

## **SECTION 7 LEVERAGING**

### **Leveraging Trades are Questionable Trades**

Altimum conducts a suitability assessment to verify that the client's KYC information is consistent with the firm's previously issued leveraging policies. The Chief Compliance Officer must approve all leverage requests in advance, and advisors must maintain adequate notes of all conversations with clients that relate to the use of leverage. The Approved Person must also ensure that all plans employing a leverage strategy are recorded as leveraged accounts/trades on the electronic accounting system.

The Chief Compliance Officer shall maintain a record of approved trades in open leveraged accounts by recording such trades as approved on the Questionable Trades Report form.

#### **A. Requests for Leveraging**

It is not Altimum's policy to recommend or encourage leveraging for its clients. However, some clients may request and may obtain leveraging.

Altimum is fully aware of the rules regarding leveraging, and also the risks of leveraging. Altimum shall ensure that the Leveraging Disclosure Document is provided when an Approved Person has recommended purchasing securities by borrowing funds or otherwise becomes aware of a client borrowing monies for the purchase of a security. This disclosure need not be provided to the client if it has already been delivered within the six months prior to such recommendation or awareness.

Before leverage can be recommended, both the Advisor and Altimum Mutuals Inc. are obligated to ensure that such a strategy is suitable for the client. All regulators view leverage as an aggressive approach to investing and mandate that the risks associated with borrowing for investment purposes are clearly disclosed to the client and that the client fully understands both the positive and negative aspects of a leverage strategy. Advisors of leveraging clients must obtain the written approval of the Chief Compliance Officer or their Branch Manager prior to opening the account, and for each leverage transaction prior to execution. This applies to new loans, refinancings of existing loans, and loans transferred in to Altimum. The Chief Compliance Officer shall ensure that the review of the proposed leverage transaction addresses all aspects of suitability, including the client's investment knowledge, the amount being leveraged, debt servicing ability, and the suitability of investments. Altimum reserves the right to decline any leveraged account or transaction if it is deemed by the Chief Compliance Officer to be contrary to the client's best interest. Copies of all documentation must be placed in the client's file and retained for a period of seven years. The Chief Compliance Officer must review such documentation when reviewing leveraged trades.

Analysis of leveraging for suitability begins with the Approved Person. Approved Persons are required to do their own suitability analysis of a proposed leverage transaction and then to submit that analysis to the Chief Executive Officer for consideration and review. The Chief Executive Officer will review the work of the Approved Person and also do another suitability analysis of the proposed leverage transaction before recommending the transaction for approval by the Chief Compliance Officer.

Leveraging approval is to be evidenced by the signature and date of review of the Chief Compliance Officer on the Review and Analysis of Leverage Transaction form as well as on the Leverage Review Worksheet. In addition, it will be customary for the Chief Compliance Officer or the Chief Executive Officer to send an e-mail to the Approved Person indicating approval of the loan or transfer of the account after the Chief Compliance Officer has approved the transaction.

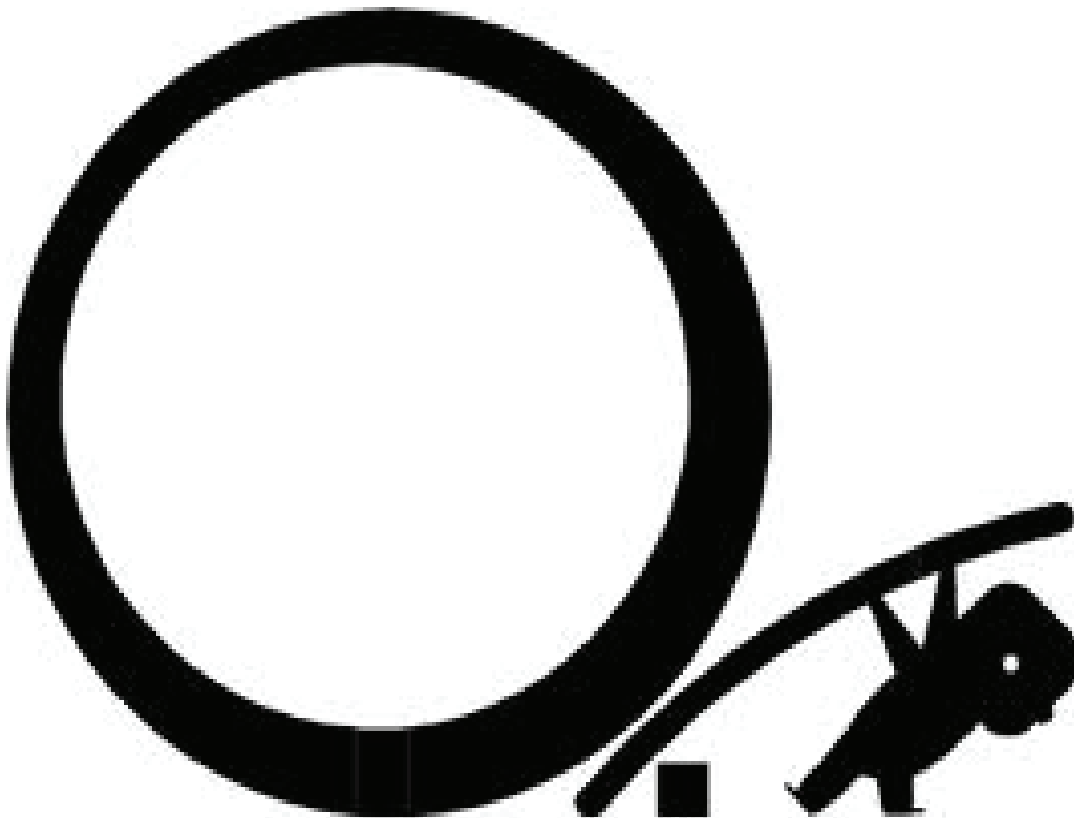
In those instances when leveraging is recommended for its clients, Altimum expects that the Approved Person demonstrate both the pluses and minuses of leverage. Altimum will ensure:

1. The leveraging requested is suitable for the client.
2. All trades in leveraged accounts are suitable, including a detailed examination of the client's debt load.
3. The trade is not processed until funds are received from the client or the client's financial institution.
4. Altimum does not extend credit from its own operating account to settle trades for clients whose loan proceeds have not yet been received, risking Altimum's own capital
5. There are no referral fees involved in leveraged transactions.
6. There are no conflicts of interest.
7. The client's KYC information is updated to reflect the loan.
8. Copies of all leverage documents, including the Leverage Disclosure Document and the Review and Analysis of Leverage Transaction are maintained in the client's file for at least seven years after the loan has been paid off.

Certain mortgage brokers or lending institutions will seek to solicit leverage business by referral from Approved Persons. Altimum is of the opinion that referrals of lending business to lending institutions and mortgage brokers is generally for compensation or some other benefit to the Approved Person and represents an irreconcilable conflict of interest. Therefore Altimum does not permit such referrals or any other arrangements with the lender or lenders whether or not compensation to the Approved Person is involved. Clients must make their own arrangements to borrow money without any involvement from Altimum or its Approved Persons at all.

When determining suitability of the leverage loan for a client, specific consideration will be given to ensure that the client has significant cash flow, good investment knowledge, a high risk tolerance, a growth or aggressive growth investment strategy, a time horizon of seven years or more so as not to incur DSC charges, and the client's net worth in comparison to our Leverage Parameters in that regard, which follow.

The approved Leverage Disclosure Document is reproduced subsequently. It is important to review the Review and Analysis of Leverage Transaction as well, which follows it, because a leverage transaction will not be approved without it. The Review and Analysis of Leverage Transaction form must be completed by the Approved Person recommending the leveraged transaction and submitted to and approved by the Chief Compliance Officer prior to any new leverage transaction taking place. This means that written approval for the leverage transaction from the Chief Compliance Officer is required prior to opening a leverage account and prior to executing any trades in a leverage account.



### Leverage Parameters

It is Altimum's policy that clients who earn less than \$100,000 family income per year and who have a net worth of less than \$200,000 not be permitted to borrow more than 25% of their Net Worth for investment purposes. Beyond these parameters, the maximum is limited to 30% of their Net Worth. Each of these parameters may be further limited by the client's debt service capacity, cash flow, income tax situation, willingness to accept risk, age, pension eligibility, and other suitability factors. Finally, loans must not exceed 50% of the client's Liquid Net Worth, e.g. GIC's and readily marketable investments, not including RRSP's and RRIF's. It is also Altimum's policy that client who consider leverage should show 'moderate' or 'extensive' investment knowledge and experience.

This must be indicated on the KYC form and signed by the client. The KYC must also indicate that their risk tolerance is 'medium-high or 'high', at least with regard to this particular account. In the case of a joint loan, both parties signing the loan must meet these parameters and two separate KYC forms must be on file.

Mandatory financial information must be attached when the Chief Compliance Officer is asked to consider a client for leverage. The minimum financial information that will be required will be a statement from the client detailing all assets, liabilities and income, or a copy of the loan application.

For all new loans in excess of \$250,000 documentation must be submitted to substantiate a client's assets and income. These would include account statements, and a CCRA Notice of Assessment. The Chief Compliance Officer may request such documentation on all new or refinanced loans of any amount.

In situations where there are inconsistencies in the information provided, the suitability assessment will be based on the more stringent of the information.

#### *Guarantors*

In cases where a loan is being guaranteed, mandatory financial information must be submitted for the guarantor as well. The guarantor must also sign the Leverage Risk Disclosure Form.

#### *Financial and Suitability Tests*

Altimum Mutuals Inc. implements financial tests to ensure that the corporate policy is followed and to apply when considering the maximum amount of leverage to approve for a client. It is our intent that no client should be put in the position of losing their primary residence as a result of an unsuitable leverage loan.

#### *Tests against Net Worth*

The following chart shows the maximum leverage that will be permitted against assets.

Asset Class	Market Value	Mortgage/Debt	Net Equity	Maximum	Dollar Amount
Personal Residence	\$600,000	\$200,000	\$400,000	25%	\$100,000
Other Real Estate (Rental Property, Cottage, etc.)	\$300,000	\$100,000	\$200,000	50%	\$100,000
Non Registered Investible Assets	\$200,000	0	\$200,000	50%	\$100,000
Registered Assets	\$200,000	0	\$200,000	25%	\$ 50,000
Corporate Liquid Assets	\$250,000	0	\$250,000	0%	0
Corporate Fixed Assets	\$500,000	\$100,000	\$400,000	0%	0
<b>Totals</b>			<b>\$1,600,000</b>		<b>\$350,000</b>

It is to be remembered that the general policy stated above must be considered in addition to this chart. This client could borrow \$480,000 based on 30% of his \$1,600,000 net worth. However, by the application of this chart, this client would be limited to \$350,000. But 50% of liquid net worth is only \$100,000 so that is the maximum.

Corporate assets may be considered for the above formula by special application to the Chief Compliance Officer. The borrower or borrowers must be the sole beneficial owner or owners of the corporation. Documentation must be submitted to substantiate ownership in order for corporate assets to be considered.

### *Test Against Loan Payments*

Investors are not to rely on the growth of the underlying investment to make payments. Loans are not to be serviced from the leveraged investments. Nor are loans to be serviced from RRIF income or RRSP or RRIF withdrawals. For greater certainty, clients are expected to make loan payments out of their current income. Furthermore, T-class units and other depleting funds should not be purchased in leveraged accounts.

### *Tests Against Income*

Income tests assess a client's ability to service all debt on a monthly basis. The amount of income that will be considered will vary with the source of that income. The maximum amount that will be considered for servicing the client's debt will be:

- 1) A maximum of 30% of employment income.
- 2) A maximum of 20% of pension income excluding RRIF income.
- 3) A maximum of 20% of corporate income.
- 4) A maximum of 20% of rental income.
- 5) A maximum of 4% of the value of non-registered accounts.

Corporate income can only be considered if it is declared on the individual's personal income tax return.

RRIF income will not be considered because of the depleting nature of the income over time.

The maximum amount that a client can use to service monthly loan payments on all debt (TDSR) will be 30% of Gross Monthly Income from all sources. However, that percentage will decline with the application of the above chart as more income is considered from sources other than earned income.

The client will have to provide a signed statement of income and debt, such as a copy of the loan application, to which the above parameters will be applied.

### *Tests Against Age And Retirement Objectives*

Effective January, 2008 Altimum has instituted a policy that a leveraged transaction is not to be approved for a client if the amortization period extends beyond the earlier of

their anticipated retirement date or the year in which they or their guarantor turns 70 years of age. As a result of this policy, no interest-only loans will be approved. No one over the age of 50 will be approved for a 20-year amortization period and no one over the age of 60 will be approved for a 10-year amortization period.

*Rep Checklist for Leverage Applications*

Please ensure that any request for consideration of a leveraged transaction includes the following:

1. Current-dated Leverage Disclosure Document signed by client and guarantor.
2. Review and Analysis of Leverage Transaction with consideration of the circumstances of all parties to the loan signed by the Approved Person.
3. Confirmation of client's and guarantor's statements of their investment knowledge and experience. (Current KYC information is required on all Altimum accounts.)
4. A statement of assets, liabilities, income and debt service signed by the client.  
A copy of the loan application will suffice for this purpose.
5. Independent verification of income if required. (CCRA Notice of Assessment.)
6. Independent verification of assets and liabilities if required. (Bank statements, account statements, mortgage statements).
7. A statement signed by the Approved Person recommending leverage stating why the Approved Person believes that leverage can assist this client to meet their financial goals, including specific references to this client's particular situation.
8. A review of their age and anticipated retirement date.

Leveraged accounts being transferred in from another dealer must meet the same guidelines as new loans being written with the following exceptions:

- 1) If the loan was written at another dealer and the client's KYC information does not indicate 'good' or 'sophisticated' the Chief Compliance Officer shall consider the loan on a case-by-case basis. Such special consideration would include the length of time that the loan has been in place, the principal amount outstanding, the amount of the monthly payment, the client's income tax situation, the result of our own KYC analysis and the length of the amortization schedule on the date when it is presented for consideration.
- 2) If a signed client statement of income and/or net worth is not readily available for leveraged accounts being transferred in, the requirement may be waived at the discretion of the Chief Compliance Officer on a case-by-case basis. The Chief Compliance Officer may decide to waive this requirement, for example, if the loan has a short amortization, the loan payments are small in relation to the client's stated income, and/or the loan represents a very small fraction of the client's net worth as declared

on the client's KYC. Loans in excess of \$250,000 will still require independent confirmation of income, such as a Notice of Assessment, and of net worth, such as investment statements.

- 3) Loans will be expected to meet all MFDA guidelines with regard to leveraging, including the guidelines that a loan should not exceed 30% of a client's net worth, or 50% of a client's liquid net worth, or that payments, including all other debt repayments, should not exceed 35% of the client's gross income, not including any income generated from RRIF's or from the leveraged investments themselves. For greater clarification, Altimum will permit payments of 35% of Total Debt Service on loans transferred in from another dealer even though it has set a more stringent requirement of a maximum of 30% Total Debt Service on new loans written through Altimum.
- 4) The requirement that the loan have an amortization and not be an interest-only loan will not apply to loans that are being transferred in. This is an Altimum policy and not an industry guideline, and so it would be unduly restrictive to apply it retroactively to loans that have been approved by other dealers.

