

Appendix B

Summary of Changes to the 2010 Proposal

This appendix describes the key changes we made to the 2010 Proposal. Many of the amendments outlined below were made in response to comments about duplicative disclosure requirements in the Form. In particular, we revised the Form to more clearly focus Part B on requiring general information about scholarship plans and disclosure applicable to the scholarship plans distributed under the prospectus, and Part C on requiring disclosure that is specific to a scholarship plan, as contemplated by the overall structuring of the Form into separate parts.

Some scholarship plan issuers also commented that certain disclosure items included in the 2010 Proposal would result in lengthy disclosures in their prospectuses without corresponding benefits for investors. We have reviewed these items and where appropriate, we have replaced them with new items aimed at simplifying the disclosure required in the 2010 Proposal.

Proposed amendments to the Rule and new Proposed CP Amendments

Section 3A.3(3) of the Rule

- We removed the requirement in section 3A.3(3)(f) of the Rule for the Plan Summary to be written at a grade level of 6.0 or less on the Flesch-Kincaid grade level scale. However, the Rule still requires the Plan Summary to be prepared using plain language and in a format that assists in readability and comprehension. We are proposing additional guidance in Companion Policy 41-101CP *Companion Policy to National Instrument 41-101 General Prospectus Requirements* about the use of tools to assess readability, similar to the guidance with respect to the Fund Facts document for conventional mutual funds in Companion Policy 81-101CP to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*.
- We increased the page limit for the Plan Summary in section 3A.3(3)(g) from three pages to four pages.

New section 3A.5 of the Rule

- We added a requirement for scholarship plans to deliver a scholarship plan prospectus and any documents incorporated by reference in the prospectus free of charge upon request, within three business days of receipt of the request. This is similar to the requirement applicable to documents incorporated by reference by mutual funds in National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (NI 81-101).

Proposed amendments to the Form

New General Instruction to the Form

- We added new General Instruction (10) to clarify that if prescribed wording in the Form is not applicable, a scholarship plan may modify the wording to reflect its features. For example, if the wording applies only to a group plan and is not accurate for an individual or a family plan, the wording may be modified as necessary to make it accurate for the individual or family plan.

Part A – Plan Summary for a Scholarship Plan

Item 1.3 – *Plan Summary for a [insert type of scholarship plan or name] Scholarship Plan* (now Items 1-11 of Part A)

- We revised elements of the prescribed wording in Item 1.3(8) (now Item 8(1)) to make it more commensurate with the risks.

- We replaced the requirement to disclose the “drop-out rate” in Item 1.3(9) with new Item 8(2). Item 1.3(9) required a group scholarship plan to present the average “drop-out rate” for all subscribers in the group scholarship plan over the past 10 years. It would have been used to determine the percentage of subscribers who would have left the plan within the typical length of an investment in the scholarship plan.

Instead of a “drop-out rate”, we introduced a requirement to present the average percentage of plans that did not reach maturity at the maturity date, based on the maturity rate of the beneficiary groups that reached maturity in the five most recent years. We think that this measure is more easily determined because it would simply require a group scholarship plan to determine the “non-matured rate” on the date of maturity for each of the five most recent beneficiary groups to have reached maturity. We think that this information will give investors an indication of the proportion of plans that did not succeed in reaching maturity at the maturity date.

- We removed the requirement in Item 1.3(10) to disclose the percentage of plans where beneficiaries did not collect all of their EAPs.
- We amended the table in Item 1.3(11) (now Item 9) to permit the presentation of the costs of insurance coverage if subscribers are required to pay insurance premiums from the amount they invest in a scholarship plan.
- We removed the requirement in Item 1.3(11) to disclose the dollar amount of fees that would have been borne by a specified amount invested in the scholarship plan.
- We added prescribed wording in Item 1.3(12) (now Item 10) to inform investors that investments in scholarship plans are not covered by the Canada Deposit Insurance Corporation or any other government issuer, similar to the disclosure required of mutual funds under NI 81-101.

Part B – General Disclosure

Item 6.1 – Common Features of the Plans and new Item 5.3 – List of Scholarship Plans Offered

- We eliminated the table in Item 6.1 that required the disclosure of the key features of each of the plans offered under a multiple prospectus because the specific details of each plan will be provided in Part C.
- We replaced the table required in Item 6.1 with a requirement in new Item 5.3 to state that there are differences in certain key features of scholarship plans managed by the investment fund manager (e.g. enrolment criteria and contribution requirements).

New Item 6.1 – Overview of Scholarship Plan Life Cycle

- We introduced a requirement to provide a description of the key stages in the life cycle of the scholarship plan(s) offered under the prospectus, starting from enrolment to the payout of EAPs. The description must be no more than one page in length.

