LEEDE FINANCIAL INC.

Risk Disclosure For
Borrowing Money to Buy (Leveraging)

Securities Regulators require the delivery of this document to investors who consider borrowing money to buy securities in order to make investors aware of the risks involved in borrowing to invest.

Securities may be purchased using available cash, or a combination of cash and borrowed money. If you can use cash to pay for your securities in full, your percentage gain or loss will equal the percentage increase or decrease in the value of your securities. The purchase of securities using borrowed money magnifies the gains or loss on your cash investment. This effect is called leveraging. For example, if $100,000 of the securities are purchased and paid for with $25,000 from available cash and $75,000 from borrowings, and the value of the securities declines by 10% to $90,000, your equity interest (the difference between the value of your securities and the amount borrowed) has declined by 40% (i.e. from $25,000 to $15,000).

It is apparent that leveraging magnifies gains or losses. It is important you know that a leveraged purchase of securities involves greater risk than a purchase using your cash resources only. To what extent a 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 securities purchased.

It is also important that you be aware of the terms of arrangements made where a loan is secured by securities. The lender may require that the amount outstanding on the loan not fall below an agreed percentage of the market value of the securities. 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 the 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 of $90,000, the borrower must reduce the loan to $67,500 (75% of $90,000). If the borrower does not have cash available, he 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 to pay interest, and also reduce the loan if the borrowing arrangements require such a payment. Regardless of any decrease in the value of the securities investment, the full value of the loan must be repaid.