

**UNANIMOUS CONSENT OF THE BOARD OF DIRECTORS IN LIEU OF A  
SPECIAL MEETING OF THE BOARD OF DIRECTORS OF GNCC CAPITAL,  
INC.**

The undersigned, being the Directors (the "Directors") of GNCC Capital, Inc., a Delaware corporation (the "Company"), hereby adopt the following resolutions as the actions of the Board of Directors of the Company:

**RESOLVED**, that the Company enter into a Gold Project Acquisition Agreement in respect of the "Clara" Project with Searchlight Exploration, LLC, Anaconda Exploration, LLC and other Sellers; effective immediately; and

**FURTHER RESOLVED**, that the "Clara" Gold Project Acquisition Agreement is HEREBY APPROVED; and

**FURTHER RESOLVED**, that the Company's Transfer Agent is hereby directed to issue to the Sellers an amount of 30,000,000 (Thirty million) shares of restricted Common Stock, US\$0.00001 par value, of the Company.

**FURTHER RESOLVED**, that the shares of restricted Common Stock issued to the Sellers will be issued at a price of US\$0.02 (Two cents) per share.

**FURTHER RESOLVED**, that the Company issue Convertible Notes to the Sellers in the Principal amount of US\$4,000,000 (Four million) bearing interest at 5% (Five percent) per annum.

**IN WITNESS WHEREOF**, the undersigned have executed this unanimous consent as of September 2, 2010.

**SOLE DIRECTOR**



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**RONALD YADIN LOWENTHAL**

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**GOLD**  
**PROJECT ACQUISITION AGREEMENT**

**AMONG**

**GNCC CAPITAL, INC.,**  
**SEARCHLIGHT EXPLORATION, LLC**  
**ANACONDA EXPLORATION, LLC**

**AND**

**THE OTHER SELLERS IDENTIFIED IN EXHIBIT B**

**Dated as of September 2, 2010**

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**GOLD  
PROJECT ACQUISITION AGREEMENT**

This GOLD PROJECT ACQUISITION AGREEMENT (this "Agreement"), dated as of September 2, 2010 is made by and between GNCC Capital, Inc., a Delaware corporation with an address of 2870 S. Jones Blvd., Las Vegas, NV 89146 ("Company"), Searchlight Exploration, LLC, an Arizona limited liability company with an address of 9212 Empire Rock Street, Las Vegas, NV 89143 ("Searchlight") and Anaconda Exploration, LLC ("Anaconda") (Searchlight and Anaconda are referred to herein as "Claimholder") and the other Sellers identified in Exhibit B hereto (Searchlight and such other Sellers being hereinafter referred to as the "Sellers").

**1. Summary of Transaction.**

In consideration of US\$4,000,000 (Four million) principal amount of the Company's 5% (Five percent) Convertible Notes in the form of Exhibit C hereto and an amount of 30,000,000 (Thirty million) restricted shares of the Company's Common Stock to be issued to Sellers and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Claimholder hereby sells to the Company the unpatented lode mining claims and other property known as the "Clara" Gold Project and more particularly described in Exhibit A hereto (the "Property") upon the terms and conditions set forth in this Agreement.

**2. Title to the Property.**

A. Claimholder hereby represents and warrants to Company as follows:

- (i) Claimholder owns or is able to convey a full and undivided interest in and to each of the unpatented mining claims included in the Property as of the date hereof;
- (ii) To the best of the knowledge, information and belief of Claimholder, all such claims have been validly located and maintained in accordance with all applicable laws and regulations;
- (iii) All such claims are free and clear of all liens, claims, and encumbrances whatsoever, subject only to the paramount interest of the United States of America and / or the State of Arizona; all taxes, if any, which may be or which may become a lien upon the Property, as of the date hereof, have been paid;
- (iv) The Property is not in any manner encumbered as a result of any conduct or activity of Claimholder;
- (vi) Having secured the approval of its members to the terms and conditions of this Agreement, Claimholder has full and complete authority to execute this Agreement and to grant the rights herein conferred on Company; and

- (vii) Claimholder has no knowledge that any of the mining claims comprising the Property are invalid, or that, except for any patented ground lying within the Project Area, there are other senior mining claims in conflict with any of such claims.

### **3. Payments by the Company.**

Following transfer of title to the Property under Section 7, Company shall pay to Claimholder (i) the Claimholder's net profits interest (NPI) under Section 8A and (ii) the Claimholder's net smelter return (NSR) royalty under Section 8B. Company's obligation to make payment under Section 8A and Section 8B shall cease to accrue on the first to occur of (i) completion by Company of mining operations, residual leaching and reclamation in the Project Area or (ii) other decision of Company to terminate operations in the Project Area and, if Claimholder so desires, to re-convey the property to Claimholder once reclamation and other environmental obligations have been satisfied, although this provision shall not relieve Company from its obligation to make payments that accrued prior to such occurrence.

- C. All payments shall be paid in US dollars in immediately available funds.
- D. Company hereby represents and warrants to Claimholder that it has adequate financial resources to make the payments required under this Section 3, as well as the Work Expenditures required under Section 4.
- E. Company will promptly issue to each Seller the Convertible Promissory Notes, in the form of Exhibit C and the shares of restricted Common Stock to the Sellers as set forth in Exhibit B.
- F. On or before December 31, 2011, whether by public offering, private placement or otherwise, Company will reimburse Claimholder for its cost of staking additional claims at the Property as agreed between Claimholder and Company.