#### *Supervision of Leverage Trades*

The Chief Compliance Officer shall evidence her review and approval of leverage trades by recording each such trade in open leveraged accounts on the Questionable Trades Report and record them as approved leverage trades.

#### *Leverage Advertising*

Altimum Mutuals Inc. does not permit leverage strategies to be advertised. See the section entitled Advertising / Leverage

## **LEVERAGE AND REGULATORY DISCLOSURES AND BENCHMARK INFORMATION**

### **LEVERAGE DISCLOSURE**

Risk of Borrowing to Invest *Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.*

*Here are some risks and factors that you should consider before borrowing to invest: Is it Right for You?*

I. Borrowing money to invest is risky. You should only consider borrowing to invest if:

- You are comfortable with taking risk.
- You are comfortable taking on debt to buy investments that may go up or down in value.
- You are investing for the long-term.
- You have a stable income.

2. You should not borrow to invest if:

- You have a low tolerance for risk
- You are investing for a short period of time.
- You intend to rely on income from the investments to pay living expenses.
- You intend to rely on income from the investments to repay the loan. If this income stops or decreases you may not be able to pay back the loan.

3. You Can End Up Losing Money:

- If the investments go down in value and you have borrowed money, your losses would be larger than had you invested using your own money.
- Whether your investments make money or not you will still have to pay back the loan plus interest.
- You may have to sell other assets or use money you had set aside for other purposes to pay back the loan.
- If you used your home as security for the loan, you may lose your home.
- If the investments go up in value, you may still not make enough money to cover the costs of borrowing.

4. Tax Considerations:

- You should not borrow to invest just to receive a tax deduction.
- Interest costs are not always tax deductible. You may not be entitled to a tax deduction and may be reassessed for past deductions. You may want to consult a tax professional to determine whether your interest costs will be deductible before borrowing to invest.
- If you are considering borrowing to invest, your advisor should discuss with you the risks of doing so.

### **RELATIONSHIP DISCLOSURE**

By signing this Client Authorization I acknowledge that I have been informed of and understand the following:

#### *Nature of the Advisory Relationship*

I understand and agree that I must confirm every order placed by completion and submission of all appropriate forms to Altimum Mutuals Inc. in order to process my trading instructions.

I understand that I am responsible for making investment decisions although I may rely on the advice given by my Representative and that my Representative is responsible for the advice and ensuring that it is suitable for me based on my investment objectives and risk tolerance as stated on my KYC forms as they relate to each individual account.

#### *Suitability of Orders Accepted and Recommendations Made*

I acknowledge that all transactions in this account are subject to the Rules of the Mutual Fund Dealers Association (MFDA) and securities legislation and that Altimum Mutuals Inc. must ensure that each recommendation made is suitable in relation to my investment objectives, risk tolerance, investment knowledge and other personal circumstances.

The obligation to make a suitability determination applies to trades proposed by me whether or not a recommendation is made by my Representative.

Other circumstances may trigger an assessment of the suitability of investments, including:

- When assets are transferred into an account
- When there is a material change to my personal information
- When there is a change of advisors

#### *KYC Terms*

I acknowledge that I have received a copy of the KYC form and am aware of and accept the basis on which Altimum Mutuals Inc. and my Representative have assessed the suitability of my investments. My representative has explained this to me and I understand the various categories of risk and investment objectives on that form, including those that I have selected as best representing my personal investment objectives and desired level of risk.

#### *Nature of the Products and Services Offered*

I acknowledge and understand that Altimum Mutuals Inc. is a Mutual Fund Dealer and as such, Altimum Mutuals Inc. is not responsible for the activities of agents except for the sale of Mutual Funds. Altimum Mutuals Inc. only offers Mutual Funds for sale.

#### *Compensation, Fees, Charges and Reference to Other Sources of Information*

I acknowledge that Altimum Mutuals Inc. may receive a commission at the time of sale of an investment and may receive an ongoing commission (a 'trailer fee') for as long as I own the investment. I am aware of the details as described in the prospectus. I understand that I can speak to my advisor for more information about the nature of any fees or compensation paid to Altimum Mutuals Inc. and may refer to the prospectus provided by the advisor for more specific product disclosures with respect to fees and costs. My representative has explained these charges to us with specific reference to the prospectus.

I acknowledge that there may be other fees or costs charged by the product manufacturer or the plan trustee depending on the investment product. There may also be fees charged at the time that I withdraw money or close my account, including Deferred Sales Charges (DSC fees) in certain cases. My representative has explained these fees to me and I have understood and accepted them. I understand that prior to the acceptance of any order in my account that would trigger such fees I shall be advised of any sales charges, service charges or any other fees that might be charged in respect of such transaction and my representative is required by Altimum Mutuals Inc. to keep a record of that disclosure.

