

FlexNote

by Symerge

Investment Information



Participants at a Scor! Rochester music camp

Updated January, 2011

Invest with a purpose! We're pleased to present to you FlexNote,™ a program by which you earn money and Symerge saves money. Loan your funds to Symerge, and receive a higher interest rate payback than savings accounts or CDs. Watch Symerge and your money grow and thrive together. Started in 2010, the FlexNote program has already benefited a number of individuals like yourself, in addition to benefiting all the clients we serve. Please review the following information to learn more about FlexNote, and consider whether it might be a beneficial part of your financial plans.

—Kyle Bultman, Symerge CEO



FlexNote Flexibility

FlexNote gives you the flexibility to...

- **Invest your money:** Earn competitive interest on the balance of your FlexNote.
- **Invest in your playing:** If you're thinking of attending a Scor! event, you can use a portion of the balance toward your registration fees.
- **Invest in others:** Convert the balance to a charitable gift to support Scor!, Express!, and other Symerge programs.

Investment Options

1. **Investment Increments:** You can invest in a FlexNote via \$1000 (USD) increments.
2. **Term Length:** Choose between 6 months & 1-4 year terms.
3. **Interest Rate:** Depending on the term length & current specials, you can earn an annual interest rate of up to 6.0%. This is about 6x the typical national average for savings account yields, and almost 4x the average bank CDs. See www.symerge.org for rates & specials.

- a. 2 Year Term Rate: 2 Year base rate
 - b. 3 Year Term Bonus: Add 0.5%
 - c. 4 Year Term Bonus: Add 1.0%
4. **Additional Investments:** FlexNotes are individual loans, so each new investment would be a separate FlexNote, with potentially unique terms. It is somewhat like a CD in this way.

Payments to You

1. **Payment Frequency:** Choose the repayment schedule that best suits your financial needs & goals.
 - a. **Max CashFlow:** One payment monthly, including principal and interest.
 - b. **Quarterly:** One payment quarterly, including principal and interest that is compounded quarterly.
 - c. **Max Interest:** One payment annually, including principal and interest that is compounded quarterly.
2. **Payment Calculation:** Payment amounts are calculated based upon the amount invested, the term length, payment option, and the interest rate.
3. **Figure your Payment:** Use the handy “per \$1000” estimator on page 11 to determine your total interest income, or your payment amounts.



Other Terms

1. **Collateral:** FlexNote loans are un-secured. No collateral is being offered.
2. **Late Payments:** Symerge reserves a 15 day grace period following the payment due date. If your your payment is postmarked after that grace period, Symerge will owe you a late payment fee of \$15, payable by the 15th day of the next calendar quarter.
3. **Term Extension Option:** If Symerge is unable to meet the standard payment obligation of the FlexNote, Symerge may opt (one time only) to extend the term of the loan by up to 3 months by delaying the due date of one payment following written notification to you, the lender. During this time, no principal will be repaid, but interest will continue to accrue according to the FlexNote.
4. **Funding Goal:** Symerge periodically determines a funding goal for FlexNotes. We invite you to participate at the current terms until we have reached our funding goal (currently a maximum of \$75,000). In the unlikely event that your FlexNote investment exceeds our current goal, you may receive a lower interest rate offer.

Documentation

- **Promissory Note** (the FlexNote): This is the legal document that details the loan.
- **Yearly Statement:** Symerge will provide an annual summary of interest paid and principal paid mailed to each FlexNote holder.
- **Tax Statement:** If you earn \$600+ of interest in a year, Symerge will send you a 1099-INT or equivalent. Your Social Security number will be required if this is the case.



Converting a FlexNote

1. **Conversion to Registration Fees:** To convert some of your FlexNote balance into registration payments for Symerge events (such as Scor!), simply complete a conversion form available on the Symerge website. Upon receipt of your completed form, Symerge will transfer funds from your FlexNote to your Symerge client account. Two weeks required for processing the transfer. The minimum conversion amount is \$200.
2. **Conversion to Donation:** To convert some of your FlexNote balance into a charitable donation to Symerge, simply complete a conversion form available on the Symerge website. Upon receipt of your completed form, Symerge will transfer funds from your FlexNote to your Symerge donor account. Two weeks required for processing the transfer. The minimum conversion amount is \$200.