### **4. Work Expenditures.**

Until the earlier of (a) termination by Company of this Agreement under Section 6 or (b) transfer of title to the Company under Section 7, Company shall make the work expenditures on or for the benefit of the Property in the following amounts:

- A. The sum of US\$20,000 (Twenty thousand dollars) on or before June 30, 2012.
- B. The sum of US\$20,000 (Twenty thousand dollars) on or before December 31 of each year thereafter.

Any excess of Work Expenditures in any year shall be carried forward to the succeeding year. If Work Expenditures in any year are deficient and Company desires to maintain this Agreement in effect, Company shall pay Claimholder in immediately available funds a sum equal to the deficiency in lieu of the Work Expenditure shortfall. For purposes of this Agreement, "Work Expenditures" is defined as sums spent or incurred by Company directly on the Property for exploration and development of the Property, including drilling, geochemical sampling, geophysical or seismic survey, assaying, and ore reserve calculation; metallurgical and engineering analyses; environmental and permitting analyses and activities; feasibility studies; and financing investigations; plus 5% (Five percent) of such direct costs in lieu of headquarters overhead and general and administrative expenditures.

**5. Rights and Obligations During Term.**

The parties shall have the following rights and obligations prior to termination of this Agreement:

A. Access to Property and Provision of Data.

Company shall have full access to the Property to conduct such investigations and examinations as Company may deem desirable and to all information and data in Claimholder's possession and control pertaining to the Property necessary or desirable to enable Company to fully evaluate the Property and its commercial feasibility. Claimholder agrees to cooperate fully with Company in its investigation.

B. Activities by Company.

Company shall have exclusive possession of the Property, subject to the paramount rights of the United States and / or the State of Arizona with respect to unpatented mining claims included in the Property, and shall have the exclusive right to conduct such exploration, evaluation, and development activities on the Property (including bulk sampling) as Company may desire. Claimholder shall provide at Company's expense all reasonable assistance to Company for the obtaining of any permits, licenses, and third party consents needed for such work. Company shall also have the right to contact the pertinent federal, state, and local permitting agencies, and to negotiate with such agencies.

C. Maintenance of Property.

Company shall maintain in good standing all unpatented mining claims that comprise the Property. Company shall, as required by the Federal Government with respect to unpatented mining claims on federal lands, perform required assessment work or timely pay all claim maintenance or rental fees and all required property taxes, and shall timely make all filings and recordings in the appropriate governmental offices required in connection with such payments. In the event Claimholder makes any such payment (although it shall have no obligation to do so), Company shall promptly reimburse Claimholder for payment of such holding costs upon receipt by Company of evidence of such payment. Company shall have the right to amend or relocate in the name(s) of Claimholder any unpatented mining claims included in the Property, to locate different types of claims on ground covered by existing claims, and to locate any fractions.

D. Sharing of Data.

During each year, Company will share with Claimholder all information (including interpretive and non-interpretive data, subject to typical disclaimers regarding interpretive data and statements that Claimholder may not rely upon the same) obtained from the exploration, evaluation, and development activities pertaining to the Property, including providing a copy of any geological and other principal reports relating to the Property, and will report to Claimholder in writing at least quarterly regarding the progress of the exploration and evaluation work and Work Expenditures made during the period.

E. Claimholder Access to Property.

Claimholder may have access to the Property at its sole risk on reasonable notice, and shall be entitled to conduct tours of the Property for investor relations and financing activities. Claimholder's exercise of its access rights shall not interfere in any way with Company's operations on the Property, which shall take precedence in the event of any conflict.

F. Conduct of Operations by Company at the Property.

All of the exploration, development, mining, milling and related work and any other activities which may be performed by Company or its agents or contractors hereunder shall be performed in accordance with all of the terms and conditions of this Agreement and good mining practices, but the timing, nature, manner and extent of any exploration, development or any other operations or activities hereunder shall be in the sole discretion of Company, and there shall be no implied covenant to begin or continue any such operations or activities.

G. Indemnity.

Except for damages sustained by Claimholder while on the Property pursuant to Section 5F, Company agrees to indemnify and hold Claimholder and its affiliates, and their respective, officers, directors, employees, agents, members, partners and agents harmless from and against any loss, liability, cost, expense or damage (including reasonable attorney's fees) that may be incurred for injury to or death of persons or damage to property, or otherwise, as a result of Company or its agents or contractors conducting any operations on or in connection with the Property.

H. Insurance.

Company agrees to carry such insurance, covering all persons working at or on the Property for Company, as will fully comply with the requirements of the statutes of the State of Arizona pertaining to worker's compensation and occupational disease and disabilities as are now in force or as may be hereafter amended or enacted. In addition, Company agrees to carry liability insurance with respect to its operations at the Property in reasonable amounts in accordance with accepted industry practices. Company agrees that Claimholder shall be named as an additional insured on all such policies, and agrees to forward to Claimholder certificates of such insurance policies not later than 10 days prior to the date that Company commences any such activities on the Property. Company shall have no right to commence any such activities until such certificates are delivered to Claimholder.

I. Compliance with Laws.

Company agrees to conduct and perform all of its operations at the Property during the term of this Agreement in compliance with all valid and applicable federal, state and local laws, rules and regulations, including without limitation laws, rules and regulations pertaining to environmental protection, human health and safety, social security, unemployment compensation, wages and hours and conditions of labor, and Company shall indemnify and hold Claimholder harmless from and against any loss, liability, cost, expense or damage (including reasonable attorney's fees) arising from or related to Company's failure to comply with said laws.

