

**TERM SHEET  
FOR REVENUE SHARE PROMISSORY NOTE FINANCING OF  
RED HEN COLLECTIVE COOPERATIVE, INC.**

The parties do not intend to be bound until they enter into definitive agreements regarding the subject matter of this term sheet.

**Issuer:** Red Hen Collective Cooperative, Inc., a California cooperative corporation (the “**Company**”).

**Promissory Notes:** The Company will issue promissory notes (the “**Notes**”) in exchange for amounts invested by the Investors. The Notes will have the following principal provisions:

**Maturity:** Outstanding principal and accrued interest on the Note will be considered paid in full when the Company has paid the Investor the **Repayment Amount**, defined as the original investment amount multiplied by **1.35**.

**Payments:** Within 90 days following the end of each calendar year, Company shall make annual payments to the Investor until the Repayment Amount is paid in full.

The annual payment shall be Investor’s pro rata share (a fraction, the numerator of which is Investor’s original investment amount, and the denominator of which is the total amount of the outstanding principal and unpaid interest on all of the Notes issued in this offering) of fifteen percent (15%) (the “**Revenue Percentage**”) of the Company’s “**Gross Margin**” (all of the Borrower’s cash receipts less cost of goods; pass through costs such as shipping, customs, warehousing, and trucking; refunds and returns; and samples).

The Company’s CPA shall calculate Gross Margin on a cash basis at the end of each fiscal year.

Payments for any partial year of investment will be pro-rated based on the number of days the investment was outstanding divided by 365.

Under no circumstances shall payments to the Investor exceed what is allowed under California law governing usury.

Prepayment. The Borrower may make complete or partial prepayments of the Notes at the Borrower's discretion, provided that all partial such prepayments shall be made pro rata among all of the Lenders based on the original amounts of their Notes to the Borrower. If the Company wishes to pay off one or some (but not all) of the Notes, it may do so only for good cause. The term "good cause" means an instance in which the Company reasonably believes such prepayment is necessary or advisable to prevent a violation of any law, regulation, or other governmental rule or to prevent material harm to the effective operation of the Company.

Security: The Notes will be unsecured obligations of the Company.

Subordination: The Notes shall be subordinated to all indebtedness of the Company to banks, commercial finance lenders, insurance companies, leasing and equipment financing institutions, and/or other institutions regularly engaged in the business of lending money.

Assignment: The Notes may be assigned by either party so long as such assignment complies with all applicable laws and regulations.

***Documentation:*** The investments will be made pursuant to documentation prepared by the Company's legal counsel. The Notes may be amended by the Company and the holders of a majority (by unpaid principal amount) of the Notes (the "***Majority Holders***").

***Expenses:*** The Company and Investors will each bear their own legal and other expenses with respect to the financing.