New Item 6.4 – Grants

- We replaced Item 13.1(3) with this new Item to permit the disclosure of specified information about government grants. This information must be no more than two pages in length.
- We removed the requirement to provide information about government grants in the form of a table, although a scholarship plan may use a table to present this information if it wants to do so.

New Item 6.6 – Additional Services

- We modified Item 11 (now new Item 6.6) to require disclosure of additional services available in connection with an investment in a scholarship plan, such as insurance coverage for contributions.

New Item 6.7 – Fees and Expenses

- We added prescribed wording to provide general information about the fees and expenses associated with subscribing to a scholarship plan.

New Item 7 – Scholarship Plans with Same Investment Objectives (Multiple Prospectus), Item 8 – Scholarship Plans with Same Investment Strategies (Multiple Prospectus) and Item 9 – Scholarship Plans with Same Investment Restrictions (Multiple Prospectus)

- To reduce duplicative disclosure, we added items to permit scholarship plans that have the same investment objectives, investment strategies and investment restrictions to disclose this information in Part B of a multiple prospectus. Scholarship plans that do not have the same investment objectives, investment strategies and investment restrictions must continue to disclose this information in Part C.
- We clarified that disclosure relating to guarantees in the investment objectives of a scholarship plan is only applicable if the investment objectives of the scholarship plan include a guarantee of all or some of the principal amount of investments made by a subscriber.

Item 9.2 – Subscriber

- We deleted the table setting out a list of decisions subscribers are required to make at the time of enrolment.

Item 12 – Risks (now Item 10 – Risks of Investing in a Scholarship Plan)

- We revised Item 12 (now Item 10) to permit the presentation of investment risks applicable to more than one scholarship plan in Part B. Since we expect that scholarship plans offered under a multiple prospectus that have the same investment objectives, investment strategies and investment restrictions will have the same investment risks, we expect that this revision will result in all investment risks being disclosed in Part B and thereby avoid duplicative risk disclosure in Part C. Scholarship plans that do not have all the same investment risks are required to disclose investment risks they have in common in Part B and to disclose investment risks specific to the plan in Part C, with cross-references to the common investment risks in Part B. This is similar to the format for risk disclosure in a multiple simplified prospectus for mutual funds under NI 81-101.
- We added prescribed wording to remind investors that investments in a scholarship plan are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.
- The requirement to disclose plan risks arising from the structure, terms and rules of the scholarship plan was moved to Part C because we expect these risks to differ by type of plan.

Item 13.1 – Making Contributions

- We eliminated the requirement to describe available purchase options. Instead, the methods for making contributions are now only required to be described in Item 12 – *Contributions* in Part C.

Item 15 – Changes

- We deleted the requirement to disclose how to make changes. This disclosure is now required only in Part C.

Item 16 – *Withdrawals*

- We deleted the requirement to disclose how to withdraw contributions and the consequences of withdrawals. This disclosure is now required only in Part C.

Item 17 – *Transfers*

- We deleted the requirement to disclose how to transfer a plan and the consequences of each type of transfer because the consequences of each transfer differ by type of plan. This disclosure is now required only in Part C.

Item 18 – *Cancellations*

- We deleted the requirement to disclose how a subscriber may cancel a plan and the circumstances under which a plan may be cancelled by the investment fund manager, as well as the consequences of a cancellation because the consequences of a cancellation differ by type of plan. This disclosure is now required only in Part C.

Item 19 – *Income Tax Considerations* (now Item 11 – *Income Tax Considerations*)

- We added requirements to disclose the income tax treatment of other payments that are made or received by subscribers, including a return of contributions at the maturity date, a withdrawal of contributions before the maturity date, a refund of sales charges or other fees, an additional contribution made to cure defaults under a scholarship plan, and a contribution beyond the limit set by the *Income Tax Act* (Canada).

New Item 12 – *Organization and Management Details of the Scholarship Plan*

- We moved the organization and management details table in Item 2.1 of Part D to this new Item in Part B. We think that this key information, which is common to all scholarship plans in a multiple prospectus, should be disclosed earlier in the prospectus. The disclosure format is similar to the disclosure of fund organization and management details required for mutual funds under NI 81-101. More detailed information about the organization of the scholarship plan will still be provided in Part D of the Form.

Part C — Plan-Specific Information

Item 3 – *General Information*

- We deleted this Item because general information applicable to all scholarship plans is expected to be disclosed in Part B, rather than Part C.

