) Represents the elimination of inter-company transactions between Keyport and IFMG.
 - (iii) Represents the tax effects of the above adjustments to the statement of operations.
 - (iv) Represents the distributions on the SLEECs — Series A, net of income taxes, at an indicated yield of 6.865% per annum — see Note 3(a)(ii).

SUN LIFE FINANCIAL SERVICES OF CANADA INC.
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

4. EARNINGS PER SHARE

Pro forma earnings per share for the three months ended March 31, 2002 and for the year ended December 31, 2001 have been calculated based on the estimated weighted average number of common shares on a pro forma basis, as described below.

- (a) The weighted average number of common shares of SLF Inc. is 431.7 million for the three months ended March 31, 2002. After giving effect to the issuance of 185.6 million SLF Inc. common shares for the Clarica acquisition as described in Note 2(a), the pro forma weighted average number of common shares for the three months ended March 31, 2002 is 617.3 million.
- (b) The weighted average number of common shares of SLF Inc. is 423.6 million for the year ended December 31, 2001. After giving effect to the issuance of SLF Inc. common shares of both 185.6 million for the Clarica acquisition as described in Note 2(a) and 11 million, or 8.3 million on a weighted average basis, for the Keyport/IFMG acquisition as described in Note 3(a)(iii), the pro forma weighted average number of common shares for the year ended December 31, 2001 is 617.5 million.

5. GOODWILL AND OTHER INTANGIBLE ASSETS

On August 1, 2001, The Canadian Institute of Chartered Accountants (“CICA”) issued Handbook Section 1581, “Business Combinations”, and Section 3062, “Goodwill and Other Intangible Assets”. These standards are generally consistent with the provisions of the recently published U.S. Financial Accounting Standards Board Statements 141 and 142.

Section 1581 defines the method of accounting to be applied to all business combinations completed after June 30, 2001. Goodwill and certain intangible assets must be separately identified and recorded in the acquisition balance sheet.

Section 3062 provides guidelines with respect to accounting treatment of goodwill and intangible assets. Goodwill and indefinite term intangible assets are not required to be amortized, while other identified intangible assets should be amortized over the estimated useful life of the asset. On an annual basis, or when there is reason to suspect that their values have been diminished or impaired, these assets must be tested for impairment, and corresponding adjustments may be required.

CERTIFICATE OF THE TRUST

Dated: June 18, 2002

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus, as supplemented by the documents incorporated herein by reference, does not contain any misrepresentation that is likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

SUN LIFE CAPITAL TRUST
by its Administrative Agent
SUN LIFE ASSURANCE COMPANY OF CANADA

By: (Signed) PAUL W. DERKSEN
Executive Vice-President and
Chief Financial Officer

By: (Signed) THOMAS CLULOW
Vice-President
Capital Finance

CERTIFICATE OF SUN LIFE ASSURANCE COMPANY OF CANADA

Dated: June 18, 2002

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus, as supplemented by the documents incorporated herein by reference, does not contain any misrepresentation that is likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

(Signed) DONALD A. STEWART
Chairman of the Board and Chief
Executive Officer

(Signed) PAUL W. DERKSEN
Executive Vice-President and
Chief Financial Officer

On behalf of the Board of Directors

(Signed) DONALD S. MACDONALD
Director

(Signed) JAMES C. BAILLIE
Director

CERTIFICATE OF SUN LIFE FINANCIAL SERVICES OF CANADA INC.

Dated: June 18, 2002

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus, as supplemented by the documents incorporated herein by reference, does not contain any misrepresentation that is likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

(Signed) DONALD A. STEWART
Chairman of the Board and Chief
Executive Officer

(Signed) PAUL W. DERKSEN
Executive Vice-President and
Chief Financial Officer

On behalf of the Board of Directors

(Signed) DONALD S. MACDONALD
Director

(Signed) JAMES C. BAILLIE
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: June 18, 2002

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. To the best of our knowledge, information and belief, this prospectus, as supplemented by the documents incorporated herein by reference, does not contain any misrepresentation that is likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

RBC DOMINION SECURITIES INC.

MERRILL LYNCH CANADA INC.

By: (Signed) BARRY NOWOSELSKI

By: (Signed) M. MARIANNE HARRIS

BMO NESBITT
BURNS INC.

CIBC WORLD
MARKETS INC.

SCOTIA CAPITAL INC.

TD SECURITIES INC.

By: (Signed)
THOMAS E. FLYNN

By: (Signed)
DONALD A. FOX

By: (Signed)
DARCY DOHERTY

By: (Signed)
J. DAVID BEATTIE

HSBC SECURITIES (CANADA) INC.

NATIONAL BANK FINANCIAL INC.

By: (Signed) STEPHEN HINDMARCH

By: (Signed) IAN MCPHERSON

The following includes the name of every person or company having an interest, directly or indirectly, to the extent of not less than five per cent in the capital of:

RBC DOMINION SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank.

MERRILL LYNCH CANADA INC.: an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc.

BMO NESBITT BURNS INC.: a wholly-owned subsidiary of BMO Nesbitt Burns Corporation Limited, an indirect majority-owned subsidiary of a Canadian chartered bank.

CIBC WORLD MARKETS INC.: a wholly-owned subsidiary of a Canadian chartered bank.

SCOTIA CAPITAL INC.: an indirect wholly-owned subsidiary of a Canadian chartered bank.

TD SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank.

HSBC SECURITIES (CANADA) INC.: a wholly-owned subsidiary of a Canadian chartered bank.

NATIONAL BANK FINANCIAL INC.: an indirect wholly-owned subsidiary of a Canadian chartered bank.

Sun 
Life Financial
SUN LIFE CAPITAL TRUST™