FlexNote FAQs

- 1. Is a FlexNote a loan?** Yes. It is a simple loan between two private parties—you, and Symerge.
- 2. Is this an investment like stock or mutual funds?** No. FlexNotes are loans, with you as the lender. Stocks or mutual funds typically represent your partial ownership of a company (which varies in value), whereas a FlexNote simply represents a specific amount of money that Symerge owes you. A FlexNote is still a bona fide way for you to invest your money, however, as you'll earn a predictable interest rate that is fixed. Plus, you'll be benefiting Symerge's programs through your investment.
- 3. What is the Risk?** All loans carry a measure of risk. FlexNotes are not federally insured deposits, but are simple loans between two individuals—you, and Symerge. Your FlexNote agreement provides you with certain legal rights to seek a settlement in the event Symerge has a financial crisis. On the positive side, unlike stock, a FlexNote does not fluctuate in dollar value based upon market forces. Plus, FlexNotes provide a regular payment to you that stocks or CDs don't match.
- 4. Can I get a tax deduction on the money I invest with FlexNote?** Normally no—your FlexNote is a loan to Symerge, not a gift. However, you have the option at any time to convert all or part of your remaining balance to a charitable gift. At that time you may be eligible for a tax deduction for the portion donated to Symerge.
- 5. Do I have to report the interest I earn for tax purposes?** Yes. We will send you an interest statement each January, or an IRS 1099-INT if you've earned \$600 or more in interest for the year. That income is



typically reported as interest income, just like interest from a savings account (Consult a tax professional for advice).

- 6. Can I designate my FlexNote toward certain programs?** No. We need the flexibility to utilize FlexNote dollars where they are needed most.

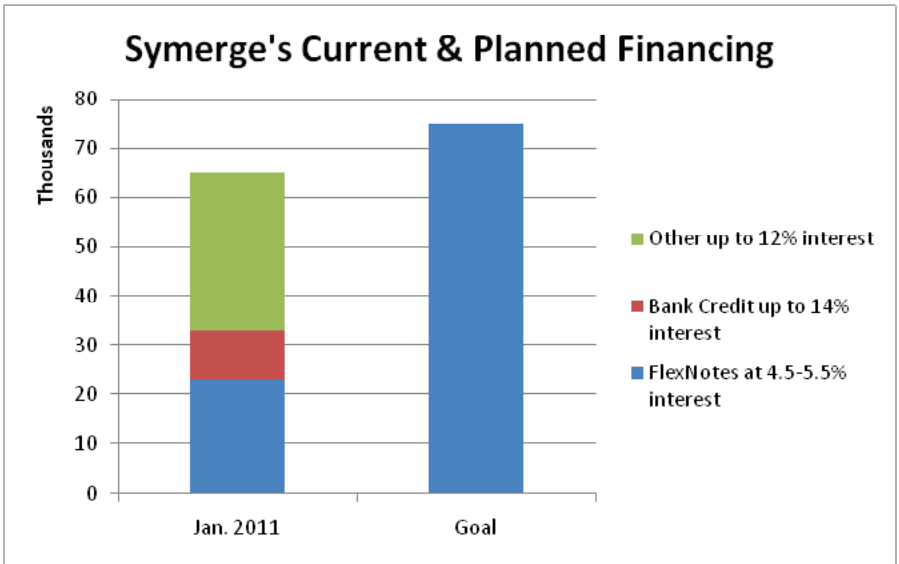


- 7. How will I know how much money I have left in my FlexNote?** Symerge will provide you with periodic statements (annually, and at your request) showing our payments to you, your interest income, and your remaining balance.
- 8. If I converted some funds to a gift, can I convert the gift back to a loan if I change my mind?** No. Once you instruct us to convert a certain amount to a gift, we cannot undo that.
- 9. Can I use money I had converted to a gift to pay my Scor! tuition or options?** No. Once converted to a gift, you cannot personally use those funds toward tuition or fees.
- 10. Can I withdraw funds like a bank account once I've invested in a FlexNote?** No, you cannot withdraw funds. FlexNotes are not deposit or bank accounts, but are loans. You will be paid back with interest according to the FlexNote agreement. You can, however, transfer remaining balances to a charitable gift or to pay for Symerge program fees such as Scor! camps or workshops.