Item 5 – Cohort Description (now Item 5 - *Beneficiary Group*)

- We clarified this Item by specifying that it is only applicable for group scholarship plans and requiring specific disclosure about the significance of belonging to a beneficiary group.

Item 6 – *Eligibility and Suitability* (Now Item 4.1 – *Eligibility and Suitability*)

- We modified the disclosure requirement about the suitability of an investment in a scholarship plan to align with the suitability disclosure requirement in Item 4 of Part A.

Item 7 – *Summary of Eligible Studies* (now Item 6 – *Eligible Studies*)

- We modified the disclosure requirement for studies that qualify for educational assistance payments (EAPs) under a scholarship plan. Instead of a prescribed table setting out specific types of institutions and programs, scholarship plans are now only required to describe the types of programs that are and are not eligible for EAPs, based on characteristics such as the type of educational institutions offering the programs, the length of the programs and the location of the educational institutions.
- Scholarship plans are now required to disclose if they have more restrictions on the types of educational programs that qualify for EAPs than the restrictions imposed under the *Income Tax Act* (Canada), and to make investors aware that programs that may not qualify for EAPs under the scholarship plan's rules may qualify under another type of plan, such as an individual or family plan. This disclosure simplifies the requirement in Item 17.2(3) to disclose differences between the eligibility criteria for receiving EAPs under the scholarship plan and the eligibility criteria for receiving payments of government grants.

Item 8 – *Deadlines*

- We eliminated the table with deadlines for taking actions or making decisions relating to the scholarship plan investment. The deadlines that were in the table are now incorporated into the items in the Form that describe the matters relating to the deadlines.

Item 12.2 – *Plan Risks* (now Item 10.1 – *Plan Risks*)

- We modified the disclosure of plan risks by deleting elements relating to losses that may arise from a subscriber or beneficiary failing to meet the requirements specified in their contract. The plan risk disclosure requirements now focus on disclosure of risks that may arise from the structure or funding mechanisms of the scholarship plan that could affect the payouts from the plan.

Item 13 – *Making Contributions* (now Item 12 – *Contributions*)

- We clarified the disclosure required under the sub-heading “What is a unit?” in Item 13.1(3) (now Item 12.1(2)). Scholarship plans that use units no longer have to compare the value of their units to the units of other scholarship plans. Instead, they are required to explain the purpose of using units and the factors on which the value of a unit is based.
- We removed the table in Item 13.1(5), which required the presentation of the amounts that would need to be contributed to purchase a unit for a beneficiary using the lump sum and monthly payment options. Instead, scholarship plans that have a contribution schedule are required to use a prescribed table to show the amounts that have to be contributed to pay for a unit under each available contribution option, for each age of the beneficiaries who may join the plan.
- We replaced the requirement in Item 13.1(6)(a) to disclose the price per unit less sales charges, fees and any insurance with a cross-reference to the fees payable by subscribers now required under Item 14.2.
- We replaced the requirement to state whether the contribution schedule has been certified by an actuary with a requirement to disclose the entities that prepared the contribution table and the date the contribution schedule was prepared.
- We introduced a new requirement to provide two examples to assist investors in understanding how to read the contribution schedule.

Item 14 – *Fees* (now Item 14 – *Fees and Expenses*)

- We removed the requirement in Item 14.1(3) to disclose the allocation of the sales charge between the sales representative, the dealer and other parties.

- We simplified the disclosure regarding how fees affect contributions by replacing the table in Item 14.2 with a sidebar in the margin to the left of the table of fees and expenses deducted from contributions. Instead of discussing the impact of fees deducted from contributions on a year-by-year basis for three amounts invested, the sidebar presents one example of how long it would take to pay off sales charges deducted from contributions. The example is also intended to show the impact of a higher rate of fees deducted from earlier contributions.
- We removed the requirement in Item 14.4 to disclose the share of ongoing plan expenses for an annual investment of \$2,500.
- We added a new table to present the fees charged for additional services (such as insurance coverage for contributions) described in Part B.

Item 15.1 — Refund of Sales Charges and Other Fees (now Item 14.6 - Refund of Sales Charges and Other Fees)

- We revised the disclosure requirements for refunds of sales charges and other fees to more closely align with the disclosure for discretionary payments, now found in Item 21.

Item 16 – Changes (now Item 15 – Making Changes to a Subscriber’s Plan)

- We deleted the requirement to describe the circumstances that may prompt a subscriber to make each change set out in this Item. We also clarified that disclosure of the losses that may be incurred by the subscriber or the beneficiary if a change is made must include a description of any loss of earnings, grants, grant contribution room, amounts paid for sales charges and fees or loss of any other amount by the subscriber or beneficiary.

