Convertible Promissory Note

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THIS NOTE AND THE SHARES OF COMMON STOCK ACQUIRABLE ON CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, OFFERED FOR SALE, HYPOTHECATED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN OPINION OF COUNSEL, WHICH COUNSEL AND OPINION SHALL BE SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATION IS NOT REQUIRED.

CONVERTIBLE PROMISSORY NOTE

$_____ Dated: _____

FOR VALUE RECEIVED, the undersigned, [COMPANY NAME], a _____ corporation (the "**Company**"), agrees and promises to pay to [INVESTOR NAME], of [ADDRESS], [STATE] (the "**Holder**") at [LOCATION OF PAYMENT], or at such other place or places as the Holder may designate in writing, the principal amount of _____ Dollars ($_____) (the "**Principal Amount**"), without interest, as follows:

(a) The Principal Amount shall bear no interest from this date until paid.

(b) On [DATE], (i) the entire Principal Amount shall be due and payable in full, and (ii) this Note shall be automatically converted into fully paid and nonassessable shares of the common stock, no par value, of the Company ("**Common Stock**") representing [___] percent (____%) of the issued and outstanding Common Stock of the Company as of the date of the issuance of this Note (the "**Shares**").

1. Manner of Payment. The Company shall deliver to the Holder (a) its check made payable to the Holder for the Principal Amount, and (b) the Shares on [DATE] in accordance with the provisions of Section 5.

2. Events of Default; Consequences. In the event of the occurrence of an event of default the Holder may declare the entire Principal Amount immediately due and payable, without presentment, protest, notice or demand, all of which are expressly waived, and the Principal Amount shall be paid by the Company in legal tender of the United States of America, in immediately available funds. The term "**Event of Default**" shall mean any of the following:

The Company shall make an assignment for the benefit of creditors; an order, judgment or decree shall be entered for relief in respect of or adjudicating the Company bankrupt or insolvent; the Company shall petition or apply to any tribunal for the appointment of, or taking of possession by, a trustee, receiver, custodian, or liquidator or other similar official of the Company or of any substantial part of any of their respective assets; the Company shall commence any proceeding relating to the Company under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, or any such petition or application is filed or any such proceeding is commenced against the Company and such petition, application or proceeding is not dismissed within ninety (90) days.

3. No Setoff, Etc. The obligations of the Company to pay the Principal Amount to the Holder shall be absolute and unconditional and the Company shall make such payment without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, setoff, recoupment, or counterclaim which the Company may have or assert against the Holder or any other person.

4. Waiver of Presentment, Etc. The Company waives presentment, demand, notice of dishonor, protest and notice of nonpayment and protest.

5. Automatic Conversion. On [DATE] (the "**Conversion Date**"), this Note shall be automatically converted into the Shares which shall be fully paid and nonassessable shares of the Common Stock of the Company (the "**Conversion**"). Such Conversion shall be effected by the surrender of this Note to the Company, at the principal office of the Company, whereupon the Company shall (a) pay to the Holder the Principal Amount and (b) issue and deliver to the Holder certificate(s) for Common Stock representing the Shares registered in the name of the Holder and this Note shall be cancelled and marked "Paid in Full." Such Conversion shall be deemed to have been effected as of the close of business on the Conversion Date, and at such time, the rights of the Holder with respect to the Principal Amount and this Note shall cease and the Holder shall be deemed to have become the holder of record of the Shares of Common Stock represented by such certificate(s). The Holder agrees that such Shares shall be subject to any and all restrictions on transfer applicable to the Common Stock of the Company.

6. Reservation of Common Stock; Etc.

(a) The Company shall at all times from and after this date reserve and keep available out of its authorized but unissued shares of Common Stock or its treasury shares, or otherwise, solely for the purpose of issuance upon the Conversion Date, such number of shares of Common Stock as shall then be issuable upon the conversion of this Note. The Company covenants that all shares of Common Stock which shall be so issuable shall, when issued, be duly and validly issued, fully paid and nonassessable and free from all taxes, liens and charges.