J. Taxes.

During the term of this Agreement, Company shall be responsible for payment of all taxes levied or assessed upon or against the Property, as well as any facilities or improvements located thereon.

K. Liens and Encumbrances.

Company shall keep title to the Property free and clear of all liens and encumbrances resulting from its operations hereunder; provided, however, that Company may refuse to pay any claim asserted against it which it disputes in good faith. At its sole cost and expense, Company shall contest any suit, demand or action commenced to enforce such a claim and, if the suit, demand or action is decided by a court or other authority of ultimate and final jurisdiction against Company or the Property, Company shall promptly pay the judgment and shall post any bond and take all other action necessary to prevent any sale or loss of the Property or any part thereof. Company shall permit Claimholder to post Notices of Non-Responsibility at the collars of any shafts and in other locations required under Arizona law in order to prevent certain liens from attaching to the Property, and Company shall take all actions reasonably necessary to keep such notices posted in these locations.

L. Reclamation and Remediation.

Company shall reclaim the Property, to the extent disturbed by Company during the term of this Agreement, in accordance with and as required by applicable federal, state and local laws, rules and regulations.

**6. Right to Terminate.**

A. Termination.

- (1) By the Company. Company may terminate this Agreement at any time at its sole option by giving Claimholder 120 (One hundred and twenty) days' prior written notice, upon which all rights and obligations of the parties under this Agreement shall cease, except for any limitation of liability, indemnification, and confidentiality provisions set forth herein; provided, however, that (i) if Company terminates this Agreement after April 1 of any year, Company agrees to pay governmental fees and make all governmental filings necessary to maintain the unpatented mining claims for the assessment year commencing on September 1 next following such notice of termination and (ii) if Company terminates this Agreement on or before April 30 of any year, Company shall remain obligated to comply with Section 4 for the contract year ended December 31 of such year.

(2) By Claimholder.

In the event that (i) Company shall fail to pay any of its monetary obligations under this Agreement when due and shall not pay same within 60 (Sixty) days following notice thereof by Claimholder or (ii) Company shall fail to perform any of its nonmonetary obligations under this Agreement and shall not cure its failure within 60 (Sixty) days following notice thereof by Claimholder (in each case an "uncured default"), Claimholder may terminate this Agreement upon 30 (Thirty) days written notice to Company. Termination pursuant to this Section 6.A.(2) shall not excuse Company from any of its obligations which accrued prior to the date of termination, and Claimholder shall retain all of its rights in law or in equity with respect thereto.

B. Return of Data.

As soon as practicable upon the termination of this Agreement, Company shall return to Claimholder copies of all title, environmental, metallurgical, geological, geophysical, milling and other data concerning the Property and furnished by Claimholder or previous owners of the Property or their agents or consultants to Company. At such time, Company shall also make available to Claimholder for examination and copying all survey maps, drill hole logs, sample locations and assays developed by Company with respect to the Property during the term of this Agreement and not previously made available to Claimholder and shall transfer custody to Claimholder of all drill cores.

C. Release.

Upon termination of this Agreement, Company will promptly execute and deliver to Claimholder appropriate documents of conveyance releasing and conveying its interest in the Property to Claimholder.

D. Surrender of Possession and Removal of Equipment.

Upon termination of this Agreement, Company shall surrender possession of the Property, subject to the condition that Company shall have the right at any time within one year (or such longer period as Company can demonstrate is reasonably necessary) after such surrender or termination of this Agreement to (i) complete any reclamation obligations required of Company under this Agreement or by governmental law or regulation and (ii) remove all of its tools, equipment, machinery, supplies, fixtures, buildings, structures and other property erected or placed on such property by Company, excepting only timber, chutes and ladders in place for underground entry and support. Title to such property not removed within the time period set forth above shall, at the election of Claimholder, pass to Claimholder. Alternatively, at the end of the time period set forth above, Claimholder may remove any such property from the Property and dispose of same in a commercially reasonable manner, all at the expense of Company.

**7. Transfer of Title.**

Title to the Property shall be transferred to the Company only upon completion of each and every one of the following conditions: (a) the completion of a "positive" feasibility study for the Property, (b) the making of an affirmative production decision for the Property by Company's and any parent corporation's Boards of Directors and (c) presentation to Claimholder of evidence satisfactory to Claimholder that Company has obtained the financing necessary to develop and operate the Property. Unless there is an uncured default by the Company that is continuing, Claimholder shall deliver to Company, within 5 (five) business days of the notice of satisfaction of the conditions set forth in the previous sentence, a special warranty deed in form satisfactory to Company transferring title to a 100% (One hundred percent) interest in the Property, and reserving to Claimholder the net profits interest ("NPI") in production from the Property and the net smelter returns royalty ("NSR"), each as set forth in Section 8 below. Company shall promptly record said deed with the La Paz County Recorder and with the Arizona State Office of the Bureau of Land Management.