#### *Content and Frequency of Reporting*

All accounts held by Altimum Mutuals Inc. are held in Client Name at the fund company, bank, or trust company. A quarterly Account Statement will be provided by Altimum Mutuals Inc. The Account Statement will record the type of account, the account number, the period covered by the statement, the name of the advisor servicing the account, the name, address and telephone number of Altimum Mutuals Inc., all deposits and withdrawals or charges to the account, the quantity and description of each security purchased, sold or transferred, and the dates of each transaction. An annual Account Statement will be sent instead of the fourth quarter statement and will include a Cost and Compensation Report together with a Performance Report and this Annual Statement will cover the entire year including all transactions in the 12 month period.

#### *Personal Information*

I have received and understood the Altimum Investor Privacy Notice and given Altimum Mutuals Inc. my personal information with informed consent and with an understanding of the intended uses and disclosures of the information.

#### *Procedure Regarding Handling of Cash and Cheques*

I acknowledge that cheques are never to be made payable to my representative and that my representative is not allowed to accept cash for the purchase of securities or the payment of fees. Altimum Mutuals Inc. does not handle cash or engage in cash transactions. All cheques are to be made payable to the mutual fund company from which I am purchasing securities, or to the Trustee if a registered plan is held by an intermediary, such as B2B Bank. Such intermediaries will deduct their additional fees directly from my account with them.

#### *Investment Performance Benchmarks*

Investment Performance Benchmarks ("benchmarks") are used to compare the relative performance of a specific portfolio (for example, mine) against the performance of a pre-determined, structured portfolio or index (or a group of them) with similar or identical risk/return characteristics and similar or identical categories of investment for the purpose of comparing how well my portfolio managers are performing against those standardized measurements.

Benchmarks often do not include fees in their calculation so the results may not be directly comparable. A portfolio manager is considered by many to be doing very well if he can match the performance of the benchmark after taking fees into account. On the other hand, some portfolio managers purposely invest without regard for the benchmark, in the belief that they may be able to outperform it by varying their investment holdings so as not to include many of the same holdings as these pre-determined portfolios or indices. I acknowledge that I understand the foregoing discussion about portfolio benchmarks.

Altimum Mutuals Inc. has advised me that it does not provide benchmark information at this time, but that this information is often made available by the fund groups for the specific funds in which I have invested, and that my representative can assist me to obtain this information about investment performance benchmarks.

**BY SIGNING BELOW, I ACKNOWLEDGE THAT I HAVE RECEIVED A COPY OF THIS FORM AND AGREE THAT I WILL NOTIFY ALTIMUM MUTUALS INC. IN WRITING OF ANY MATERIAL CHANGE TO MY PERSONAL INFORMATION**

***A copy of this form is required for each account, not for each client, so each client may have to sign several forms.***

Client Signature \_\_\_\_\_ Name \_\_\_\_\_ Date \_\_\_\_\_

Joint Client/Guarantor's Signature \_\_\_\_\_ Name \_\_\_\_\_ Date \_\_\_\_\_

Rep Signature \_\_\_\_\_ Rep Code 7767 \_\_\_\_\_ Date \_\_\_\_\_

Compliance Officer Approval (Signature) \_\_\_\_\_ Date \_\_\_\_\_

LEVERAGE REVIEW WORKSHEET

Altimum Mutuals Inc.

1. CLIENT INFORMATION

Client Name

Client Name

Occupation

Occupation of Co-Applicant  
(Note: Clients who are listed as "unemployed", "self-employed" or "retired" should warrant further review)

Account Number

Full Name of Spouse (if not included above)

Date of Birth

Date of Birth

Employer

Employer

Approved Person Name

Rep. Code

Number of Years with Employer

Number of Years with Employer

2. LOAN INFORMATION

Loan Amount

\$

-

Loan Type  
(e.g. 2 for 1, 1 for 1 etc)  
Margin Call? (Y/N)

Term of Loan

Date of Loan

Lending Institution

Interest Rate

%

Monthly Payment

\$

-

Payment Type  
(i.e. Principal & Interest, Interest Only)

Is this loan new or transferred in from another entity?

New

Transferred In

3. CLIENT FINANCIAL INFORMATION

A. NET WORTH

LIQUID ASSETS (i.e. unencumbered liquid assets, not including assets in registered or locked in plans)		
Asset Type		Market Value
Cash Account(s)		\$ -
Other Liquid Investments (e.g. GICs, Treasury Bills etc. )		\$ -
Other Non-Registered Investments (i.e. mutual funds, stocks, bonds etc)		\$ -
Other (specify)		\$ -
Other (specify)		\$ -
TOTAL LIQUID ASSETS		\$ - B

OTHER ASSETS

Asset Type	Market Value
Primary Residence (if owned)	\$ -
Other Real Estate	\$ -
Registered Investments	\$ -
Vehicles	\$ -
Other (specify)	\$ -
Other (specify)	\$ -
TOTAL ASSETS	\$ - C

LIABILITIES			
Debt Type	Name of Lender	Balance Outstanding	Monthly Payments
Mortgage/ Rent On Primar		\$ -	-
Other Mortgages		\$ -	\$ -
Line(s) of Credit		\$ -	-
Vehicle Loan/Lease		\$ -	-
Credit Card Debt		\$ -	-
Other Liabilities (specify)		\$ -	-
Existing Investment Loan		\$ -	-
Existing Investment Loan		\$ -	-
Existing Investment Loan		\$ -	-
Proposed Investment		\$ -	-
Total Investment Loans		A \$ -	-
TOTAL LIABILITIES		\$ -	D -