(b) The Company shall not take any action which would result in any adjustment of the number of shares of Common Stock acquirable upon conversion of this Note if the total number of shares issuable after such action upon conversion of this Note, together with the total number of shares of Common Stock then outstanding, would exceed the total number of shares of Common Stock then authorized under the Company's [NAME OF CHARTER] which are not reserved or required to be reserved for any purpose other than the purpose of issue upon conversion of this Note.

(c) The issuance of certificates for shares of Common Stock upon conversion of this Note shall be made without charge to the Holder for any issuance tax or other cost incurred by the Company in connection with such conversion and the related issuance of shares of Common Stock.

7. No Adjustment Provisions. The Holder acknowledges and agrees that the number of Shares issuable upon conversion has been determined as of the date of the issuance of this Note, that no adjustment to the number of Shares issuable upon the Conversion Date shall be

made by reason of additional shares of stock of the Company issued by the Company after the date of issuance of this Note, and that no adjustments shall be made upon issuance of the Shares on the Conversion Date for any other diluting issues except for the following:

(a) **Subdivisions and Combinations**. Anything in this Section 7 to the contrary notwithstanding, in the event the Company shall at any time subdivide (by any stock split, stock dividend or otherwise) one or more classes of its outstanding Common Stock into a greater number of shares of such stock, the number of Shares shall be proportionately adjusted, as applicable. Similarly, in the event the outstanding shares of one or more classes of Common Stock shall at any time be combined into a smaller number of shares (by reverse stock split or otherwise), the number of Shares shall be proportionately adjusted, as applicable. In the case of any stock dividend described in this subsection (a), the adjustment to be made shall be made as of the time immediately after the close of business on the record date for the determination of holders of any class of securities entitled to receive such dividend; provided, however, that if such record date shall have been fixed and such dividend shall not have been fully paid on the date fixed, such adjustment shall be cancelled as of the close of business on such record date and, thereafter, the number of Shares shall be adjusted pursuant to this subsection (a) as of the time of actual payment of such dividend. In the case of any subdivision (other than a stock dividend) or combination described in this subsection (a), the adjustment to be made pursuant hereto shall be made as of the close of business on the date immediately prior to the date upon which such corporate action becomes effective.

(b) **Organic Changes, Etc.** If any capital reorganization or reclassification of the capital stock of the Company (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of an issuance of Common Stock by dividend or other distribution or by reason of a subdivision or combination), or any consolidation or merger of the Company with or into another company or any sale of all or substantially all of the Company's property and assets to any person, firm or company (collectively, any "**Organic Change**") shall be effected in such a way that holders of Common Stock shall be entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Common Stock, then, as a condition to such Organic Change, lawful and adequate provision shall be made whereby the Holder shall thereafter have the right to acquire and receive upon the basis and upon the terms and conditions specified herein and in lieu of the Shares of Common Stock of the Company immediately theretofore acquirable and receivable (directly or upon subsequent conversion, assuming unrestricted convertibility) upon the conversion of this Note, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for a number of outstanding shares of Common Stock equal to the number of Shares of Common Stock immediately theretofore acquirable and receivable (directly or upon subsequent conversion, assuming unrestricted convertibility) upon conversion of this Note had such Organic Change not taken place (except that the terms of the parenthetical provision at the end of the next sentence shall be applied in determining the number of shares of Common Stock immediately theretofore acquirable and receivable). In any such case, appropriate provision shall be made with respect to the Holder's rights and interests to the end that the provisions contained in this Note shall thereafter be applicable in relation to any shares of stock, securities or assets thereafter deliverable upon the Conversion Date (including, in the case of any such consolidation, merger or sale in which the successor company or purchasing

entity is other than the Company, an immediate adjustment in the number of shares of Common Stock acquirable and receivable upon conversion of this Note). In the event of a merger or consolidation of the Company with or into another company or the sale of all or substantially all of the Company's property and assets to another company as a result of which a number of shares of common stock of the surviving or purchasing company greater or lesser than the number of shares of Common Stock of the Company outstanding immediately prior to such merger, consolidation or sale are issuable to holders of Common Stock, the aggregate number of shares of Common Stock into which this Note was convertible in effect immediately prior to such merger, consolidation or sale shall be adjusted (pursuant to subsection (a) of this Section 7) as though there were a subdivision or combination of the outstanding shares of Common Stock. The provisions of this subsection (a) shall similarly apply to successive Organic Changes.

