



**DISCLOSURE DOCUMENT
BORROWING MONEY TO BUY INVESTMENT FUNDS (LEVERAGING)**

The British Columbia Securities commission requires the delivery of this document to investors who consider borrowing money to buy mutual funds (investment funds) to make investors aware of the risks involved in borrowing to invest.

Mutual funds may be purchased using available cash, or a combination of cash and borrowed money. If you use cash to pay for your fund purchase in full, your percentage gain or loss will equal the percentage increase or decrease in the value of your fund shares. The purchase of mutual funds using borrowed money magnifies the gain or loss on your cash invested. This effect is called leveraging. For example, if \$100,000.00 of funds are purchased and paid for with \$25,000.00 from available cash and \$75,000.00 from borrowings, and the value of the fund shares declines by 10% to \$90,000.00, your equity interest (the difference between the value of your fund shares and the amount borrowed) has declined by 40% i.e. from, \$25,000.00 to \$15,000.00.

It is apparent that leveraging magnifies gains or losses. It is important you know that a leveraged purchase of mutual funds involves greater risk than a purchase using your cash resources only. To what extent leveraged purchase involves undue risk is a determination to be made on an individual case by case basis by each purchaser, and will vary depending on the circumstances of the purchaser and the mutual fund purchased.

It is also important that you be aware of the terms of arrangements made where a loan is secured by mutual funds. The lender may require that the amount outstanding on the loan not fall below an agreed percentage of the market value of the mutual fund shares. Should this occur, the borrower must pay down the loan or sell the shares so as to return the loan to the agreed percentage relationship. In our example above, the lender may require that the loan not exceed 75% of the market value of the shares. On a decline in value of the shares to \$90,000.00, the borrower must reduce the loan to \$67,000.00 (75% of \$90,000.00). if the borrower does not have cash available, they must sell shares at a loss to provide money to reduce the loan.

Money is, of course, also required to pay interest on the loan. Under these circumstances, investors who leverage their investment are advised to have adequate financial resources available both to pay interest, and also to reduce the loan if the borrowing arrangements require such a payment.

CLIENT SIGNATURE: _____

CLIENT SIGNATURE: _____

WITNESS: _____

DATE: _____