

“**Note: 25 June 2010** - Proposed Amendment Instrument for NI 41-101 *General Prospectus Requirements* and Form 41-101F2 *Information Required in an Investment Fund Prospectus* (arising from NI 81-102 and NI 81-106) Refer to Annex C of CSA Notice of Proposed Amendments to National Instrument 81-102 dated 25 Jun 2010”

**Proposed Amendments to National Instrument 41-101 *General Prospectus Requirements* and Form 41-101F2 *Information Required In An Investment Fund Prospectus***

1. ***National Instrument 41-101 – General Prospectus Requirements is amended by this Instrument.***

2. ***The following section is added after section 14.8:***

“ 14.8.1 **Custodian provisions relating to short sales** – (1) For the purposes of subsection (2), “borrowing agent” has the same meaning as in NI 81-102 except that references in that definition to “mutual fund” must be read as references to “investment fund”.

(2) Except where the borrowing agent is the investment fund’s custodian or sub-custodian, if an investment fund deposits portfolio assets with a borrowing agent as security in connection with a short sale transaction, the amount of portfolio assets deposited with the borrowing agent must not, when aggregated with the amount of portfolio assets already held by the borrowing agent as security for outstanding short sale transactions by the investment fund, exceed 10% of the net asset value of the investment fund at the time of deposit.

(3) Every dealer that holds portfolio assets as security in connection with short sale transactions effected by an investment fund in Canada must be a registered dealer in Canada and a member of IIROC.

(4) Every dealer that holds portfolio assets as security in connection with short sale transactions effected by an investment fund outside of Canada must

(a) be a member of a stock exchange and, as a result, subject to a regulatory audit, and

(b) have a net worth, determined from its most recent audited financial statements that have been made public, in excess of the equivalent of \$50 million. ”.

3. ***Form 41-101F2 - Information Required in an Investment Fund Prospectus is amended:***

(a) ***in Item 6.1 by adding the following after subsection (5):***

“ (6) If the investment fund intends to effect short sale transactions

(a) state that the investment 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 investment fund to achieve the investment fund's investment objectives. ”;

***(b) in Item 12.1 by replacing subsection (4) with the following:***

“ (4) As applicable, describe the risks associated with the investment fund entering into

(a) derivative transactions for non-hedging purposes,

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

(c) short sale transactions. ”.

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