8. Notice of Adjustment. Upon the Conversion, the Company shall deliver to the Holder a written notice setting forth in reasonable detail the method of calculation of the number of Shares issuable upon Conversion and the facts upon which such calculation is based. The Company shall, upon written request at any time by the Holder, furnish or cause to be furnished to such Holder a similar certificate setting forth the number of shares of Common Stock which then would be received by the Holder upon the Conversion Date. The Company may retain a firm of public accountants which may be the firm regularly retained by the Company to make any computation required under this Section 8 and a certificate signed by such firm shall be conclusive evidence of the correctness of any computation made under this Section 8.

9. Voting. Nothing contained in this Note shall be construed as conferring upon the Holder the right to vote or to consent or to receive notice as a stockholder in respect of the meetings of stockholders for the election of directors of the Company or any other matter.

10. Representations and Warranties of the Holder. The Holder by his acceptance hereof represents and warrants to the Company that he is acquiring the Note and the Shares issuable upon conversion for his own account for investment only and not with a view to distribution or resale. The Holder agrees not to sell or otherwise dispose of the Note or the Shares in violation of the provisions of the Securities Act of 1933, as amended (the "**Act**"). The Holder understands that the Note and the Shares have not been registered by reason of their issuance in a transaction exempt from the registration requirements of the Act and, accordingly, must be held indefinitely by him unless they are later transferred in transactions that are either registered under the Act or exempt from registration. The Holder understands that the Company is under no obligation to register the Note or the Shares under the Act or to file for or comply with an exemption from registration, and recognizes that exemptions from registration, in any case, are limited and may not be available when the Holder may wish to sell, transfer or otherwise dispose of the Note or the Shares. The Holder understands that the certificate(s) representing the Shares will bear a legend to such effect. The Holder represents and warrants to the Company that he has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risk of his loan to the Company and is able to incur a complete loss of his investment and to bear the risk of such a loss for an indefinite period of time. The Holder understands that the Note and the Shares are a risky and speculative investment. The Holder acknowledges that the Company has given him access to the corporate records and accounts of the Company, has made its officers available for interview by him and

has furnished him with all documents required by him to make an informed decision with regard to his investment in the Note and the Shares.

11. Notices.

(a) Any notice pursuant to this Note to be given or made by the Holder to or upon the Company shall be sufficiently given or made if sent by certified or registered mail, postage prepaid, addressed (until another address is sent by the Company to the Holder) as follows:

_____
_____
_____
_____
Attn: _____

(b) Any notice pursuant to this Note to be given or made by the Company to or upon the Holder shall be sufficiently given or made if sent by certified or registered mail, postage prepaid, addressed (until another address is sent by the Holder to the Company) to the address of the Holder set forth above.

12. Governing Law. This Note shall be governed by and construed in accordance with the laws of the [STATE].

13. Register of Notes. The Company shall keep at its principal office (or such other place the Company reasonably designates) a register for the registration of Convertible Notes and the name and address of each holder of Convertible Notes. The register shall be made available by the Company for review by the Holder or the Holder's agent during usual business hours of the Company.

14. Modification and Waiver. No modification or waiver of any provision of this Note, nor any departure by the Company therefrom, shall in any event be effective unless the same shall be in writing signed by the Holder and then such modification or waiver shall be effective only in the specific instance for the specific purpose given.

Attest:	[COMPANY NAME]
_____	By:_____
[Secretary]	Its: