

Request for Loan Modification and Supporting Information

Sweet Water Organics respectfully requests a modification of its existing loan with the City of Milwaukee. The specific loan modification and forbearance agreement related to the timing of certain loan covenants, the details of the restructuring plan for Sweet Water Organics, and supporting documentation on both Sweet Water Organics and Sweet Water Foundation are provided in order to aid the City in making a determination of the merits of this proposal.

Introduction

Sweet Water Organics (SWO) has provided a highly innovative technological platform for proof of concept in commercial application of aquaponics and in finding market and measuring sustainability of the system and the practice. Its mission has, from the outset, been very ambitious and has inspired both support and replication throughout the world. An illustrative list of outreach is attached as an Exhibit to this Request.

In doing so, SWO incurred significant R&D costs, legacy costs, which have impaired its ability to raise additional debt or equity or to provide return on the R&D Investment (legacy costs). The current financial statement for Sweet Water Organics is attached as an exhibit to this request. This proposal details the restructuring of debt and equity of Sweet Water Organics, which will make it possible for Sweet Water Organics to perform on a sustainable basis.

Sweet Water Foundation

Sweet Water Organics has been a source of information for those interested in local food, farm to table advocacy, teaching applied science in a hands on environment, community development and economic development. Sweet Water Foundation (SWF) was incorporated in Wisconsin and obtained its tax-exempt status from the Internal Revenue Service in 2010 to discharge these educational and charitable activities. It is operated with a separate Board of Trustees has a separate staff and separate accounting. Though small, its base of energetic volunteers has made it possible to grow in both stature and funding. Its end of year report and financial statement are included as supporting material to this application.

Sweet Water Foundation's Capabilities

Sweet Water Foundation has been successful in obtaining and executing important educational grants to support its mission. In addition to success with competitive grants and its success in attracting strategic academic partners for its activities, it has entered a Memorandum of Understanding with Praxis- Partners to support and accelerate its growth. A range of economic and human resources are being provided by Praxis to aid in the stable growth of SWF. In calendar year 2012 in addition to approximately

\$17,800 in charitable gifts from Joseph and Larke Recchie, Praxia's principals, professional resources were provided which amounted to \$62,000 in services. Based upon the Memorandum of Understanding and scope of work, Praxia intends to advance up to \$200,000 in funds and services to support the growth of SWF. Background on Praxia-Partners and Joseph Recchie can be found at www.praxia-partners.com

The strategic plan for SWF indicates that it can sustain and grow its educational and community development activities and fulfill the mission begun by Sweet Water Organics by providing to SWO necessary support for its existing facility. The plan for support of facility and transition to the outdoor facility is outlined in the accompanying Sweet Water Foundation Analysis of SWO Ongoing Budget and Process.

Recommendation and Plans for Restructured Sweet Water Organics

Based upon a thorough analysis of both SWO and its prospects and SWF, we made the following recommendations (the Action Items):

- a SWO investors donate their stock to SWF or sell for \$1 in order to secure tax benefits for charitable donation or investment in small business respectively.
- b SWO creditors (except the City) write off at least 80% of their account receivable or note and that the remainder amount be made a part of a participating 0% cash flow note to be paid only if there are profits in the operation of SWO and even if then, only at 25 % of net annual cash flow.
- c SWF take over the day-to-day operation of the Great Farm facility under renegotiated lease terms and at lower overhead cost.
- d That the City debt be modified as to metrics with the specific performance metric being educational and community development outreach, including the organic gardening initiative with the Center for Veterans Issues.
- e That grant initiative by SWF and including crowd funding and other initiatives be utilized to further improve the SWO 2.0 strategy for development of greenhouses and fish house in advanced configuration.

A through C above have been approved and are being executed (next 30 days). D is the subject of this request and, subject to this modification; SWF will begin execution of E above, within 14 days of loan modification.

Request for Loan Modification

Based upon the foregoing, analysis, Sweet Water Organic proposes the modification of the performance conditions under which the loan with the City of Milwaukee will be forgiven. In substitution for a metrics that focus exclusively on new job creation, Sweet Water Organics proposes that the metric for determination of forgiveness of the loan as follows:

Educational outreach: SWO and SWF will perform educational outreach to 50 schools in the City of Milwaukee over a three-year period,

Veteran Job and Reintegration Strategy: SWO and SWF working in conjunction with CVI will utilize the facility to help train and reintegrate veterans into the workforce and assist in adjustment to civilian society.

Community Development: SWO and SWF will systematize its training and make it available to community organizations wishing to develop and operate aquaponics systems as both economic development and community building tools.

In addition, SWO proposes forbearance of covenants relating to performance under the loan, allowing SWO to re-calibrate the performance period to begin as of the date of execution of the Loan Modification. The loan funds have construction work in progress balance and, after modification wishes to draw the remaining funds in conjunction with its capital improvement schedule of values.

Supporting Exhibits

- A. Sweet Water Organics Financial Statement
- B. Sweet Water Foundation Financial Statement
- C. Sweet Water Foundation End of Year Report
- D. Sweet Water Foundation Macarthur Foundation Grant Agreement
- E. Praxia Partners Plan for Support of Sweet Water Foundation
- F. Sweet Water Foundation Analysis of SWO Ongoing Budget and Process
- G. Illustrative List of Aquaponics and Urban Gardening Outreach