**8. Claimholder NPI and NSR Royalty.**

A. Claimholder NPI.

Searchlight reserves a 5% (Five percent) net profits interest ("NPI") in the Property. For purposes of Claimholder's and Company's respective NPI, "Net Profits" shall be calculated pursuant to generally accepted accounting principles in the United States of America, provided, however, that the calculation of net profits shall not include any benefit or loss from price hedging and price protection arrangements conducted by or on behalf of Company and, provided, further, that Company shall be entitled to deduct from revenues only the following percentages of total operating costs in lieu of headquarters overhead and headquarters general and administrative expenses: 3% (Three percent) during the development/construction stage of operations and 1% (one percent) during the mining and processing stage of operations and, provided, further, that no deduction shall be made for depletion or depreciation. Claimholder's NPI shall be a fully carried interest, and Claimholder shall not be required to fund any expenses relating to the Property or its exploration, development, production or reclamation.

B. Net Smelter Returns Royalty.

In addition to Claimholder's NPI, Claimholder hereby reserves a 4% (Four percent) net smelter returns royalty ("NSR Royalty") for all commodities produced. For purposes of this Agreement, the "net smelter return" is defined as the amount of money which the smelter or refinery, as the case may be, pays the Company for the commodity based on the then current spot price of silver, with deductions for costs associated with further processing but without deductions for taxes, calculated on an FOB mine site basis

C. Payable in Kind; Payable Quarterly.

Claimholder may elect to receive in kind its NPI or its NSR Royalty (as described below). Both royalties shall be payable quarterly.

**9. Cross - Indemnity.**

Each party ("Indemnifying Party") agrees to defend, indemnify and hold harmless the other party, its successors, affiliates, assigns, officers, directors and employees, members, partners and agents ("Indemnitees") from and against any and all claims, actions suits, losses, liabilities, damages, assessments, judgments, costs and expenses, including reasonable attorney's fees, arising out of or pertaining to (i) any breach by the indemnifying party of any representation, warranty or obligation under this Agreement or (ii) any activities conducted by the Indemnifying Party or its agents on the Property.

**10. Assignment.**

Neither party may assign its rights and obligations under this Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld, provided, however, that Claimholder may assign its interest at any time after December 31, 2010 to a third party without the consent of Company if such third party agrees to assume all of Claimholder's obligations under this Agreement, and provided further that Company may assign its interest to an affiliated company or a successor without the consent of Claimholder, provided that the assignee agrees to assume all of Company's obligations under this Agreement and has a tangible net worth no less than that of Company prior to the assignment.

**11. Governing Law. Consent to Jurisdiction.**

This Agreement shall be governed by the laws of the State of Arizona, excluding any conflicts of laws principles. Each party consents to the exclusive jurisdiction and venue of the federal and state courts sitting in Mohave County, Arizona, U.S.A. over any dispute, claim, lawsuit or proceeding arising from or pertaining to this Agreement, and waives any argument that such courts are an "inconvenient forum".

**12. Affiliated Companies.**

Each party shall take such actions as may be necessary to cause its affiliates to comply with the obligations contemplated herein. "Affiliate" of a party means any person, partnership, joint venture, corporation, or other form of enterprise that directly or indirectly controls, is controlled by, or is under common control with, the party.

### **13. Notices.**

All notices required or permitted to be given hereunder shall be in writing and shall be delivered to the parties by personal delivery, registered or certified mail, facsimile transmission, or express delivery service at the addresses set forth below, or to such other address as the parties may later designate by like notice to each other:

Company:

**GNCC Capital, Inc.**  
2870 S. Jones Blvd.  
Las Vegas, NV 89146, U.S.A.

Searchlight:

**Searchlight Exploration, LLC**  
9212 Empire Rock Street  
Las Vegas, NV 89143 U.S.A.

Searchlight:

**Anaconda Exploration, LLC**  
9212 Empire Rock Street  
Las Vegas, NV 89143 U.S.A.

The Other Sellers:

As set forth on Exhibit B

All notices required or permitted to be given hereunder shall be deemed to have been given on the date of actual receipt.

### **14. Dollars.**

All dollar (\$) amounts used in this Agreement or any Exhibit or Schedule hereto are U.S. \$ Dollars.

### **15. Other Business Opportunities.**

This Agreement is, and the rights of the parties are strictly limited to the matters set forth herein. The parties shall have the free and unrestricted right to independently engage in and receive the full benefits of any and all business ventures of any sort whatever, whether or not competitive with the matters contemplated hereby, without consulting the other or inviting or allowing the other to participate therein.

**16. Confidentiality.**

Except as set forth in Section 18, the parties hereto agree to treat all data, reports, records and other information developed under this Agreement and applicable to the Property as confidential, and unless any party is required by any law, rule, regulation or order to disclose any of such information, it shall not be disclosed to any person other than consultants, contractors or potential investors or assignees, without the written agreement of both parties, which will not unreasonably be withheld.

**17. Memorandum for Recording.**

Promptly following execution and delivery of this Agreement, the parties shall execute for recording purposes a Memorandum of Conditional Sale Contract, setting forth the basic terms and conditions of this Agreement as necessitated or permitted by Arizona law. Company shall promptly record this Memorandum with the La Paz County Recorder.

**18. Public Announcements.**

Disclosure of information relating to this Agreement or the Property may be made by either party if such information is required to be disclosed to any federal, state, provincial or local government or appropriate agencies and departments thereof or if such information is required by law, stock exchange rule or regulation to be publicly announced. Otherwise, public announcements or reports by either party of information relating to this Agreement or the Property shall be made only on the basis of agreed texts upon the prior written consent of the other party, which consent shall not unreasonably be withheld. Each of Claimholder and Company accordingly agrees that it will, not less than forty-eight hours in advance of making public any information referred to in the preceding sentence, give the other party written notice of the text of the proposed report and provide the non-disclosing party with the opportunity to object to the form and content thereof before the same is issued. The non-disclosing party shall respond within 48 (forty eight) hours of receipt of such notice, or its silence will constitute a waiver of objection to the terms of the proposed text.