New Item 16 – Transfer of Scholarship Plan

- We grouped the former Items 16.6 to 16.9 under this new Item. We deleted the requirement to describe the circumstances that may prompt a subscriber to effect each type of transfer set out in this Item. We also clarified that disclosure of the losses that may be incurred by the subscriber or the beneficiary if a transfer is made must include a description of any loss of earnings, grants, grant contribution room, amounts paid for sales charges and fees or loss of any other amount by the subscriber or beneficiary.

New Item 17 – Default, Withdrawal or Cancellation

- This new Item groups what was previously Item 18 – *Cancellations* in Part B, Item 20 – *Cancellations and Re-registration of a Plan* in Part C and Item 21 – *Specific Plan Risks Attributable to/Resulting from Subscriber and Beneficiary Actions in Failing to Meet the Terms of the Plan* in Part C. Scholarship plans are now required to disclose how plan cancellations may be effected and the defaults that lead to plan cancellation, as well as the losses that may result from a cancellation, under one heading in Part C.

New Item 18 – Plan Maturity

- We introduced Item 18 to require scholarship plans to describe the treatment of accumulated investments at plan maturity.
- We moved the requirement in Item 17.2(4) to disclose the options for subscribers whose beneficiaries do not enrol in studies that qualify for EAPs when the plan reaches maturity to this Item.

Item 17.2 – Payments to Beneficiaries (now Item 19.2 – Payments to Beneficiaries)

- This item has been revised as follows:

- we modified the requirement in Item 17.2(3) to disclose differences between the eligibility criteria for receiving EAPs under the scholarship plan and for receiving payments of government grants. Scholarship plans are now simply required to state if they have more restrictions on the types of educational programs that qualify for EAPs than the restrictions imposed under the *Income Tax Act* (Canada) (see “Item 7 – *Summary of Eligible Studies* (now Item 6 – *Summary of Eligible Studies*”) above);
- because recent EAP collection information is required to be presented in Item 22, we eliminated the requirement in Item 17.2(5) to disclose the percentage of plans for which beneficiaries did not collect some or all of their EAPs;
- we reorganized the disclosure about EAP payment options. For each EAP payment option offered, scholarship plans are now required to disclose the number of payments, the timing of each payment, the percentage of the maximum EAP payout that may be received at each payment date and the number of years of eligible studies that would qualify for the maximum EAP payout. Scholarship plans are no longer required to use the payment schedule in Item 17.2(9), although they may use a table to present information about their payment options if they want to do so. The revised disclosure is intended to set out the EAP amounts that beneficiaries would receive under each payment option and to clearly convey to investors that beneficiaries may not receive the maximum EAP payout if they do not enrol in a program of sufficient duration;
- we clarified the type of payment option that would constitute an “EAP payment option tailored to reduced programs”; and
- we moved the disclosure required under Item 17.2(8) about the options available for beneficiaries who do not complete their studies so that it appears after the descriptions of EAP payment options and the historical payment amounts.

Item 17.4 – *Historical Payments of EAPs* (now Item 19.4 – *Payments from the EAP Account*)

- We amended Item 17.4(1) (now Item 19.4(2)) in response to comments that income earned on contributions and income from cancelled plans do not comprise 100% of EAPs. This Item now more clearly reflects our intent of providing the breakdown between income earned on contributions and income from cancelled plans in EAP accounts.
- We also revised Item 17.4(2) (now Item 19.4(3)) to clarify that scholarship plans must present the historical per unit amounts paid from the EAP account to each of the five beneficiary groups that most recently reached their year of eligibility.

Item 18 – *Discretionary Payments to Subscribers and Beneficiaries* (now Item 21 – *Discretionary Payments to Beneficiaries*)

- We added prescribed warning language about the discretionary nature of these payments, which is currently found in the prospectuses of scholarship plans.
- We modified the table in Item 18.2(2) to clarify that the amount of historical payments must be presented on a per unit basis for each year of studies for the five beneficiary groups that most recently reached their year of eligibility. This is similar to the presentation of historical payments from the EAP account under proposed Item 19.4(3).

Item 19 – *Payment of Accumulated Income* (now Item 20 – *Accumulated Income Payment*)

- This Item has been moved so that it appears immediately after the disclosure of the options available if a beneficiary does not complete studies that qualify for EAP payments.

Item 22 – *Attrition Disclosure for a [Type of Scholarship Plan or Name] [if applicable]* (now Item 22 – *Attrition*)

- This Item has been modified to apply only to group scholarship plans. We understand that only group scholarship plans use an attrition feature to increase payouts to beneficiaries who are eligible to receive EAPs.