- 11. Will I own part of Symerge if I invest via a FlexNote?** No. Symerge is a non-profit corporation, meaning it exists for the public's benefit, not for the benefit of owners or shareholders. As such, nobody is an 'owner' of Symerge.
- 12. What if I just want to donate to Symerge—do I have to open a FlexNote?** No—just mail a check to Symerge at 67 Pembroke Street, Rochester, NY 14620.

Symerge FAQs

- 1. What is Symerge?** Symerge is a not-for-profit corporation established in the State of New York, dedicated to creativity training through the arts. Current programs include Scor! String camps & workshops for adults, and Express! arts creativity training for kids.

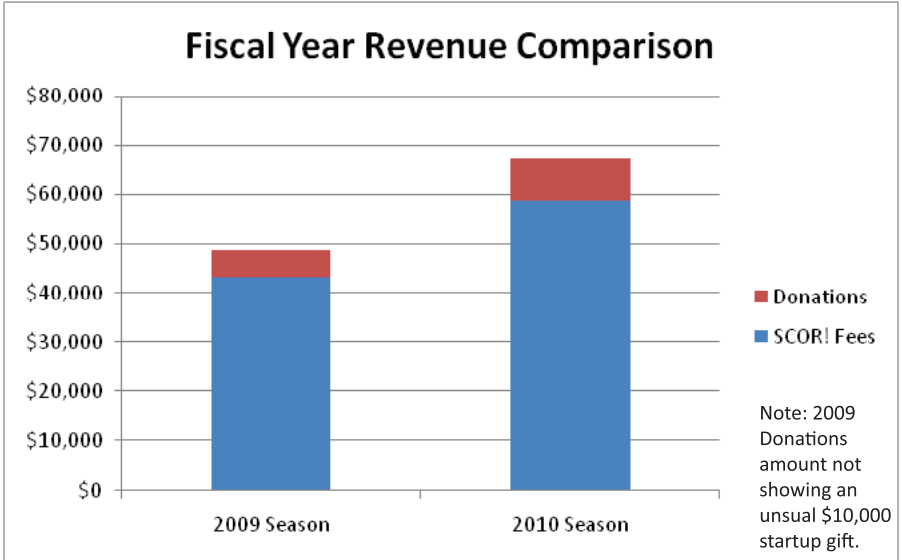


- 2. Why does Symerge operate FlexNote?** Symerge's current debt is not favorable in terms of rates or longevity, and needs to be re-financed. Traditional bank financing with competitive interest rates isn't available for smaller organizations such as Symerge, as banks like to lend for vehicles and property, which Symerge doesn't need. With FlexNote, Symerge saves money by re-financing at reasonable inter-

est rates, and you make money with more interest than you'd find in any bank CD or savings account. It's a win-win situation.