**19. Waiver; Amendment.**

Any of the terms or conditions of this Agreement may be waived at any time by the party which is entitled to the benefit thereof, but such waiver must be in writing and signed by the party granting the waiver. No such waiver shall affect or impair the right of the waiving party to require observance, performance or satisfaction of any other term or condition thereof. Any of the terms or provisions of this Agreement may be amended or modified at any time, but only in a writing signed by each of the parties hereto.

**20. Severability.**

In the event that any one or more of the provisions contained in this Agreement or in any other instrument or agreement contemplated hereby shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any such other instrument or agreement.

**21. Attorney's Fees.**

In the event of any controversy, claim or dispute between the parties hereto, arising out of or pertaining to this Agreement or the breach thereof, the prevailing party shall be entitled to recover from the losing party reasonable expenses, attorney's fees and costs.

**22. Further Assurances.**

At the request of either party, the parties shall execute and deliver any further instruments, agreements, documents or other papers reasonably requested by either party to effect the purposes of this Agreement and the transactions contemplated hereby.

**23. Counterparts.**

This Agreement may be executed in multiple counterparts, and all such counterparts taken together shall be deemed to constitute one and the same instrument.

**24. No Brokers or Finders.**

Each party represents and warrants to the other party that all negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by it in such manner as not to give rise to any valid claim against either party, or any third party, for a brokerage commission, finder's fee or other fee or commission arising by reason of the transactions contemplated by this Agreement.

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**Exhibit B**

**SELLERS**

<u>Name</u>	<u>Principal Amount of Convertible Notes</u>	<u>Number of Shares Issued</u>
Searchlight Exploration, LLC	US\$ 233,200	1,750,000
Anaconda Exploration, LLC	US\$ 233,200	1,750,000
Stelan Real Estate Management, Inc.	US\$ 233,200	1,750,000
Castlewood Capital Group, S.A.	US\$ 198,024	1,485,000
Highwave Management Corp.	US\$ 264,032	1,980,000
Streetside Holdings AG	US\$ 297,036	2,227,500
Artco Capital Ltd.	US\$ 231,028	1,732,500
Insight Holdings, S.A.	US\$ 297,036	2,227,500
Emerald International Corporation	US\$ 264,032	1,980,000
Saffron Ventures GmbH	US\$ 297,036	2,227,500
Liberty Investment Services Ltd.	US\$ 297,036	2,227,500
Macy Ocean Enterprises, Inc.	US\$ 264,032	1,980,000
Neutral Bay Investments, S.A.	US\$ 297,036	2,227,500
Diamond Peak Resource Corporation	US\$ 297,036	2,227,500
Western Treasure Holdings Corp.	US\$ 297,036	2,227,500
<b>TOTAL</b>	<b><u>US\$4,000,000</u></b>	<b><u>30,000,000</u></b>

**Exhibit C (1 of 15)**

**Form of Convertible Note**

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF GNCC CAPITAL, INC. (THE "COMPANY") THAT THIS NOTE MAY NOT BE RESOLD, PLEDGED OR OTHERWISE, OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) TO AN INSTITUTIONAL ACCREDITED INVESTOR" AS DEFINED IN RULE 501 (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE AGENT), (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES PRIOR TO A TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (6) ABOVE), THE HOLDER OF THIS NOTE MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AND THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AND LEGAL OPINIONS AS THEY MAY REASONABLY REQUIRE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS NOTE OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE EXCEPT AS PERMITTED BY THE SECURITIES ACT.

**GNCC CAPITAL, INC.**

**5% Convertible Notes due 2011**

Issue Date: SEPTEMBER 2, 2010

GNCC CAPITAL, INC., a Delaware Corporation promises to pay to SEARCHLIGHT EXPLORATION, LLC or its registered assigns, the principal sum of US\$233,200 (Two hundred and thirty three thousand two hundred dollars) on September 2, 2011.

This Note shall bear interest as specified in paragraph 1 of this Note. This Note is convertible into shares of common stock as specified in paragraph 7 of this Note at the Conversion Rate.

Additional provisions of this Note are set forth on the following pages of this Note.

**Dated: SEPTEMBER 2, 2010**

**GNCC CAPITAL, INC.**

**By**



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**Name: RONALD Y LOWENTHAL**  
**Title: PRESIDENT**

Capitalized terms used herein but not defined shall have the meanings assigned to them in Exhibit D attached hereto and incorporated by reference herein unless otherwise indicated.

1. Cash Interest.

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an “Interest Payment Date”), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a “Regular Record Date”), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

2. Method of Payment.

The Company will make payments in respect of the principal of, and cash interest on this Note and in respect of Redemption Prices, if any, to Holders who surrender Notes to a Paying Agent to collect such payments in respect of the Notes. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check or wire transfer payable in such money. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day.

3. Paying Agent, Conversion Agent and Registrar.

Initially, the Agent will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar without notice, other than notice to the Agent, which shall initially be an office or agency of the Agent. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

4. The Notes

The Notes are general unsecured subordinated obligations of the Company limited to US\$2,000,000 (Seven million one hundred and eighty four thousand dollars) aggregate principal amount plus any additional accrued interest on these Notes. The Company may incur other Indebtedness, secured or unsecured.

