



GP Plan ID Number _____

1 Client Information (Please check one box and print name in full)

Account Holder (please check one box and print name in full) Mr. Mrs. Ms. Dr. Corporate

Last Name _____ First Name _____ Initial _____ DOB (MM/DD/YYYY) _____

Co-Account Holder (please check one box and print name in full) Mr. Mrs. Ms. Dr. Corporate

Last Name _____ First Name _____ Initial _____ DOB (MM/DD/YYYY) _____

2 Account Registration & Type (Check one)

<input type="checkbox"/> INVESTMENT ACCOUNT	<input type="checkbox"/> Leverage	<input type="checkbox"/> REGISTERED ACCOUNT	<input type="checkbox"/> Intermediary/Self Directed
<input type="checkbox"/> Individual	<input type="checkbox"/> Joint	<input type="checkbox"/> Joint WRTS	<input type="checkbox"/> Individual RSP <input type="checkbox"/> GRSP <input type="checkbox"/> TFSA
<input type="checkbox"/> ITF	<input type="checkbox"/> Joint ITF	<input type="checkbox"/> Corporate	<input type="checkbox"/> Spousal RSP <input type="checkbox"/> RESP <input type="checkbox"/> RDSP

3 Investment Loan Information

New Leverage Plan Re-write Existing Leverage Plan Transfer-In Leverage Plan

Loan Type (check all that apply):

3:1 Leverage 2:1 Leverage 1:1 Leverage 100% Loan Other: _____
 Interest Only Principal and Interest Variable Rate Fixed Rate

New Loan Amount _____ Additional Loan Amount (re-write) _____ Term of Loan _____ Interest Rate _____ Market Value of Collateral _____

Lender's Early Call Provisions (explain): _____

\$ _____ Payment Amount: _____ Frequency: _____

Type of Collateral Used: _____ Guarantor, If Any: _____

4 Cash Flow Information

Gross <u>Monthly</u> Income: \$ _____	Total Liquid Assets: (Cash, Investments, RRSP's) (3) \$ _____
Maximum Total Debt Service: (35% of Gross <u>Monthly</u> Income) \$ _____	New Investment Assets: (proceeds from investment loan) \$ _____
New Investment Loan Payment (based on a 20 year amortization) \$ _____	Total Fixed Assets: (Principal Res., Inv. Property, Auto, LIRA, Other) \$ _____
Total Monthly Payments: (Including New Investment Loan) \$ _____	Total Assets: (Liquid Assets + New Inv. Assets + Fixed Assets) \$ _____
Total Debt Service Ratio(1): = _____	New & Current Investment Loan Amount: \$ _____
% of Investment Loan to Net Worth(2): = _____	Total Liabilities: (New Investment Loan Amount + Liabilities) \$ _____

(1) Total Debt Service Ratio = Total Monthly Obligations/Gross Monthly Income
 (2) % of Investment Loan(s) to Net Worth = Total Investment Loan(s)/Total Net Worth
 (3) Liquidity Test = Maximum Investment Loan of 50% of Liquid Assets for Margin Call Loans
 Total Net Worth: \$ _____

Calculation Notes:



5 Strategy Objectives, Benefits And Actions

Explain the recommendation behind the strategy to leverage (include a rationale for the recommendation to leverage as it relates to any items that may exceed guidelines for a suitable leverage recommendation) :

TDSR > 35%
 Investment Loans >30% of Net Worth
 Risk Tolerance < Medium
 Time Horizon <5 Years
 Investment Knowledge < Good
 Age >60 Years Old
 Occupation (unemployed/retired)

Name(s) / role(s) of third party(ies) consulted, if any: _____

Explain what action you intend to take if the client(s) equity, due to market fluctuations, goes down by up to 15% of the initial equity: _____

Explain the source(s) of funds to cover:

1. Capital Losses, if applicable _____

2. Interest Payments _____

3. Margin Calls, if applicable _____

6 Account Holder Acknowledgment

I/we agree to implement the leverage strategy as explained by our financial advisor and to follow the agreed upon course of action.

