LEVERAGE DISCLOSURE DOCUMENT

Please review the following important information before you proceed with a leveraged investment strategy.

Is borrowing to invest right for you?

Borrowing money to make an investment in real estate or securities is risky and you should only consider borrowing 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.

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 or to repay the loan. If this income stops or decreases, you may not be able to pay back the loan.

What is different about borrowing to invest?

When cash is used for a purchase, the percentage gain or loss will equal the increase or decrease in the value of the investment while a purchase using borrowed money will magnify the gain or loss. This effect is called leveraging.

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. For example, if a $100,000 investment is purchased and paid for with $25,000 from available cash and $75,000 from borrowings, and the value of the investment declines by 10% to $90,000, your equity interest (the difference between the value of the investment and the amount borrowed, has declined by 40%, i.e. from $25,000 to $15,000).

To what extent a leveraged purchase involves undue risk is a determination to be made by each purchaser and will vary depending on the circumstances of the purchaser and the investments purchased.

Loans secured by securities

It is important that investors be aware of the terms of a loan secured by securities. Lenders may require that the amount outstanding on the loan not rise above an agreed percentage of the market value of the investment. If that were to happen the borrower must pay down the loan or sell a portion of the investment 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. On a decline of value to $90,000 the borrower must reduce the loan to $67,500 (75% of $90,000). If the borrower does not have cash available, the borrower must sell a portion of the investment at a loss to provide money to reduce the loan and money is, of course, also required to pay interest on the loan. Investors who leverage are advised to have adequate financial resources, both to pay interest and to reduce the loan, if the borrowing arrangements require such a payment.

You Can End Up Losing Money

- Whether your investments make money or not you will still have to pay back the loan plus interest and 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.
- Discuss the risks of borrowing to invest with your advisor before implementing a leverage strategy.

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.