## 5. Optional Redemption.

This Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

## 6. Conversion.

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to US\$1,000 or any integral multiple of US\$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by US\$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

## 7. Adjustment of Conversion Rate

The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

- (a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction:
  - (1) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the total number of shares constituting such dividend or other distribution, and
  - (2) The denominator of which shall be the sum of such number of shares.

Such increase shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this paragraph 7(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock (commonly referred to as a “forward split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock (commonly referred to as a “reverse split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be reduced, in each such case, by multiplying such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination. Such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

- (c) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period of not more than 60 days) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a Conversion Price per share) less than the Current Market Price on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect at the opening of business on the date after such Record Date by a fraction:
- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible), and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate Conversion Price of the convertible securities so offered) would purchase at such Current Market Price.

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors.

- (d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which paragraph 7(a) applies) or evidences of its indebtedness or other assets, including securities, but excluding (1) any rights or warrants referred to in paragraph 7(c) and (3) dividends and distributions paid exclusively in cash referred to in paragraph 7(e) (the securities described in foregoing clauses (1) and (2) hereinafter in this paragraph 7(d) called the “excluded securities”), then, in each such case, subject to the second succeeding paragraph of this paragraph 7(d), the Conversion Rate shall be adjusted so that the same shall be equal to the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction:
- (1) The numerator of which shall be such Current Market Price, and
  - (2) The denominator of which shall be the Current Market Price on such date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) on

Such date of the portion of the securities or other assets so distributed (other than excluded securities) applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date).

Such increase shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the securities so distributed (other than excluded securities) applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of securities so distributed (other than excluded securities) such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph 7(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution (other than excluded securities), it must in doing so consider the prices in such market over the same period (the “Reference Period”) used in computing the Current Market Price pursuant to paragraph 7(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interests of the Holder.

For purposes of this paragraph 7(d) and paragraphs 7(a), 7(b) and 7(c), any dividend or distribution to which this paragraph 7(d) is applicable that also includes shares of Common Stock, a subdivision or combination of Common Stock to which paragraph 7(b) applies, or rights or warrants to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) to which paragraph 7(c) applies (or any combination thereof), shall be deemed instead to be:

- (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which paragraphs 7(a), 7(b) and 7(c) apply, respectively (and any Conversion Rate increase required by this paragraph 7(d) with respect to such dividend or distribution shall then be made), immediately followed by
- (2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by paragraphs 7(a), 7(b) and 7(c) with respect to such dividend or distribution shall then be made), except:
  - (A) the Record Date of such dividend or distribution shall be substituted as (x) “the date fixed for the determination of stockholders entitled to receive such dividend or other distribution”, “Record Date fixed for such determinations” and “Record Date” within the meaning of paragraph 7(a), (y) “the day upon which such subdivision becomes effective” and “the day upon which such combination becomes effective” within the meaning of paragraph 7(b), and (z) as “the date fixed for the determination of stockholders entitled to receive such rights or warrants”, “the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants” and such “Record Date” within the meaning of paragraph 7(c), and
  - (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business on the date fixed for such determination” within the meaning of paragraph 7(a) and any increase or reduction in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.
- (e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock, cash (excluding any cash that is distributed as part of a distribution referred to in paragraph 7(d) hereof), then and in each such case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:
  - (i) The numerator of which shall be equal to the Current Market Price on such Record Date, and

- (ii) the denominator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the aggregate amount of the cash distributed and (y) the number of shares of Common Stock outstanding on the Record Date.

In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (f) In case the Company or any of its Subsidiaries pays holders of the Common Stock in respect of a tender offer or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for shares of Common Stock to the extent that the cash and fair market value of any other consideration included in the payment per share of Common Stock exceeds the Sale Price per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”), then, and in each such case, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction:

- (1) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and
- (2) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time.

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this paragraph 7(f) to any tender offer or exchange offer would result in an increase in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this paragraph 7(f).

- (g) For purposes of this paragraph 7, the following terms shall have the meanings indicated:

“Current Market Price” shall mean the average of the daily Sale Prices per share of Common Stock for the 5 (Five) consecutive Trading Days ending not later than the earlier of the date immediately prior to the date in question and the day before the “ex” date with respect to the issuance, distribution, subdivision or combination requiring such computation. If another issuance, distribution, subdivision or combination to which paragraph 7 applies occurs during the period applicable for calculating “Current Market Price” pursuant to the preceding definition, then “Current Market Price” shall be appropriately adjusted to reflect the impact of such issuance, distribution, subdivision or combination on the Sale Price of the Common Stock during such period. For purposes of this paragraph, the term “ex” date, when used:

- (A) With respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such issuance or distribution;
- (B) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and
- (C) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this paragraph 7, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this paragraph 7 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

- (2) “Fair market value” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.
- (3) “Record Date” shall mean for purposes of this paragraph 7, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

- (h) The Company may make such increases in the Conversion Rate, in addition to those required by paragraph 7(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 (Twenty) days and the increase is irrevocable during the period and the Board of Directors determines in good faith that such increase would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Agent and each Holder at the address of such Holder as it appears in the Register a notice of the increase at least 15 (Fifteen) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

- (i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% (One percent) in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this paragraph 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In the event that, on the date that is five Business Days prior to the maturity of the Notes (whether at Stated Maturity or otherwise), an adjustment has been carried forward pursuant to the preceding sentence but has not yet been taken into account in an adjustment to the Conversion Rate and notwithstanding the first sentence of this paragraph (i), an adjustment to the Conversion Rate will be made on such date in accordance with the relevant paragraph of this paragraph 7. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. No adjustment in the Conversion Rate shall be required if the Holders participate in the transactions that would otherwise lead to an adjustment in the Conversion Rate pursuant to this paragraph 7.
- (j) In any case in which this paragraph 7 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction.