Item 22.2 – *Pre-Maturity Attrition and Payments to Beneficiaries* (now Item 22.2 – *Pre-Maturity Attrition*)

- We simplified the table required in Item 22.2(2) for presenting the income from cancelled units allocated to beneficiary groups which are available for enrolment under the prospectus.
- We removed the statement in Item 22.2(3) about the payment of sales charges out of contributions in the early years of participating in a group scholarship plan. Instead, simplified disclosure conveying this information is now in Item 14.2(2).
- We deleted Item 22.2(4), which required a description of the effects of cancelling or withdrawing from a plan prior to maturity of the scholarship plan, because this disclosure is now required under Item 17 – *Default, Withdrawal or Cancellation*.
- We replaced the requirement in Item 22.2(5) to disclose the “drop-out rate” and the breakdown of the reasons for dropping out of the scholarship plan with a requirement to disclose the percentage of plans that did not reach maturity at the maturity date for each of the beneficiary groups that most recently reached maturity. We are also requiring the average of the rate for these five beneficiary groups to be disclosed. This is the same average “non-matured rate” for the most recent five beneficiary groups to have reached their maturity date now required to be disclosed in the Plan Summary under Item 8(2) of Part A.

Item 22.3 – *Post-Maturity Attrition and Payments to Beneficiaries*

- We simplified the tables under Items 22.3(2) and (3) that present the post-maturity history of a group scholarship plan as follows:
 - the revised tables now only require the presentation of the percentage of beneficiaries who collected the number of EAPs set out in the rows in the table, with no requirement to present the corresponding number of beneficiaries;
 - we deleted the requirement to provide “life to date” data on post-maturity attrition rates; and
 - we deleted the “Deferred and unclaimed plans” row in the tables.

In order to provide the disclosure now required under these tables, scholarship plans will only have to review the EAP collection history at their most recent financial year-end for each of the five beneficiary groups that would have most recently completed their eligible studies and disclose the percentage of beneficiaries who received the maximum number of EAPs and the percentage of beneficiaries who received less than the maximum number of EAPs. A beneficiary who has deferred and not claimed EAPs at the most recent financial year-end of the scholarship plan would be counted as a beneficiary who received zero EAPs.

Item 23 – *Annual Returns* (now Item 11 – *Annual Returns*)

- The annual returns disclosure has been moved so that it appears immediately after the disclosure of the risks of investing in a scholarship plan.

- We revised the annual returns disclosure requirements so that the annual returns disclosed in the prospectus mirror the annual returns presented in the most recently filed annual management report of fund performance of the scholarship plan.
- The requirement to present management expense ratios and trading expense ratios has been deleted because scholarship plans are not required to present them under the continuous disclosure rule for investment funds (see National Instrument 81-106 *Investment Fund Continuous Disclosure*).

Item 24 – *Management Discussion of Fund Performance*

- We deleted this Item in response to comments received.

Part D — Information about the Organization

Item 2.1 – *Organization and Management Details* and new Item 2.3 – *The Foundation*

- We added a requirement to disclose the oversight of the scholarship plan by the foundation, including its mandate and responsibilities.

New Item 2.14 – *Ownership of the Investment Fund Manager and other Service Providers* and new Item 2.15 – *Affiliates of the Investment Fund Manager*

- We added a requirement to disclose ownership interests in, and affiliate relationships between, the investment fund manager and other service providers, similar to the disclosure required in NI 81-101 for mutual funds and in proposed amendments to the Rule for other investment funds.

New Item 5.2 – *Brokerage Arrangements*

- We added a new item to require disclosure of the brokerage arrangements of the scholarship plan. This is similar to the disclosure of such arrangements required of all investment funds under the Rule and NI 81-101.

Item 6.1 – *Remuneration of Directors, Officers and Trustees* (now Item 2.6 – *Remuneration of Directors, Officers, Trustees and Independent Review Committee Members*)

- We removed the requirement to disclose the remuneration paid to employees of the investment fund manager or employees of an affiliated entity in respect of management functions carried out by these individuals.

Item 18.3 – *Legal and Administrative Proceedings* (now Item 8.2 – *Legal and Administrative Proceedings*)

- Given the foundation’s oversight role over the scholarship plan, we added a requirement to include disclosure of any ongoing legal and administrative proceedings to which the foundation is a party.

Item 19 – *Contribution Schedule*

- This Item has been deleted as the contribution schedule for a scholarship plan is now required to be presented in Part C (see “Item 13 – *Making Contributions*” above).

Item 20 – *Certificates* (now Item 9 – *Certificates*)

- We revised the certificates in this Item to conform with the certificates for long form prospectuses filed using Form 41-101F2.