

DRAFT



[COMPANY]

July 13, 2000

Convertible Debenture

- I. Proceeds:** *Five Million Dollars (\$5,000,000).*
- II. Security:** *Convertible Debentures (“Securities”).*
- III. Term:** *Three (3) years (“Maturity”).*
- IV. Coupon:** *3.0% -- Payable in cash or Securities at the time of conversion.*
- V. Purchase Price:** *100.*
- VI. Conversion Rights:**
- A. Holder**
- i) *The Holder may convert into [COMPANY] (the “Company”) common stock immediately at the lesser of \$8.00 or one hundred and thirty percent (130%) of the average of the closing bid prices for the five (5) trading days (“Market Price”) immediately prior to closing (“Fixed Conversion Price”); or,*
- ii) *at one hundred percent (100%) of the average of the two (2) lowest closing bid prices during the fifty (50) day period prior to conversion (“Variable Conversion Price”).*
- B. Mandatory**
- At Maturity the Securities convert automatically at the lesser of the Fixed Conversion Price or the Variable Conversion Price.*

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- VII. Voting Rights:** *None until conversion.*
- VIII. Registration:** *Upon closing, the Company shall immediately proceed to file a registration statement with the SEC (the "Registration Statement") for all shares of common stock underlying the Securities and the warrants.*
- IX. Draw Down:** *The Company shall draw down Five Million Dollars (\$5,000,000) upon effectiveness of the Registration Statement.*
- X. Legal Fees:** *The Company is responsible for all legal fees up to \$10,000.*
- XI. Warrants:** *A number of three year warrants equal to twenty-five percent (25%) of the investment divided by the Market Price, exercisable at the Fixed Conversion Price.*
- XII. Management Fee:** *3.0%, payable to GEM upon closing.*