E

**B. INCOME**

Income Type	Name of Source	Gross Annual Income	Monthly Income
Employment Income for Client #1		\$ -	\$ -
Employment Income for Client #2 (if joint)		\$ -	\$ -
Investment Income (not including income		\$ -	\$ -
Rental Income		\$ -	\$ -
Other Income (specify)		\$ -	\$ -
Other Income (specify)		\$ -	\$ -
<b>TOTAL</b>		\$ -	\$ -

CLIENT NET WORTH CALCULATION	
Total Client Net (i.e. B+ C -D)	\$ - <b>G</b>

CLIENT TDSR CALCULATION	
TDSR	0 <b>E/F</b>

**4. SUPPORTING DOCUMENTATION**

Please forward a copy of any of the information obtained and indicate "Y" below if forwarded.

YES NO

- Copy of Loan Agreement with Lending Institution  
(including amortization schedule if available)
- Summary of Client(s) Portfolio Holdings
- Proof of Real Estate Value (e.g. appraisal, property tax assessment)
- Proof of Income (payroll information, T4, Notice of Assessment, lease agreements)
- Support for Other Assets owned (e.g. account statements, appraisals)
- Copy of Leveraging Disclosure Document provided to the client(s)  
(Note: The document provided should comply with MFDA Member Regulation Notice MR-0006. In addition, the document should be explained to the client clearly and thoroughly. Evidence of its provision should be maintained in accordance with MFDA Member Regulation Notice MR-0064.)
- Other documentation (e.g. bank or other statements regarding liabilities) Describe \_\_\_\_\_

**LEVERAGE REVIEW WORKSHEET**

**5. ASSESSMENT OF LEVERAGE**

Leverage Guidelines		KYC Information for	KYC Within the
<b>Investment Knowledge</b> Guideline: Clients engaging in leveraging should not have an investment knowledge of "low" or			
<b>Risk Tolerance</b> Guideline: Clients engaging in leveraging should not be below a "medium" risk tolerance			
<b>Age (at time of leveraging)</b> Guideline: Clients engaging in leveraging should not be older than 60			
<b>Time Horizon</b> Guideline: Clients engaging in leveraging should not have a time horizon of less than 5 years			
<b>Leverage Amount as a % of Net Worth (i.e. A/G)</b> Guideline: Total leverage amount should not exceed 30% of the client's total net worth. In addition, if		#DIV/0!	
<b>Leverage Amount as % of Liquid Assets (i.e. A/B)</b> Guideline: Total leverage amount should not exceed 50% of the client's liquid net worth. In addition, if		#DIV/0!	
<b>Debt Payments as % of Client Income (i.e. E /F)</b> Guideline : Debt payments should not exceed 35% of the client's gross income		#DIV/0!	
<b>Investment Objectives</b> Guideline: Clients with a significant portion of their investment objectives as "safety" or "income" should warrant further review	Safety %		
	Income %		
	Growth %		
	Balanced %		

\*If any of the responses are "No", ensure that Part 6 of this form is completed.

As supervisor, have you confirmed that the KYC information is consistent with the loan application or other documentation noted in Part 4?  
If no, please note any exceptions below and ensure Part 6 of this form is completed.

What is the rationale for the strategy?

6. COMPLIANCE ACTIONS REGARDING LEVERAGE

(Note: This section must be completed for any exceptions identified above)

DATE Provide the date of the	NAME Provide the name of the individual that was spoken with (e.g. Approved Person, Branch Manager, client etc)	DETAILS Provide Details of the Inquiry	DATE OF Response or Resolution	RESOLUTION Provide details of Response or Resolution

Attach any additional supporting documentation obtained.

7. APPROVAL OF LEVERAGE

Is the leveraging recommendation approved or declined given all the relevant client information?  
Comments

Approve

Decline

8. APPROVING SIGNATURES

Compliance Officer Name

Compliance Officer Signature

Date

**Review and Analysis of Leverage Transaction**  
***Altimum Mutuals Inc.***

Client Name \_\_\_\_\_ (Attach copy of Bank Loan Application)

Plan (Account) Name (eg. RRSP) \_\_\_\_\_ (Attach Client Statement)

*Client Particulars (Summarize from KYC and Loan Application)*

Investment Knowledge on KYC \_\_\_\_\_ Client Risk Tolerance on KYC \_\_\_\_\_

Client's stated investment objective on KYC form \_\_\_\_\_

Client's annual income \_\_\_\_\_ Household annual income \_\_\_\_\_

Years to Retirement \_\_\_\_\_ Amortization period of Loan \_\_\_\_\_

Client's net worth \_\_\_\_\_ Client's household net worth \_\_\_\_\_

Client's income tax bracket now \_\_\_\_\_ After retirement \_\_\_\_\_

Parties co-signing the loan application \_\_\_\_\_ Relationship \_\_\_\_\_

New Account \_\_\_\_\_ Transfer in to dealer \_\_\_\_\_

***Debt Ratios***

**Debt/Equity ratio:**

On this account \_\_\_\_\_ On total clients holding at Altimum \_\_\_\_\_

On client's net worth (including net real estate after mortgage debt) \_\_\_\_\_

On client's investible assets \_\_\_\_\_ Payments as a percentage of income \_\_\_\_\_

It is the dealer's policy that clients who earn less than \$100,000 family income per year and also have a net worth of less than \$200,000 not be permitted to borrow more than 25% of their net worth for investment purposes. Beyond these parameters, the maximum is limited to 33% of their net worth. Each of these parameters may be further limited by the client's debt service capacity, tax situation, willingness to accept risk, age, pension eligibility, and other suitability factors.

