

## Convertible Note Agreement

This agreement summarizes key terms of a proposed convertible note issuance, for discussion purposes only. It is non-binding and is not self-executing. No party has any obligation with respect to the proposed note issuance unless and until it signs a definitive agreement governing such transaction. Any party may end discussions at any time for any reason or no reason at all. [Notwithstanding the foregoing, the parties hereto agree to be bound by the provisions contained in the paragraphs entitled “Confidentiality”, “Governing Law”, “Exclusivity”, and “Expenses”.]

**Issuer:** [ISSUER], a Delaware corporation (the “Issuer”)

**Purchaser:** [PURCHASER], a [DESCRIBE ENTITY OR ENTITIES] (the “Purchaser”)

**Issuance:** Convertible promissory note due [YEAR DUE] (the “Note”)

**Principal:** [Up to] \$[PRINCIPAL AMOUNT]; the Purchaser will pay face value for the Note.

**Target Closing Date:** On or before [TARGET CLOSING DATE], [or as soon as practicable after satisfaction or waiver of all closing conditions] [to occur simultaneously with signing the definitive documentation]

**Interest:**

[ANNUAL CAPITALIZED INTEREST]% per year, capitalized into the Note’s principal.

2% per year default penalty.

**Payment Dates:** [Quarterly, in arrears [beginning on [START DATE]]] [Upon maturity]

**Maturity:** Unless converted, the Note matures on the [NUMERAL (FIRST, SECOND, ETC.)] anniversary of the closing date.

**Use of Proceeds:** Proceeds from the Note issuance must be used [for general corporate purposes].

**Ranking:** [[SENIOR / JUNIOR / SUBORDINATED]] [[SECURED / UNSECURED]] ranking.

**[Permitted Indebtedness:** (i) Mechanics’ liens and obligations to trade creditors, (ii) existing indebtedness [[DESCRIBE]], and (iii) [Unsecured] indebtedness from a commercial bank or comparable lender [for (describe purpose)] in an amount not to exceed \$[[MAX INDEBTEDNESS]].]

**[Security:** The Note will be secured by a [first priority] [subordinated] lien on [all the Issuer’s assets and business] [real property] [assets] [accounts receivable] [intellectual property] [securities] [commercial tort claims] [contract rights] [insurance claims].]