

ANNEX B

**Proposed Amendment to
National Instrument 81-101
Mutual Fund Prospectus Disclosure
and
**Form 81-101F1
*Contents of Simplified Prospectus***
and
**Form 81-101F2
*Contents of Annual Information Form*****

1. *National Instrument 81-101 - Mutual Fund Prospectus Disclosure is amended by this instrument.*
2. *Form 81-101F1 - Contents of a Simplified Prospectus is amended:*
 - (a) *in Item 7 of Part B by:*
 - (i) *replacing “if the mutual fund may hold other mutual funds,” in paragraph (1)(c) with “if the mutual fund may hold securities of other mutual funds,”;*
 - (ii) *replacing subsection (4) with the following:*

“(4) State whether any, and if so what proportion, of the assets of the mutual fund may or will be invested in foreign securities. ”;
 - (iii) *adding the following after subsection (9):*

“(10) If the mutual fund intends to effect short sale transactions under section 2.6.1 of National Instrument 81-102

 - (a) state that the mutual fund may effect short sale transactions; and
 - (b) briefly describe
 - (i) the short selling process, and
 - (ii) how short sale transactions are or will be entered into in conjunction with other strategies and investments of the mutual fund to achieve the mutual fund’s investment objectives. ”;

(b) in Item 9 of Part B by:

(i) replacing subsection (6) with the following:

“(6) If, at any time during the 12 month period immediately preceding the date of the simplified prospectus, more than 10% of the net asset value of a mutual fund was invested in the securities of an issuer, other than a government security or a security issued by a clearing corporation, disclose

(a) the name of the issuer and the securities;

(b) the maximum percentage of the net asset value of the mutual fund that securities of that issuer represented during the 12 month period; and

(c) disclose the risks associated with these matters, including the possible or actual effect of that fact on the liquidity and diversification of the mutual fund, its ability to satisfy redemption requests and on the volatility of the mutual fund.”;

(ii) replacing subsection (7) with the following:

“(7) As applicable, describe the risks associated with the mutual fund entering into

(a) derivative transactions for non-hedging purposes;

(b) securities lending, repurchase or reverse repurchase transactions; and

(c) short sale transactions.”;

(iii) replacing instruction (5) with the following:

“(5) In responding to subsection (6) above, it is necessary to disclose only that at a time during the 12 month period referred to, more than 10% of the net asset value of the mutual fund were invested in the securities of an issuer. Other than the maximum percentage required to be disclosed under paragraph (6)(b), the mutual fund is not required to provide particulars or a summary of any such occurrences.”; **and**

(iv) deleting instruction (6).

3. ***Form 81-101F2 - Contents of Annual Information Form is amended:***

(a) ***in Item 7 by adding the following after subsection (2):***

“ (2.1) Describe how the net asset value of the mutual fund will be made available to the public at no cost. ”;

(b) ***in Item 12 by:***

(i) ***replacing subsection (2) with the following:***

“ (2) If the mutual fund intends to use derivatives or effect short sales, describe the policies and practices of the mutual fund to manage the risks associated with engaging in those types of transactions. ”;

(ii) ***replacing paragraph (3)(a) with the following:***

“ (a) whether there are written policies and procedures in place that set out the objectives and goals for derivatives trading and short selling and the risk management procedures applicable to those transactions; ”; ***and***

(iii) ***replacing paragraph (3)(c) with the following:***

“ (c) whether there are trading limits or other controls on derivative trading or short selling in place and who is responsible for authorizing the trading and placing limits or other controls on the trading; ”.

4. ***This instrument comes into force on ■, 2010.***