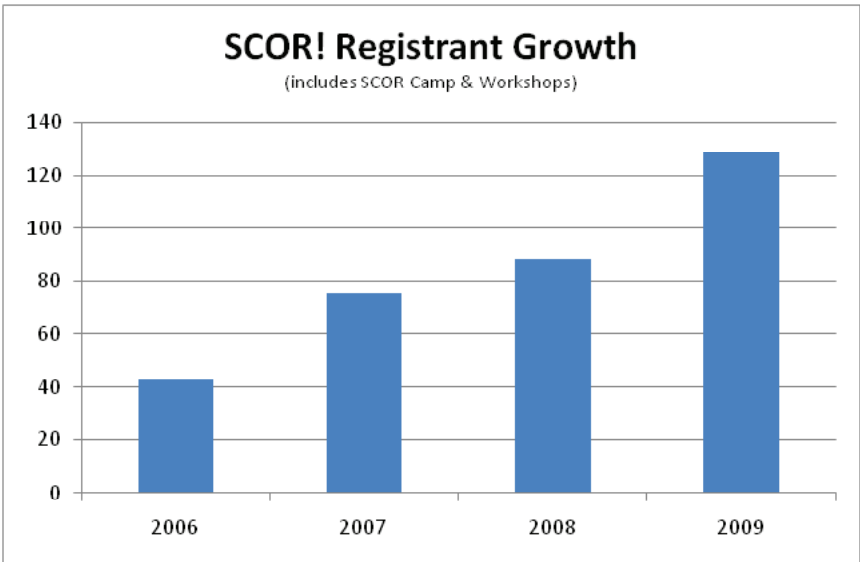
3. What are Symerge's financing needs?

- a. **Start-up, expansion, and equipment:** Symerge needs to re-finance about \$45,000 of remaining higher interest debt incurred for start-up, expansion, staffing, and equipment costs.
- b. **Managing cash flow:** Symerge's programs receive large influxes of program fees and donations at certain times of year, but bills and payroll obligations are frequently due before revenue is received. A cash cushion (lower interest 2-year FlexNotes) is needed to even out Symerge's cash flow, further strengthening relationships with contractors, suppliers, and employees.



4. **What is the FlexNote financing goal?:** We're working to raise an additional \$50,000 at this time. (maximum ceiling of \$75K)
5. **How will Symerge have funds to re-pay FlexNotes?** Symerge has a substantial and growing base of clients and donors. We anticipate significant further growth in revenues due to program & system improvements, recruitment, and expansion.

6. **Symerge is just a two years old—How are you sure its programs can succeed?** Even though the non-profit organization is young, our biggest program area, Scor!, is now in its 10th year under the same leadership. Scor! Rochester has seen steady, consistent growth, and has recently gained financial strength through marketing, pricing, and strategic improvements. Additionally, new Scor! events in other locations are beginning to generate more substantial tuition and donation revenue. We have a proven model and clientele, and recently we've invested substantially in systems development to enable more efficient operations as we expand. Symerge/Scor! Founders Kyle & Beth Bultman are strongly committed to the long-term success of Symerge, and have over \$50,000 of their assets & funds committed to ensuring the organization's successful navigation through its early years.



How to Invest

Ready to invest in a FlexNote? Simply follow these steps:

1. **Send us your request, one of two ways:**
 - a. **Email us (info@symerge.org)**, requesting a FlexNote document for your preferred Term, Amount, and Plan (e.g. quarterly).
 - b. **Or, complete the enclosed sign-up form**, selecting your options of choice. Then return it to Symerge. Symerge will send you 2 copies of a pre-filled promissory note—the FlexNote.
2. **Return your FlexNote with funds:** Simply verify the information on the FlexNote, sign/date it, and mail back to Symerge with your check.
3. **That's it!** After we receive your check and completed FlexNote, you'll be sent a welcome letter acknowledging our receipt of your investment, and indicating the date/amount of your first payment.

Payments per \$1,000

Periodic Payment per \$1000 Invested (Principal+Interest)				
Term	Rate	Monthly	Quarterly	Annually
2 Yr	4.5%	43.65	131.42	534.00
3 Yr	5.0%	29.98	90.26	367.21
4 Yr	5.5%	23.26	70.05	285.29

Total Interest Earned per \$1000 Invested				
Term	Rate	Monthly Plan	Quarterly Plan	Annual Plan
2 Yr	4.5%	47.55	51.29	68.00
3 Yr	5.0%	78.95	83.10	101.63
4 Yr	5.5%	116.31	120.86	141.18

Actual amounts may vary slightly based on exact payment dates. Use this table for estimating purposes.

Contact

Please direct correspondence regarding FlexNote to:

Email: info@symerge.org

Ph, Fx: 877-726-7267

Web: www.symerge.org

Mail: Symerge
67 Pembroke Street
Rochester, NY 14620

Notes & Questions:

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