

Renewable Note Terms and Features

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| SEC Registration Required: | Form S-1 or Form S-3, depending on the Issuer. Private companies must use Form S-1. |
| Priority / Security: | The notes are subordinate to all existing and future indebtedness, including other mezzanine debt. They are also unsecured. No sinking fund is required. If the Issuer prefers, however, the notes can be senior and secured. |
| Principal Amount: | There is no fixed denomination. Notes are issued for the exact investment amount. The minimum principal amount is \$1,000. There is no maximum investment unless the Issuer sets one. |
| Terms to Maturity / Automatic Renewal: | Three months to ten years. Depending on the Issuer's capital goals, some maturities may not always be available. The notes automatically renew at maturity for a new term unless redeemed by either the Issuer or the Investor. Investors have fifteen days after the maturity date to request redemption. Notes redeemed within those fifteen days do not earn interest on or after their maturity dates. |
| Interest Rates: | The Issuer sets interest rates for new and renewing notes throughout the offering, subject to its funding velocity and cost of capital targets. Interest rates are disclosed via prospectus supplement. Rates are fixed for the note term and reset to the current applicable rates upon renewal. New and renewing notes earn incrementally higher interest rates when the Investor's aggregate investment reaches \$25,000, \$50,000, \$75,000, and \$100,000. Special interest rates may be offered to select Investors from time to time. |
| Amortization / Compounding: | There is no principal amortization during the note term. Interest compounds daily. |
| Interest Payment Schedule: | At the election of the Investor, interest may be paid monthly, quarterly, semiannually, annually, or upon redemption. Investors who select the monthly payment option can choose the day of the month they want to receive their interest payments. All principal and interest payments are made via direct deposit through a paying agent, which is typically a bank trust department. |
| Callable: | The notes are callable anytime at par, in whole or in part, with thirty-days written notice. |
| No Secondary Market / Early Redemption by Investor: | There is no secondary market for the notes. Investors that want to liquidate their investments before the maturity date must ask the Issuer to repurchase their notes. All repurchase requests, except those upon the death or permanent disability of the Investor, are subject to Issuer approval and a penalty. The penalty equals up to three months of simple interest for notes with three-month maturities and up to six months of simple interest for all other notes. To engender investor goodwill, these penalties are rarely enforced. |
| Early Redemption Limitations: | The maximum principal amount of the notes that can be redeemed prior to maturity, for any reason, in any calendar quarter is limited to 2% of the outstanding principal balance, as of the end of the previous calendar quarter. Notes are redeemed early on a first-come, first-served basis. |
| Rescission Right: | Investors can rescind their investments without penalty within five business days of the confirmation postmark date. No interest is earned during the time the rescinded note is outstanding. |
| Note Form / Transferability: | The notes are issued in book-entry form. No physical certificate is provided. Investors receive a paper confirmation that evidences the existence of their note. The notes cannot be transferred to another investor without the prior written consent of the Issuer. |
| Events of Default: | 1) failure to pay interest within a specified period after the due date; 2) failure to pay principal within a specified period after the due date; 3) a breach of any representation or warranty left uncured for a specified period; 4) certain events of bankruptcy. |
| Covenants: | The Issuer will not pay cash dividends to its common shareholders, while a declared payment default on the notes remains uncured. |
| Rating: | None. |
| Closing Conditions: | Everyone's satisfaction that the offer, sale, and purchase of the notes will be in full compliance with all applicable securities laws and regulations, and that all necessary regulatory approvals have been obtained and remain in effect. |
| Fees / Expenses: | The Issuer pays Redwater a servicing fee of \$7.50 per note per month, subject to a \$2,500 monthly minimum; a \$2.00 fulfillment fee per investment kit recipient; and a \$1.00 fulfillment fee per bonus offer recipient. The Issuer also pays Redwater the standard advertising industry fee for managing the ad campaign and the printing of the marketing materials, which equates to 17.64% of these costs. The Issuer pays all offering-related expenses, including postage, mailbox fees, printing, advertising, shipping, etc. |