As representative, I confirm that I am familiar with the dealer's policy on leverage and that I believe that this client meets those parameters. I confirm that I am not receiving a referral fee for arranging this financing and that I do not have any undeclared conflict of interest in the transaction.

Rep Code \_\_\_\_\_ Rep Name \_\_\_\_\_ Rep Signature \_\_\_\_\_

Compliance Officer Signature \_\_\_\_\_ Date \_\_\_\_\_

SAMPLE Altium Leverage Review Worksheet

(Numbers are sample placeholders awaiting input)

Client Name (First/Last)

Joint Client/Guarantor's Name (First/Last)

Full name of Spouse if not included above

Date of Birth

Age

Occupation

Occupation of Co-Applicant

Years to Retirement

(Note: Clients who are listed as 'unemployed', 'self-employed' or 'retired' should warrant further review).

Years to Retirement

Years to Retirement (Co-Applicant)

Marginal Income Tax Bracket of Client (Now)

Marginal Income Tax Bracket of Client (After Retirement)

What is the client's rationale for the leverage strategy?

What will be the source of the funds to make the loan payments?

Plan type for leveraged account (e.g. Open, RRSP, etc.) (attach client statement if existing account)

Approved Person's Name

Risk Tolerance from KYC

Investment Knowledge from KYC

Time Horizon from KYC

Rep Code

Employer

Employer

Number of Years with Current Employer

Number of Years with Current Employer

Date of Birth

Age

Age

Age

TEST AGAINST NET WORTH				MAXIMUM LOAN		DEBT-TO-EQUITY
ASSET CLASS	MARKET VALUE	MORTGAGE/DEBT	NET EQUITY	MAXIMUM for this test	DOLLAR AMOUNT	
Personal Residence (if owned)	\$ 675,000.00	\$ 110,000.00	\$ -	25%	\$ 141,250.00	16%
Other Real Estate (Rental Property, Cottage, etc.)	\$ -	\$ -	\$ -	50%	\$ -	0%
Liquid Investments (see Liquid Net Worth test below, includes cash on deposit and non-registered investments).	\$ 154,400.00	\$ -	\$ -	50%	\$ 77,200.00	0%
Registered Investments (RRSPs and RRRFs).	\$ 251,800.00	\$ -	\$ -	25%	\$ 62,950.00	0%
Vehicles including recreational vehicles and boats.	\$ -	\$ -	\$ -	0%	\$ -	0%
Corporate Liquid Assets	\$ -	\$ -	\$ -	0%	\$ -	-
Corporate Fixed Assets	\$ -	\$ -	\$ -	0%	\$ -	-
TOTALS	\$ 1,081,200.00	\$ 110,000.00	\$ -	971,200.00	\$ 281,400.00	11%

TEST AGAINST 30% OF NET WORTH		MAXIMUM for this test
(Guideline: an investment loan should not exceed 30% of a client's net worth.)		
(Note: It is Altium's policy that clients with a family income of less than \$100,000 per year and also have a net worth of less than \$200,000 not be permitted to borrow more than 25% of their net worth for investment purposes. These parameters may be further limited by the client's debt service capacity, tax situation, willingness to accept risk, age, pension eligibility and other suitability factors.)		

TEST AGAINST LIQUID NET WORTH				MAXIMUM for this test	
INCOME TYPE	MARKET VALUE	OFFSETTING DEBT	LIQUID NET WORTH	MAXIMUM for this test	DOLLAR AMOUNT
Employment Income (Client #1)	\$ -	\$ -	\$ -	50%	\$ -
Employment Income (Client #2 if joint)	\$ -	\$ -	\$ -	50%	\$ -
Pension Income (Excluding RRIF Income)	\$ 154,400.00	\$ -	\$ -	50%	\$ 77,200.00
Corporate Income	\$ 261,800.00	\$ -	\$ -	0%	\$ -
Rental Income	\$ -	\$ -	\$ -		\$ -
Investment Portfolio (Income allowed at 4%, not including income from the leveraged investment)	\$ -	\$ 421,200.00	\$ -		\$ -
Other Income (Specify)					
TOTALS					\$ 77,200.00