- (k) For purposes of this paragraph 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.
- (l) Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of paragraph 7(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Agent and any Conversion Agent other than the Agent an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail, or cause the Agent to mail, at the Company's expense, such notice to each Holder at the address of such Holder as it appears in the Register within 20 (twenty) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

8. Denominations; Assignment; Transfer; Exchange.

The Notes are in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and whole multiples of US\$1,000. The Registrar may require a Holder, in order to assign, transfer or exchange Notes, among other things, to furnish appropriate endorsements and assignment or transfer documents (in the form of Exhibit B or Exhibit C attached hereto, as applicable) and to pay any taxes and fees required by law. The Registrar need not transfer or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 (Fifteen) days before the mailing of a notice of redemption of Notes to be redeemed.

9. Persons Deemed Owners.

The registered Holder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money or Notes.

The Agent and the Paying Agent shall return to the Company upon written request any money, Notes or shares of Common Stock held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After such return to the Company, Holders entitled to the money or Notes must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

## 11. Amendment; Waiver.

Except as set forth below, (i) this Note may be amended with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. Without the consent of any Holder, the Company and the Agent may amend the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Holder. The foregoing notwithstanding, without the consent of the Holder of this Note, no amendment may be made reducing the principal or the Interest Rate of this Note or extending the Stated Maturity of this Note.

## 12. Defaults and Remedies.

Events of Default include (1) the Company fails to pay when due the principal of any of the Notes at Stated Maturity, upon redemption or otherwise; (2) the Company fails to pay an installment of interest on any of the Notes that continues for 30 (Thirty) days after the date when due; (3) the Company fails to deliver shares of Common Stock, together with cash in lieu of fractional shares, when such Common Stock or cash in lieu of fractional shares is required to be delivered upon conversion of a Note and such failure continues for 10 days after written notice of default is given to the Company by the Agent or to the Company and the Agent by the Holder of such Note; (4) the Company fails to perform or observe any other term, covenant or agreement contained in the Notes for a period of 60 (Sixty) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Agent or to the Company and the Agent by the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes then outstanding (a "Notice of Default"); (5) in the event of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary and (6) the Company's filing of, or any Significant Subsidiaries' filing of, a voluntary petition seeking liquidation, reorganization arrangement, readjustment of debts or for any other relief under the federal bankruptcy code. If an Event of Default (other than an Event of Default specified in clause (5) or (6) of this paragraph 12) occurs and is continuing, the Agent, or the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes at the time outstanding, may declare all the Notes to be due and payable immediately. An Event of Default under clause (5) or (6) of this paragraph 12 will result in the Notes becoming due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce this Note, except with the approval of Holders of a majority in aggregate principal amount of the Notes. The Agent may refuse to enforce the Notes unless it receives reasonable indemnity or security.

13. Subordination.

The payment of principal of and interest on the Notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents (or otherwise to the extent Holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents) of all Senior Indebtedness whether outstanding on the date of this Note or thereafter incurred.

14. Agent Dealings with the Company.

The Agent, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Agent.

15. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. GOVERNING LAW.

THIS NOTE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

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**Exhibit A**

**CONVERSION NOTICE**

To convert this Note into Common Stock of the Company, check the box:

To convert only part of this Note, state the principal amount to be converted (which must be US\$1,000 or an integral multiple of US\$1,000):

US\$\_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

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(Insert other person's social sec. or tax ID no.)

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(Print or type other person's name, address and zip code)

- If you want the stock certificate made out in another person's name, you are required to complete and deliver to the Conversion Agent a duly completed Transfer Certificate which is in the form of Exhibit B to this Note.

**EXHIBIT B**  
**ASSIGNMENT FORM**

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with the transfer of this Note, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of this Note presented or surrendered on the date hereof (the "Surrendered Note") for registration of transfer, or for exchange where the Notes issuable upon such transfer or exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Note for the reason checked below:

- A transfer of the Surrendered Note is made to the Company; or
- The transfer of the Surrendered Note complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Note is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Note is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, the Surrendered Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Notes registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit C**

**Transfer Certificate**

In connection with any transfer (or exchange or conversion as provided below) of any of the Notes, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of the above-captioned Notes presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange or conversion where the Notes or Common Stock issuable upon such exchange or conversion, as the case may be, are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Notes for the reason checked below:

- A transfer of the Surrendered Notes is made to the Company or any Subsidiaries; or
- The transfer of the Surrendered Notes complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Notes is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Notes is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Notes are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

## **Exhibit D**

### **Definitions**

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means the Company until a successor replaces it as agent with respect to the Notes and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of such board.

“Board Resolution” means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Agent.

“Business Day” means each day of the year other than a Saturday or a Sunday on which banking institutions are not required or authorized to close in The City of New York.

“Capital Stock” of any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock or other equity issued by that corporation.