_____ X
 Account Holder's Name Account Holder's Signature MM/DD/YY

_____ X
 Co-Account Holder's Name Co-Account Holder's Signature MM/DD/YY

7 Financial Advisor Acknowledgment

- I will maintain a copy of leveraging disclosure form signed by the applicant and/or co-applicant in file.
- All initial transaction forms have been / will be signed by the applicant and/or co-applicant regardless of LTA or similar documents on file.
- I will review the leverage strategy at least once every 12 months.

_____ X
 Financial Advisor's Name/Number Financial Advisor's Signature MM/DD/YY



Leverage Approval Form User Guide

The Leverage Approval Form (“form”) must be completed for all RSP loans in excess of \$20,000 and all non-RSP loans. This form must be completed for new loans, re-write loans and any leverage plans transferred-in kind (dealer change) and delivered to GP Wealth Management HO for review. In addition, the form must be accompanied with the following documents to approve an RRSP or a Non-RSP Loan:

1. New Account Application Form (new plans only)
2. Updated Know Your Client Form (existing plans only)
3. Loan Application from approved Loan Program Carriers
4. A signed GP Wealth Leverage Disclosure Document
5. Proof of Income (Notice of Assessment, copy of T4 or most recent paystub)*
6. Proof of assets (Realty Tax Bill, Investment Statements)*
7. GP Wealth Financial Appendix Form (if information is not included in loan documentation)

* Not required for leverage plans transferred-in-kind

A client opening a new plan must complete a New Account Application Form with the initial purchase transaction signed regardless of a Limited Trading Authorization or similar document being on file. In addition, all re-write loans must include an updated Leverage Approval Form.

Below are guidelines that you may find helpful when completing the Leverage Approval Form,

Section 1: Account Holder Information

Complete the account holder information by providing the account holder’s and co-account holder’s (if applicable) name and date of birth. This information must match the account holder information on the Loan Application. Include the GP Plan ID Number to provide a cross reference to the NAAF.

Section 2: Account Registration and Type

Check the appropriate account registration including if the account is registered or non-registered. If the Leverage Plan is set up as a joint account then all account holders must sign the Leverage Approval Form.

Section 3: Investment Loan Information

Check the appropriate loan type and provide loan details such as loan amount, interest rate, term of loan, market value of collateral, call provisions, repayment schedule, frequency etc. Also provide information regarding loan collateral used and name of the guarantor, if any.

Section 4: Cash Flow Information

Provide all of the required cash flow information.

Document the total liquid assets (all cash and short term investments convertible into cash within 90 days such as money market funds, T-Bills, chequing accounts, savings accounts and RRSP accounts).

Document the total fixed assets (principal residence (home), investment property, automobiles, other assets).

The Maximum Total Debt Service is calculated by multiplying Gross Monthly Income by 0.35.

The account holder(s) total debt service ratio is calculated by the following formula:

$$\text{Total Debt Service Ratio (TDS)} = \frac{\text{Total monthly payments for all obligations}}{\text{Gross Monthly Income; and}}$$

The account holder(s) total % of Investment Loan to Net Worth ratio is calculated as:

$$\text{Total \% of Investment Loan to Net Worth Ratio} = \frac{\text{Total Client Investment Loans}}{\text{Total Client Net Worth}}$$



GPWM supervisory staff will flag all investment loans where the amount being recommended is greater than 30% of an account holder(s) net worth and query to determine suitability of leverage.

In General, the total borrowed to invest should not exceed 100% of net worth up to the first \$100,000, 67.5% of the next \$150,000 of net worth and 50% of the net worth amounts exceeding \$250,000.

Where the amount of an investment loan being recommended is greater than 30% of a client's net worth, GPWM supervisory staff will query the Financial Advisor requesting a rationale for the amount of leverage being recommended. The fact that the amount of leverage being recommended is greater than 30% of a client's net worth is not in, and of itself, determinative of unsuitable leveraging, but rather a flag for further review and analysis by the Financial Advisor and GPWM supervisory staff.

Included in an evaluation is the account holder(s) "total debt service ratio" calculation which establishes limits and guidelines connected to an account holder(s) net worth, their capacity to service debt and the maximum amount of credit that may be extended to an account holder(s).

