

THE FOLLOWING IS AN EXAMPLE OF A CONVERTIBLE NOTE PURCHASE AGREEMENT. THE AGREEMENT HERE GOVERNS THE TERMS AND CONDITIONS UNDER WHICH THE ISSUER OF THE NOTE OFFERS THE NOTE FOR PURCHASE, AND THE INVESTOR PURCHASES THE NOTE. BESIDES CONTAINING BASIC PROVISIONS REGARDING THE MECHANICS OF SALE AND PURCHASE OF THE NOTE, THE AGREEMENT FORM ALSO INCLUDES A SERIES OF IMPORTANT REPRESENTATIONS AND WARRANTIES THAT EACH PARTY TO A NOTE PURCHASE TRANSACTION MAKES WHEN ENTERING INTO THE TRANSACTION.

REFERENCES BELOW TO THE “NOTE” ARE FOR SAKE OF BREVITY AND REFER IN ALL CASES TO THE CONVERTIBLE PROMISSORY NOTE.

CONVERTIBLE NOTE PURCHASE AGREEMENT

[THE FULL LEGAL NAME OF THE ENTITY WHO IS THE ISSUER OF THE CONVERTIBLE PROMISSORY NOTE (REFERRED TO IN THIS NOTE PURCHASE AGREEMENT AS THE “COMPANY”) SHOULD BE ENTERED IN THIS SECTION. THE FULL LEGAL NAMES OF THE INVESTORS WHO ARE PURCHASING THE NOTES FROM THE COMPANY SHOULD BE LISTED ON SCHEDULE I TO THE NOTE PURCHASE AGREEMENT. THE NOTE PURCHASE AGREEMENT SHOULD ALSO BE DATED AS INDICATED.]

This Convertible Note Purchase Agreement, dated as of _____ (this “Agreement”) is entered into by and among _____, a _____ S corporation (the “Company”), and the undersigned person or entity (the “Investor”).

RECITALS

[THE RECITALS TO THE NOTE PURCHASE AGREEMENT ARE INTENDED TO PROVIDE A SUCCINCT “STORY” DESCRIBING THE BASIC TRANSACTION.]

A. The Company desires to borrow up to \$_____ pursuant to an offering to one or more investors.

B. On the terms and subject to the conditions set forth herein, each Investor is willing to purchase from the Company, and the Company is willing to sell to such Investor, a convertible promissory note in the principal amount set forth on the promissory note executed by and between the Company and the Investor.

C. Capitalized terms not otherwise defined herein shall have the meaning set forth in the form of Note (as defined below) attached hereto as **Exhibit A**.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing, and the representations, warranties, and conditions set forth below, the parties hereto, intending to be legally bound, hereby agree as follows:

[THIS IS THE BASIC LEGAL LANGUAGE EFFECTING THE NOTE PURCHASE TRANSACTION.]

1. The Notes. Subject to all of the terms and conditions hereof, the Company agrees to issue and sell to the Investor, and the Investor agrees to purchase a convertible promissory note in the form of Exhibit A hereto (the "Note").

[THE "CLOSING" OF A CONVERTIBLE PROMISSORY NOTE TRANSACTION IS THE TIME AND PLACE AT WHICH THE COMPANY AND INVESTORS RESPECTIVELY EXCHANGE THE CONVERTIBLE PROMISSORY NOTE AND THE LOAN PROCEEDS WITH EACH OTHER.]

2. Closing

[THE FOLLOWING PROVISION IS TYPICAL LANGUAGE DESCRIBING THE DELIVERY AND EXCHANGE OF THE NOTE AND LOAN PROCEEDS.]

(a) Delivery. At the Closing, the Company will deliver to the Investor the respective Note to be purchased by such Investor, against receipt by the Company of the principal amount indicated on the Note (the "Purchase Price").

[THE FOLLOWING IS A GENERAL DESCRIPTION OF THE ISSUER'S INTENDED USE OF PROCEEDS RECEIVED FROM THE OFFERING OF THE NOTE.]

(b) Use of Proceeds. The proceeds of the sale and issuance of the Notes shall be used for _____.

[THE FOLLOWING LANGUAGE ADDRESSES THE COMPANY'S RESPONSIBILITY TO MAKE TIMELY PAYMENTS TO INVESTORS WITH RESPECT TO PRINCIPAL AND INTEREST PAYMENTS DUE UNDER THE TERMS OF THE CONVERTIBLE PROMISSORY NOTE.]

(c) Payments. The Company will make all cash payments due under the Notes in immediately available funds by 8:00 p.m. eastern time on the date such payment is due in the manner and at the address specified below the Investor's name on the signature page hereto or at such other address as an Investor or other registered holder of a Note may from time to time direct in writing.

[THE FOLLOWING ARE THE REPRESENTATIONS AND WARRANTIES OF THE COMPANY REGARDING THE SALE OF THE CONVERTIBLE PROMISSORY NOTES.]

3. Representations and Warranties of the Company. The Company represents and warrants to each Investor that: