

**THIS CONVERTIBLE PROMISSORY NOTE (THE “NOTE”) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR UNDER ANY STATE SECURITIES LAW. THIS NOTE HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (“SEC”) OR BY ANY STATE SECURITIES COMMISSION. NEITHER THE SEC NOR ANY STATE SECURITIES AUTHORITY HAS REVIEWED ANY OFFERING BY THE COMPANY OR PASSED ON THE ACCURACY OR ADEQUACY OF ANY INFORMATION CONTAINED IN THIS NOTE OR IN ANY OTHER DOCUMENT OF THE COMPANY. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS NOTE IS ISSUED PURSUANT TO THE EXEMPTION FROM REGISTRATION CONTAINED SECTION 4(2) OF THE SECURITIES ACT OF 1933 AND RULE 506 OF REGULATION “D” PROMULGATED THEREUNDER BY THE SEC AND MAY NOT BE SOLD OR TRANSFERRED WITHOUT REGISTRATION OR THE WRITTEN PERMISSION OF THE COMPANY THE HOLDER OF THIS NOTE AGREES, BY ACCEPTING THIS NOTE OR ANY SHARES, TO BE BOUND BY THOSE RESTRICTIONS, WHICH ARE BINDING ON HOLDER’S SUCCESSORS AND REPRESENTATIVES.**

\$ \_\_\_\_\_, 2011

**Convertible Promissory Note**

**Accredited Investors Only**

**OBLIGATION**

1. **GATE Technologies, Inc.**, ( the “Company”) for value received, hereby promises to pay to the undersigned (“Lender”) no later than 730 days from execution of this Note (the “Maturity Date”), the principal sum indicated above together with interest thereon at the rate of ten percent per annum, all due and payable upon the Maturity Date of this Note, on the following terms and conditions.

1.1 **Warrants.** As further consideration for this Note, the Company grants to Lender that number of warrants to purchase common stock equal ten percent (10%) of the principal value of this Note divided by the conversion rate set forth in paragraph 3 below exercisable until the Maturity date.

## **MEDIUM OF PAYMENT**

2. The principal of, and interest on this note, are payable in lawful money of the United States.

2.1 The Company, at its option, may at any time on or after the date hereof, prepay in whole or in part prior to the Maturity Date, without premium or penalty, the principal sum, together with all accrued interest, unless the Note has sooner been converted by the holder as provided for herein.

## **CONVERSION**

3. Holder's Conversion Right. The holder shall have the right, in his, her or its sole discretion, to convert this Note into fully paid, non-assessable, restricted shares of Common Stock of the Company at the rate of \$1.00 per share for all principal and interest then due. The Company will not issue any fractional shares; and, on conversion, the number of shares issuable under this Note must be rounded to the nearest whole share.

The Company shall not be obligated to issue to holder a certificate for any shares issuable on conversion unless the following conditions are satisfied, any of which may be waived by the Company: (i) this Note is delivered to the Company; (ii) holder delivers to the Company all written representations and warranties requested by the Company, including those regarding holder's financial sophistication and investment intent and such other matters as may relate to purchasers of securities in an unregistered private offering; and (iii) holder executes the Company's subscription agreement in connection with the Company's then private offering of securities. In order to exercise said conversion option the holder hereof must notify the Company on the form attached hereto.

In the event of such conversion prior to the Maturity Date, the Company shall be obligated to register all stock issued to the holder pursuant to the conversion in the initial registration statement for the Company's public offering of securities with the Securities And Exchange Commission. On the date of conversion, all obligations of the Company to pay principal and accrued interest pursuant to this Note shall be extinguished.

4. Limitations on Holder's Conversion Right. In the event the Company provides a 30 day written notice to the holder of an intent to file a registration statement for the Company's public offering of securities with the Securities And Exchange Commission prior to the Maturity Date and the holder does not then convert this Note to common stock as provided for herein prior to said filing, the Company may, but will not be obligated to honor holder's conversion right as provided for herein.

#### **DEFAULT**

5. The obligations of the Company under this Note shall be deemed to be in default under the following circumstances:

a) Without notice, except as expressly provided here, the following will be deemed to be events of default:

#### **Payment**

i. Default in the payment of the Note as and when the same become due and payable; or

#### **Insolvency**

ii. The decree or order by a court having jurisdiction in the premises has been entered adjudging the Company a bankrupt or insolvent, or approving a petition seeking reorganization of the Company

under the National Bankruptcy Act, or any other similar applicable federal or state law, and such decree or order has continued undischarged or unstayed for a period of sixty (60) days; or

### **Receivership**

- iii. A decree or order of a court having jurisdiction in the matter for the appointment of a receiver or liquidator, or trustee or assignee in bankruptcy or insolvency of the Company, or of all or substantially all of its property or for the winding up or liquidation of its affairs, has been entered and such decree or order has continued in force undischarged or unstayed for a period of sixty (60) days; or

### **Bankruptcy**

- iv. The Company institutes proceedings to be adjudged a voluntary bankrupt, or consents to the filing of bankruptcy proceedings against it, or files a petition or answer or consent seeking reorganization under the National Bankruptcy Act or any other similar or applicable federal or state law, or consents to the filing of any such petition, or consents to the appointment of a receiver, liquidator, or trustee in bankruptcy, or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due.

### **TRANSFERABILITY**

6. This Note, when registered, is transferable subject to the Company's approval by any registered holder in person or by his attorney duly authorized in writing

on a register maintained by the Company, only on the surrender of this Note, duly endorsed without recourse, but the Company will not be required to make any transfer unless and until it receives this Note duly and properly endorsed without recourse by the registered holder or by his attorney duly authorized in writing and the Company approves the transfer. the Company reserves the right to refuse consent to the transfer of this Note if, in the opinion of counsel for the Company, the transfer would be unlawful or the transferee is not a suitable investor or purchaser.

On the surrender of this Note or transfer of registration of this Note, the Company will issue a new Note in its place following approval of the transfer. the Company may treat the registered holder as the absolute owner for the purpose of receiving payment, for the purpose of effecting the conversion of this Note into shares of the Company, and for all other purposes, and will require guaranty of authenticity of signatures with respect to endorsements and execution of an Investor Questionnaire.

#### **MISCELLANEOUS**

7. Severability. If one or more provisions of this Note are held to be unenforceable under applicable law, such provision shall be excluded from this Note, and the balance of the Note shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

8. Lender Warranties.

- a) The Lender warrants that one or more of the descriptions set forth below is applicable to Lender and accurately reflect(s) the Lender's financial situation to qualify as an "accredited investor" for the purpose of this investment:

- i. The Lender is a natural person who has a net worth in excess of \$1,000,000 (including the net value of property held jointly with right of survivorship with the Lender's spouse and including the net value of home furnishings and personal automobiles) but exclusive of Lender's principal residence.
- ii. The Lender is a natural person whose income for each of the past two calendar years has exceeded \$200,000.00, and there is a reasonable expectation that the Lender's income for the current calendar year will also be in excess of \$200,000.00. Such income is solely that of the Lender and excludes the income of the Lender's spouse.
- iii. The Lender is a natural person whose income, together with that of his or her spouse, for each of the past two calendar years has exceeded \$300,000.00, and there is a reasonable expectation that the Lender's income for the current calendar year will also be in excess of \$300,000.00.
- iv. The Lender is a corporation or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.
- v. The Lender is any director, executive officer, or general partner of the Company, or any director, executive officer, or general partner of a general partner of the Company.

vi. The Lender is a private business development company as defined in Section 202(a) (22) of the Investment Advisers Act of 1940.

vii. The Lender is an entity in which all of its equity owners are accredited investors or the Lender is an entity in which all of its equity owners are natural persons who have a net worth in excess of \$1,000,000 exclusive of principal residence.

b). The undersigned acknowledges the illiquidity of any shares of capital stock into which this Note may be converted. The undersigned further acknowledges that, due to the fact that unless the shares are registered under the Securities Act of 1933, or state securities laws, transfer of the Shares has been significantly limited. Therefore, the undersigned does not expect to be able to transfer his or her shares. The undersigned acknowledges that he/she must bear the economic risk of the investment for an indefinite period of time and can afford a complete loss of the investment. The undersigned will not sell, hypothecate or otherwise transfer the shares unless (a) registered with the Securities And Exchange Commission by the Company under the Securities Act of 1933 and applicable state securities laws, or (b) in the opinion of counsel, concurred in by counsel to the Company, an exemption from the registration requirements of the 1933 Act and such state laws is available. Furthermore, the undersigned understands that any certificates evidencing the shares will bear an appropriate legend restricting the sale, hypothecation, or other transfer of said shares, and the transfer records of the Company will contain appropriate notations of such transfer restrictions.

c). The undersigned represents and warrants to the Company that in the event of conversion he/she/it is purchasing the herein subscribed for shares for investment purposes only, solely for his or her own account and not for fractionalization or with a view toward distribution and has no contract, agreement, arrangement or undertaking with any person to sell, transfer or pledge the shares. The shares will be issued only in the name of the undersigned and no other person has or will have a direct beneficial interest in the shares.

d). The undersigned represents and warrants to the Company that he/she/it has had all of his/her/its questions concerning the Company its offering of common stock into which this Note may be converted, including, but not limited to, the Company's financial condition and all risks associated with an investment in or loan to the Company to his/her/its complete and total satisfaction.

**10. Risk Factors**

a). Economic Factors Generally. The Company is subject to the general risks of the marketplace which exist in the Company' lines of business. Moreover, the results of operations of the Company will depend upon a number of factors over which the Company will have no control, including changes in general economic or local economic conditions, changes in supply of or demand for similar and/or competing products and services in the area, and changes in tax and governmental regulations that may affect demand for such products and services. For these and other reasons, no assurance of profitable operations can be given.



b). Risks Peculiar to Owning and Operating a New Business. The business of the Company is inherently speculative and subject to substantial risk including, without limitation, the risk that (1) there can be no definite assurance that there will be demand for the products offered by the Company, (2) and costs or operations may be more than projected and result in substantial losses.

c). Uncertainty of Marketplace for The Company. Although there is currently apparent demand for the Company' products, there can be no assurance that such demand will continue or that the Company will be successful in obtaining a sufficient market share to sustain the business of the Company or to achieve profitable operations. The Company had no operating history prior to its formation and there can be no assurance that the Company will become profitable. The Company is subject to the general risks of the marketplace, which exist in the Internet and computer industry. Additionally, if either the demand for the particular products produced or the industry generally suffers a decline, or if future regulations adversely affect the Internet marketplace, the business of the Company could be impacted to a substantial degree resulting in lower profitability or complete losses as a direct result. Many of the factors that affect the Company and the business of the Company are dictated by the marketplace and are beyond the Company' control. Investors must be able to bear the risk of a complete loss of their investment for this and a variety of reasons.

d) Limited Market for Securities and Restrictions on Transferability of the Shares. There has not existed and at present there is no market for the Shares in this Offering and there can be no assurance that an active trading market

for the shares offered pursuant hereto will develop. The offer and sale of the shares offered hereby has not been registered under the act in reliance upon the exemption from registration provided by section 4(2) of the act and Rule 506 of Regulation D promulgated thereunder, and may not be sold or transferred except as permitted under various exemptions contained in the Securities Act of 1933, or upon satisfaction of the registration and prospectus delivery requirements of that Act. Certificates evidencing the shares purchased by investors will bear a restrictive legend in this regard. Accordingly, each investor must bear the economic risk of his or her investment in these securities for an indefinite period of time and the shares acquired pursuant hereto should be viewed by investors as an extremely illiquid investment.

e) Possible Future Substantial Dilution. We intend to issue additional shares of preferred stock and common stock in the near future as we deem necessary. It is not precisely known at this time the extent to which future issuance of stock would dilute a subscriber's interest with respect to the Shares purchased in this offering. Future private issuances of stock will generally be issued at a value arbitrarily determined by us and not the book or fair market value existing on the date of such issuance. To the extent the issuance price of such future shares of stock is not at least equal to the net book value of the shares issued and outstanding as of the date of such issuance, the value of existing shareholders' common stock will be diluted. In addition, the mathematical operation of additional issuances will, of necessity, result in a dilution in the value of the Shares purchased in this offering.

f) Economic Analysis. Thorough analysis of investments such as the one presented by this note may require a review and verification by independent third parties of the economic potential of the proposed undertaking.

g) Limited Spreading of Risks. The Company will have at the conclusion of this offering a relatively small capitalization. The ability of the Company to diversify or expand its activities is limited. Due to the comparatively small capitalization and the budget, there will be less spreading of risks than may occur in some other organizations.

h) Development Stage Company with Limited Revenues. The Company is a recently organized business. The Company faces all of the risks inherent in new businesses, including limited operating history. There is no assurance that we will be successful or profitable. The likelihood of the success of the Company must be considered in light of problems, expenses, difficulties, complications and delays frequently encountered with the growth of a new business. In addition, the industry in which we will participate is highly competitive and subject to rapid changes. The business, marketing, legal and regulatory changes that may occur could have a significant impact on the business possibilities of the Company. Management cannot predict the effects such changes may have on Telcentris or its proposed business.

**11. Mandatory Binding Arbitration. This Note shall be governed by and construed in accordance with the substantive laws of the state of Company's principal place of business, without reference or regard to principles of conflicts of law, except as to questions regarding securities laws in which case federal securities**

laws shall control. Any and all claims, controversies or disputes arising out of relating to this investment, including any claim for declaratory relief or any claim whatsoever whether sounding in contract or tort, regardless of whether such claim, controversy or dispute is against, the Company or any of its officers, employees, agents, attorneys or accountants, shall be resolved by binding arbitration under the Commercial Arbitration Rules of the American Arbitration Association. Venue for any such arbitration or any application disputing anything whatsoever concerning this Offering shall be in the city of the Company's principal place of business. The prevailing party in any arbitration or judicial application of any nature whatsoever, including any all claims regardless of whether said claim is framed in contract or tort, shall be entitled to reasonable attorney's fees and costs of suit. Judgment upon any arbitration award may be entered in a court of competent jurisdiction. The undersigned understands and agrees that execution of this Note will result in a waiver of the holder's right to a jury trial in the event of a dispute concerning this Note.

**EXECUTION**

Executed on \_\_\_\_\_, 2012 at \_\_\_\_\_.

**THE COMPANY**

**LENDER**

By \_\_\_\_\_  
Signature

By \_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

**FORM FOR EXERCISING ELECTION**

**TO**

**CONVERT**

The undersigned holder of the within Promissory Note due in 730 days of the hereby demands conversion of said Note to common stock at the rate of \$\_\_\_\_\_ per share for \$\_\_\_\_\_ principal and interest then due.

DATED: \_\_\_\_\_

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Sign Name]