MAXIMUM LOAN PERMITTED BY TESTS AGAINST NET WORTH				MAXIMUM for this test	
(THE LEAST OF THE THREE RESULTS)					
INCOME TYPE	AMOUNT	INTEREST RATE	MONTHLY PAYMENTS	ANNUAL PAYMENTS	PERCENTAGE OF ALLOWED
Employment Income (Client #1)	\$ 150,000.00	35%	\$ 500.00	\$ 6,000.00	19.11%
Employment Income (Client #2 if joint)	\$ -	35%	\$ -	\$ -	Maximum 100%
Pension Income (Excluding RRIF Income)	\$ -	20%	\$ -	\$ -	100% would be
Corporate Income	\$ -	20%	\$ -	\$ -	35% of total income)
Rental Income	\$ -	20%	\$ -	\$ -	
Investment Portfolio (Income allowed at 4%, not including income from the leveraged investment)	\$ -	4%	\$ 16,848.00	\$ 7,250.00	
Other Income (Specify)					
TOTALS				\$ 69,348.00	

DEBT PAYMENTS RELATED TO LIABILITIES				MAXIMUM for this test	
INCOME TYPE	AMOUNT	INTEREST RATE	MONTHLY PAYMENTS	ANNUAL PAYMENTS	PERCENTAGE OF ALLOWED
Personal Residence	\$ 110,000.00	5.00%	\$ 500.00	\$ 6,000.00	19.11%
Other Real Estate (Rental Property, Cottage, etc.)	\$ -	0.00%	\$ -	\$ -	Maximum 100%
Lines of Credit	\$ -	0.00%	\$ -	\$ -	100% would be
Vehicle loan/lease	\$ -	0.00%	\$ -	\$ -	35% of total income)
Credit Card debt	\$ -	0.00%	\$ -	\$ -	
Existing Investment Loans	\$ -	0.00%	\$ -	\$ -	
Proposed Investment Loan (include at least 5% annual principal repayment so adjust payments for that amortization).	\$ 100,000.00	2.25%	\$ 604.17	\$ 7,250.00	
TOTALS	\$ 110,000.00		\$ 500.00	\$ 13,250.00	

TEST AGAINST PAYMENTS LESS THAN 35% TOTAL Income		MAXIMUM for this test
(Guideline: debt payments should not exceed 35% of the client's gross income, not including income from the leveraged investments).		

DETAILED LOAN INFORMATION AT-A-GLANCE

Lending Institution Name: (Please attach loan documentation)

Parties co-signing the application and their relationship to the applicant

Proposed Loan Amount

Proposed Loan Type (e.g., 2 for 1, 1 for 1, secured by home equity, etc.)

Proposed Loan Interest Rate

Proposed Loan Monthly Payments

Proposed Loan Date

Proposed Loan Payment Type (Principal plus interest, etc.)

Proposed Loan Amortization Period in years

Proposed Term of This Loan

Is the borrower subject to a margin call on this loan? (Circle one)

Is this a new loan or is it being transferred in from another entity? (Circle one)

Are there any referrals from a mortgage broker or to a lender? (Altirum considers this a conflict of interest and does not permit it).

Does the representative have any undecared conflicts of interest in this transaction?

OTHER TESTS

Test against Client's stated objectives  
(Guideline: Clients with a significant portion of their investment objectives as 'safety' or 'income' should warrant further review).

Test against age 60  
(Guideline: Clients engaging in leveraging should not be older than 60 at time of leveraging to ensure the viability of leveraging as a strategy for long-term growth).

Test against risk tolerance  
(Guideline: Clients engaging in leveraging should not be below a 'medium' risk tolerance. The client must indicate that a majority of the account is to be invested in medium and high risk investments).

Test against investment knowledge  
(Guideline: Clients engaging in leveraging should not have indicated an investment knowledge of 'fair' or 'novice'; 'low' or 'poor').

Test against time horizon  
(Guideline: Clients engaging in leveraging should not have a time horizon of less than 5 years to avoid the risk of short term market volatility).

Test against payments coming from the investment  
(Guideline: Payments on investment loans are not to be taken from the investment but are to be funded externally).

Test against payments coming from RRSP or RRIF, etc.  
(Guideline: Payments on investment loans are not to be taken from an RRSP or a RRIF account).

Test against interest only payments  
(Guideline: Payments are to include at least 5% of principal repayment as well as current interest annually).

SUPPORTING DOCUMENTATION  
(Please forward a copy of any of the information obtained and indicate if forwarded.)

Copy of Client Statements and/or Summary of Client(s) Portfolio Holdings if held elsewhere.

Copy of Loan Agreement with Lending Institution (including amortization schedule if available).

Net Worth Statement reflecting asset composition and signed by the client(s).

Proof of Real Estate Value (e.g. appraisal, property tax assessment, etc.)

Proof of Income (e.g. payroll information, T4, Notice of Assessment, lease agreements related to rental properties).

Support for valuations of other assets owned (purchase agreement, appraisals, statements).

Copy of current-dated Leveraging Disclosure Document with signature of client acknowledging receipt.

Other documentation (e.g. bank statement, documents detailing liabilities, mortgage statement).

COMPLIANCE ACTIONS REGARDING LEVERAGE

As supervisor, have you confirmed that the KYC information is consistent with the account application, the loan application and other documentation?  
If it is not, please note any exception below

DETAILS OF INQUIRY	DATE OF INQUIRY	NAME OF PERSON	DETAILS OF RESPONSE	DATE OF RESOLUTION
APPROVAL OF LEVERAGE				
Is the leveraging recommendation approved or declined given all the relevant information? (Circle one)				
Comments				