For an interest only loan, the equivalent of a principal and interest loan payment will be used to determine the TDSR. Generally for a RRSP Loan, a 5-year amortization schedule is used and for a non-RRSP Loan a 20-year amortization schedule will be used to determine the TDSR. Ignoring an amortization schedule and using only the interest to calculate the TDSR will not be accepted.

Section 5: Strategy Objectives, Benefits and Actions

A Financial Advisor must provide a comprehensive explanation for the client borrowing funds to purchase investments and what benefits if any will the client derive from leveraging. An explanation may include details such as a "Long-term Wealth Accumulation", "Tax Planning Strategies", etc.

THIRD PARTIES CONSULTED: If you have consulted any third parties on the strategy, provide their names and information regarding the advice received. Outside parties would include lawyers, accountants and any other specialist.

ACTION PLAN IF PORTFOLIO DECREASES IN VALUE: A Financial Advisor must have an action plan in place in the event of the client's equity dropping, due to market fluctuations, by 15% or more of the total initial equity. A detailed explain with an action plan must be documented. The initial investment is comprised of the client's invested capital and the loan amount.

SOURCES OF FUNDS TO COVER CAPITAL LOSSES, INTEREST PAYMENTS AND MARGIN CALLS: Explain sources of funds to cover losses, interest payments and margin calls if the strategy does not work, as planned, in favour of the account holder(s).

Section 6: Account Holder Acknowledgment

An account holder(s) signature must be obtained on the Leverage Approval Form. The Leverage Approval Form must be completed in detail, including an assessment of the calculations once it has been collected prior to having an account holder(s) sign the Leverage Approval Form.

Section 7: Financial Advisor Acknowledgment

Complete the undertaking that you would maintain the completed form on file, review the leverage strategy at least once every 12 months and have all initial transactions signed by the account holder(s). Forward all the necessary documents signed by the account holder(s) to the Compliance Department for review and approval.

MAINTENANCE OF DOCUMENTS: You must maintain a copy of all the listed documents in the account holder(s) file.

LEVERAGE STRATEGY REVIEW: You must review the performance of a leveraged account at least once every 12 months. All evidence of review(s) must be maintained in the account holder(s) file.



You may use the "Leverage Evaluation Form" to document a leverage plan review. To use the form:

- (i) Enter the client's name, account number and account type
- (ii) Enter date of evaluation under "DATE" column
- (iii) If the account holder(s) has added funds to or removed funds from the account, enter the type of transaction in "CASH INFLOW/OUTFLOW" column. Entries could be "Deposit", "Withdrawal", "Cheque to account holder(s)", "Loan Interest", etc. Portfolio switches are not be entered in this column
- (iv) Enter the amount of funds in "AMOUNT" column. Enter a positive number for funds added to and a negative number for funds removed from the account
- (v) Enter the portfolio market value in "MARKET VALUE" column
- (vi) Enter outstanding loan amount (vii) Divide the outstanding loan amount by market value of securities in the account and enter the resultant ratio in "LOAN TO VALUE RATIO" column. A ratio higher than the initial ratio at the time of loan may warrant monitoring or some further action
- (vii) Enter your comments or action taken, if any, on the account. Comments could include, "Strategy performing well, no action required", "Needs time to work", "Updated KYC and rebalanced portfolio" etc.

Should the market value of the account holder(s) portfolio decline by 15% or more, contact should be made with the account holder(s) and discuss the situation. A Leverage Meeting Form must be used to document the discussion. You must forward a copy of the agreed upon course of action, signed by the account holder(s), to your Compliance Department. An email from the account holder(s) acknowledging the agreed upon course of action is also acceptable. A telephone conversation with an account holder(s) must be documented to evidence a follow up to a leverage account. If the account holder(s) is unavailable, you should document the attempts, mode, date and time to contact the account holder(s).

Section 8: Dealer Use Only

Do not use this section.

DECISION AND APPROVAL: You must not implement any leverage strategy until you have received written approval from GPWM's Compliance Department.