

THIS DOCUMENT IS THE ACTUAL CONVERTIBLE PROMISSORY NOTE – THE NEGOTIABLE INSTRUMENT AT THE HEART OF A CONVERTIBLE PROMISSORY NOTE TRANSACTION. KEY SECTIONS ARE NOTED AND DESCRIBED IN FURTHER DETAIL BELOW.

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

CONVERTIBLE PROMISSORY NOTE

[THE FOLLOWING SECTION IS THE RECITAL OF THE BASIC TERMS OF THE PROMISSORY NOTE – IN EXCHANGE FOR THE PROMISE TO EITHER CONVERT THE ACCRUED VALUE OF THE NOTE INTO EQUITY, OR TO REPAY THE VALUE OF THE LOAN PRINCIPAL AND INTEREST AS DESCRIBED IN THE NOTE’S TERMS AND CONDITIONS, THE INVESTOR PROVIDES THE COMPANY WITH AN IMMEDIATE LOAN IN UNITED STATES DOLLARS. THE PRINCIPAL VALUE OF THE NOTE IS ENTERED TO THE LEFT; THE DATE OF THE NOTE AND THE PLACE OF ISSUANCE IS ENTERED TO THE RIGHT. IN THE TEXT OF THE RECITAL BELOW, THE NAME OF THE INVESTOR, THE PRINCIPAL AMOUNT OF THE NOTE (STATED IN BOTH ENGLISH AND NUMERICAL FORM), AND THE DATE OF THE RELATED CONVERTIBLE NOTE PURCHASE AGREEMENT SHOULD BE ENTERED.]

\$ _____

FOR VALUE RECEIVED, _____ a _____ S corporation (the “Company”), promises to pay to _____ (the “Investor”), or its registered assigns, in lawful money of the United States of America the principal sum of _____ dollars (\$ _____) or such lesser amount as shall equal the outstanding principal amount hereof, together with interest from the date of this Note on the unpaid principal balance at a rate equal to _____ percent (_____%) per annum, computed on the basis of the actual number of days elapsed and a year of 365 days. All unpaid principal, together with any then unpaid and accrued interest and other amounts payable hereunder, shall be due and payable on the earlier of (i) _____ (_____) month(s) from the date hereof (the “Maturity Date”), or (ii) when, upon or after the occurrence of an Event of Default (as defined below), such amounts are declared due and payable by Investor or made automatically due and payable in accordance with the terms hereof.

The following is a statement of the rights of Investor and the conditions to which this Note is subject, and to which Investor, by the acceptance of this Note, agrees:

[THE FOLLOWING ARE DEFINITIONS USED IN THE NOTE.]

1. Definitions. As used in this Note, the following capitalized terms have the following meanings:

(a) the “Company” includes the corporation initially executing this Note and any Person which shall succeed to or assume the obligations of the Company under this Note.

(b) “Event of Default” has the meaning given in Section 4 hereof.

(c) “Investor” shall mean the Person specified in the introductory paragraph of this Note or any Person who shall at the time be the registered holder of this Note.

(d) “Obligations” shall mean and include all loans, advances, debts, liabilities and obligations, howsoever arising, owed by the Company to Investor of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), now existing or hereafter arising under or pursuant to the terms of this Note and the Convertible Note Purchase Agreement, including, all interest, fees, charges, expenses, attorneys’ fees and costs and accountants’ fees and costs chargeable to and payable by the Company hereunder and thereunder, in each case, whether direct or indirect, absolute or contingent, due or to become due, and whether or not arising after the commencement of a proceeding under Title 11 of the United States Code (11 U.S.C. Section 101 et seq.), as amended from time to time (including post-petition interest) and whether or not allowed or allowable as a claim in any such proceeding.

(e) “Person” shall mean and include an individual, a partnership, a corporation (including a business trust), a joint stock company, a limited liability company, an unincorporated association, a joint venture or other entity or a governmental authority.

[TARGET VALUATION IS THE VALUE OF 100% OF THE COMPANY, FROM WHICH THE VALUE OF EACH SHARE (AND THUS THE INVESTOR’S SHARE OF THE COMPANY) ARE DERIVED.]

(f) “Target Valuation Share Price” shall equal the quotient obtained by dividing (i) \$_____ (the “Target Valuation”) by (ii) the number of shares of Common Stock of the Company outstanding immediately prior to the conversion of this Note (assuming conversion of all securities convertible into Common Stock, exercise of all outstanding options and warrants to purchase Common Stock, and including the shares reserved or authorized for issuance under the Company’s existing stock option plan or any stock option plan to be adopted).

(g) “Transaction Documents” shall mean this Note and the Convertible Note Purchase Agreement.

[THE NEXT PROVISION IS A SIMPLE STATEMENT REGARDING WHEN INTEREST ON THE PRINCIPAL VALUE OF THE NOTE IS DUE AND PAYABLE.]

2. Interest. Accrued interest on this Note shall be payable at the earlier of conversion or the Maturity Date.

[THIS PROVISION PROHIBITS THE COMPANY FROM PREPAYING THE NOTE WITHOUT THE APPROVAL OF THE INVESTOR.]