

# SECURITY TERMS

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## Summary

Carolina Financial Securities, LLC (“CFS”) is privately offering as agent up to \$1,350,000 of unsecured, revenue royalty-based promissory notes (the “Notes”, the “Loan” or the “Offering”) of Presidio Health, Inc. (“Presidio,” or the “Borrower”). The Notes will offer a total cash-on-cash return of 1.75 times the principal investment by the lender (the “Repayment Amount”). Payments will be made quarterly calculated based on the previous quarter’s gross revenues multiplied by 3.0% (the “Royalty Rate”) until the Repayment Amount has been paid to Lenders. If upon December 15, 2023 (the “Maturity Date”) the aggregate payments are not equal to the Repayment Amount, remaining amounts will be due and payable.

The Notes are part of a growth capital strategy that may aggregate to \$3,750,000 of debt and/or equity financing. Please refer to Presidio’s current financial model assumptions.

## Terms of the Loan

### Borrower

Presidio Health, Inc, a Delaware corporation (“Presidio” or the “Borrower”).

### Pari passu participation

These securities are pari passu with revenue royalty notes with the same terms and conditions described herein sold to investors in a previous exempt offering.

### Lenders

Institutions, individuals and other types of investors which qualify as an “Accredited Investor” as defined within Regulation D as promulgated by the U.S. Securities Exchange Commission.

### Loan Amount

Up to \$1,325,000 of Notes are being issued on a continuous basis through this offering. Assuming compliance with the terms of the Notes, the Borrower may raise additional capital in the future up to a total outstanding amount of \$3,750,000.

### Minimum Investment Amount

The minimum investment amount for an investment in the Notes will be \$5,000, although the Borrower may at its discretion accept investments below the minimum investment amount.

### Use of Proceeds

Proceeds will be used (i) as working capital by Presidio in order to fund sales and marketing expenses; (ii) to pay outstanding accounts payable, (iii) to buildout the needed development team, and (iv) to pay fees and expenses associated with this offering.

### Repayment Amount

The Borrower shall be obligated to repay the Lenders an amount equal to 1.75 multiplied by the Loan Amount made by the Lenders. Should the maximum amount of \$1,325,000 of Notes be issued by the Borrower, the Repayment amount shall equal \$2,318,750.

**Payment Timing and Amounts**

Payments will be made quarterly by the Borrower, no later than 2 weeks following the end of a calendar quarter; however, the first quarterly payment will occur October 15, 2019. The amount of this first payment shall be apportioned to lenders pro-rata based on the number of days from the time that the investor made the loan to. The amount of each payment will be calculated quarterly by multiplying the Borrower's Gross Revenues from the preceding calendar quarter by the Royalty Rate of 3.0%. The formula for the calculation of each payment shall be as follows:

$$RP = S * r$$

Where "RP" equals the quarterly payment; "S" equals the Borrower's Gross Revenues from the preceding quarterly payment; and "r" equals the Royalty Rate.

- Gross Revenues is defined as the Borrower's cash receipts, less returns

Payments shall be made every 3 months, or no later than the maturity date, until the Lenders have received the Repayment Amount, at which time the Loan shall be considered paid in full.

**Royalty Rate**

3.0% of the preceding quarter's Gross Revenues

**Projected and Final Maturity**

The Notes are projected to be repaid by December 2023, but this is dependent on the sales growth of the Borrower. The final maturity is December 15, 2023 (the "Maturity Date"). If the Loan has not been repaid before the Maturity Date, the Borrower will be obligated to repay the entire Repayment Amount, less any payments previously paid to the Lenders.

**Loan Principal Repayment**

Loan principal will be effectively repaid on an ongoing basis as a part of the Royalty Rate payments made on the Note. All outstanding principal will be due and payable on December 15, 2023 unless it has been repaid earlier.

The formula for the calculation of principal payment shall be as follows:

$$PR = RP * (1/c)$$

Where "PR" equals the quarterly Principal Repayment, "RP" equals the quarterly Royalty Payment and "c" equals the Cash on Cash Return of 1.75.

**Optional Prepayment**

The Borrower may prepay the Notes at any time before the Maturity Date by paying the Lenders any unpaid part of the Repayment Amount of the Loan.

**Credit Support**

**Seniority**

The Loan will represent senior unsecured indebtedness of the Borrower.

**Right of First Refusal**

For all Royalty Note holders, the company hereby grants, as a collective unit, the right of first refusal to purchase up to the investment amount in shares which the company may, from time to time, propose to sell and issue after the date of this agreement. (i) issuances of management/employee incentive equity, (ii) equity securities issued in connection with a stock split or stock dividend of the company to holders on a pro rata basis, (iii) equity securities issuable upon exercise of any options or other capital stock equivalents, (iv) equity securities issued in connection with bona fide third party financing transactions and (v) equity securities issues in connection with acquisitions and other strategic transactions.

## Representations & Conditions to the Loan

**Reps and Warranties**

Usual for Loans of this type for the Borrower, including but not limited to: accuracy of financial statements; no material adverse change; absence of litigation; no violation of agreements; compliance with laws; payment of taxes; solvency; compliance with environmental matters; accuracy of information.

**Affirmative Covenants**

As is usual for Loans of this type, including but not limited to performance of obligations; delivery of agreed financial information; notices of default and litigation; maintenance of satisfactory insurance; compliance with laws; and payment of taxes.

**Negative Covenants**

Including but not limited to 1) restricted further debt incurrence by the Borrower (no debt at any majority controlled subsidiary) other than the full \$3,075,000 issuance of Notes, but with mandatory minimum 50% Note holder approval for exceptions; 2) distributions to equity holders; 3) prohibition on loans to shareholders/members; and 4) provided, however, that the Borrower may engage in the sale of the company for cash, sell material assets for cash or effect material sale-leaseback transactions for cash, provided Investors are made whole on any unpaid portion of the Repayment Amount, or a majority of Investors in principal amount of the Notes may waive such repayment.

**Event of Default**

Should the Borrower fail to make payments on the Notes when due or has not complied with all Affirmative and Negative Covenants above, subject to a 10 business day "Cure Period", the unpaid amounts shall accrue at a rate of interest equivalent to 15.0% per annum (the "Default Rate"), calculated on a 30/360 day basis, until the Borrower has paid all past due, unpaid amounts, after which time scheduled payments will return to the normal calculation. The Repayment Amount remains due and payable in the event of any liquidation of the Borrower.

## Other Matters

**Administrative Agent**

CFG Financial Services, LLC (the "Administrative Agent"), which is 100% owned by CFG.

**Fees and Expenses**

A fee equaling 5.0% of any Notes issued in the Offering will be paid by the Borrower as a placement fee to Carolina Financial Securities, LLC (which is 75% owned by CFG) for acting as exclusive Placement Agent for the Offering. CFS shall be granted the right to purchase common equity warrants in the amount equaling one percent (1.0%), on a fully diluted, as converted basis, of the ownership interest of Presidio Health, Inc., for every one million dollars (\$1,000,000) raised in a Financing Transaction involving debt alternative securities. CFS may share up to 50% of its fees and warrants with Carofin, LLC, an affiliated Broker-Dealer, for its assistance in the placement of the Offering.

**Offering Period**

The offering will remain open until March 15, 2020 and may be extended or the amount increased at the election of the Company.