



SENIOR DEMAND NOTE DRAFT REDEMPTION AGREEMENT

Customer Agreement: I elect to use the draft redemption option of the Senior Demand Note (SDN) issued by 1st Franklin Financial Corporation Investment Center (the "Company"). I understand that to utilize the draft redemption option and the other services provided hereby, I must maintain a Minimum Investment Balance with the Company of \$500. I have read the Terms and Conditions and SDN Prospectus and understand that the SDN is not a deposit and is not insured by any Federal or state agency. Additionally, I have read the following provisions of this Draft Redemption Agreement and as evidenced by my signature below, I agree as follows:

Minimum Investment Balance: I must maintain a Minimum Investment Balance of \$500 in any Investment to utilize the services outlined in this Agreement. If at any time this balance falls below \$500, all draft writing privileges and other services included herein may be immediately cancelled by the Company, without notice, until such time as such balance increases to or exceeds \$500 (subject to excess redemption protection as provided in a separate Senior Demand Note Excess Redemption Agreement if I choose to utilize this service). The Minimum Investment Balance may be maintained by me in either the SDN, a separate SDN, a Variable Rate Subordinated Debenture, or Commercial Paper issued by the Company.

Draft Writing and Electronic Debits: In conjunction with the issuance of the SDN, I will receive a free starter supply of drafts. I agree that each draft must state "1st Franklin Financial Corporation payable through South State Bank" on its face, and to ensure compliance with this term, I agree to purchase my initial book of drafts from the Company, and I agree that all subsequent drafts must include the phrase "1st Franklin Financial Corporation Payable through South State Bank" if I purchase them from another vendor. Although the drafts will look and function in a manner similar to the appearance and basic operation of a "check" utilized with a bank checking account, I acknowledge and agree that all drafts are not "checks," and together with electronic debits, are payable through South State Bank. I agree that each draft or debit will always be considered to be an SDN redemption in an amount equal to the amount of the draft or debit. Cancelled drafts will not be returned to me. If any check, draft, or other instrument used to purchase an investment is subsequently returned unpaid, the purchase will be rescinded effective on the date the draft is charged back, and there will be a charge as stated in the Fee Schedule.

Honoring Drafts and Electronic Debits: If a draft or electronic debit is presented to the Company that would exceed the balance of the SDN or which would reduce the Minimum Investment Balance below \$500, the draft or electronic debit may be returned unpaid. Any such draft or electronic debit, whether paid or returned unpaid may be assessed a return charge as stated in the Fee Schedule.

Optional Excess Redemption Protection: I have the option of obtaining excess redemption protection by entering into a Senior Demand Note Excess Redemption Agreement ("SDN ER Agreement") with the Company. Said SDN ER Agreement requires me to assign the SDN or other Debt Securities to the Company as collateral for any excess redemptions. Under the terms of the SDN ER Agreement, the Company will cover any excess redemption up to the excess redemption protection amount provided by my SDN ER Agreement. As a separate means of excess redemption protection, I also have the option of signing an SDN Transfer Agreement, which would transfer funds from another SDN I own to cover any excess redemption I may incur. If a draft or electronic debit is presented to the Company that exceeds the amount I have available in all SDNs that are listed in the SDN Transfer Agreement, the draft or electronic debit may be returned unpaid and a return charge may be assessed as stated in the Fee Schedule.

Monthly Statement Draft Truncation: I will receive a detailed monthly statement, electronically or by mail. Cancelled drafts are not returned to me but may be viewed through the Online Investment Services or by calling the Investment Center and requesting a copy (which may incur a fee according to the Fee Schedule). It is important that I carefully review my statement every month to ensure there are no errors or improper debits or credits. My failure to review my statement may make me responsible for any loss.

Imaging or Electronic Statement: If I choose to receive a statement by mail with cancelled draft images, I may incur a monthly charge as stated in the Fee Schedule. If I choose to receive an electronic statement, images of my drafts will be included at no charge.

Stop Payment: I may stop payment on a draft or electronic debit by notifying the Company, in writing, of the draft number, amount and payee. Each Owner of the SDN authorizes the Company to act on behalf of all Owners in connection with stop payment requests. The Company is not liable for failure to stop payment on a draft or electronic debit unless it has received timely written notice. There may be a fee for this service as stated in the Fee Schedule.

Payment of Charges: The payment for all service charges provided by this Agreement will be made by deducting such amount from the SDN balance. If the SDN balance is not sufficient to cover the charges, I am obligated to pay them, and such charges may be deducted from another Investment in which I have ownership.

Joint and Several Liability: This Agreement is binding upon me and my successors and assigns. If there is more than one Owner of the SDN, then obligations under this Agreement are joint and several. As used in this Agreement, the singular includes the plural number, if the SDN is owned jointly.

Termination/Amendment of Agreement: I may terminate this Draft Redemption Agreement at any time by redeeming this SDN. The Company may terminate this Draft Redemption Agreement at any time by calling the SDN for redemption. Upon termination of this Draft Redemption Agreement, whether by me or by the Company, I remain liable for any unpaid drafts or other charges. The Company may amend the terms or conditions of this Draft Redemption Agreement by giving 30 days written notice to me. Such amended terms and conditions will apply to all of the Owners of the SDN on the effective date stated in that notice.

Date: _____

Signed: _____

SDND#: _____

Signed: _____

Signed: _____

Signed: _____