“Common Stock” means the Common Stock, par value US\$0.00001 per share, of the Company as it exists on the date of this Note. Shares issuable on conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“Common stock” means any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer.

“Company” means the party named as the “Company” in the first paragraph of this Note until a successor replaces it pursuant to the applicable provisions of this Note, and, thereafter,

“Company” shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Conversion Agent” means any person authorized by the Company to convert Notes in accordance with Article 10 hereof. On the date of this Note, the Company hereby appoints the Agent as the Conversion Agent.

“Conversion Price” means US\$1,000 divided by the applicable Conversion Rate.

“Conversion Value” for the Notes is equal to the product of (i) the Sale Price per share of the Common Stock on a given day and (ii) the then current Conversion Rate.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Dollar” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Holder” means a person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means, with respect to any person, without duplication:

- (1) all obligations and other liabilities, contingent or otherwise, of such person for borrowed money (including overdrafts) to the extent such obligations and other liabilities would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;
- (2) all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments to the extent such obligations would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP;
- (3) indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

- (4) All obligations and liabilities, contingent or otherwise, in respect of leases of the person required, in conformity with GAAP, to be accounted for as capitalized lease obligations on the consolidated balance sheet of the person;
- (5) all net obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreements, hedge agreements, forward contracts or similar instruments or agreements or foreign currency, hedge, exchange or purchase or similar instruments or agreements;
- (6) all indebtedness referred to in (but not excluded from) the preceding clauses (1) through (5) of other persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on or with respect to property (including, without limitation, accounts and contract rights) owned by the referent person, even though such person has not assumed or become liable for the payment of such indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);
- (7) All guarantees by such person of indebtedness referred to in this definition or of any other person;
- (8) All Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed purchase price plus accrued and unpaid dividends;
- (9) the present value of the obligation of such person as lessee for net rental payments (excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments) during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; and
- (10) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (9) above.

“Interest Payment Date” means the date specified in the Notes as the fixed date on which an installment of interest on the Notes is due and payable.

“Interest Rate” means 5% (Five percent) per annum.

“Issue Date” of any Note means the date on which the Note was originally issued or deemed issued as set forth on the face of the Note.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

“Notes” mean the Company’s convertible Notes due May 3, 2011.

“Officer” means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

“Officers’ Certificate” means a written certificate signed in the name of the Company by any one Officer, and delivered to the Agent

“person” or “Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof, including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business.

“Principal” of a Note means the principal amount due on the Stated Maturity as set forth on the face of the Note.

“Redeemable Capital Stock” means any class of the Company’s Capital Stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed (whether by sinking fund or otherwise) prior to the date that is 91 days after the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such date. Securities at any time prior to such date (unless it is convertible or exchangeable solely at the Company’s option).

“Redemption Date” or “redemption date” means the date specified for redemption of the Notes in accordance with the terms of this Note.

“Redemption Price” or “redemption price” shall have the meaning set forth in paragraph 5 of this Note.

“Regular Record Date” means, with respect to the interest payable on any Interest Payment Date, the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“Rule 144” means Rule 144 under the Securities Act (or any successor provision), as it may be amended from time to time.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Sale Price” as of any date means the closing per share sale price (or if no closing sale price is reported, the average bid price and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date on the Nasdaq National Market or such other principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, the Company will determine the sale price on the basis of such quotations as the Company considers appropriate.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933 (or any successor statute), as amended from time to time.

“Senior Indebtedness” means any Indebtedness of the Company, unless by the terms of the instrument creating or evidencing such Indebtedness, such Indebtedness is expressly designated equal or junior in right of payment to the Notes.

Notwithstanding the foregoing, “Senior Indebtedness” shall not include:

- (a) Indebtedness evidenced by the Notes;
- (b) Indebtedness of the Company that by operation of law is subordinate to any general unsecured obligations of the Company;
- (c) any liability for federal, state or local taxes or other taxes, owed by the Company.
- (d) accounts payable or other liabilities owed or owing by the Company to trade creditors (including guarantees thereof or instruments evidencing such liabilities);
- (e) amounts owed by the Company for compensation to employees or for services rendered to the Company;
- (f) Indebtedness of the Company to any Subsidiary or any other Affiliate of the Company or any of such Affiliate’s Subsidiaries;

- (g) Capital Stock of the Company, including Redeemable Capital Stock; and
- (h) Indebtedness of the Company which, when incurred and without regard to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to the Company.

“Significant Subsidiary” means any Subsidiary that would be, as of the date of the applicable action set forth in this Note, a “significant subsidiary” of the Company within the meaning of Rule 1-02(w) of Regulation S-X promulgated by the SEC.

“Stated Maturity”, when used with respect to any Note, means the date specified in such Note as the fixed date on which the principal of such Note is due and payable.

“Subsidiary” means, with respect to any Person, (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership in which such Person or a Subsidiary of such Person holds a majority interest in the equity capital or profits of such partnership, or (iii) any other entity (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such entity.

“Trading Day” means a day during which trading in securities generally occurs on the Nasdaq National Market or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System, or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (its “possessions” including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

**Exhibit C (2 of 15)**

**Form of Convertible Note**

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF GNCC CAPITAL, INC. (THE "COMPANY") THAT THIS NOTE MAY NOT BE RESOLD, PLEDGED OR OTHERWISE, OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) TO AN INSTITUTIONAL ACCREDITED INVESTOR" AS DEFINED IN RULE 501 (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE AGENT), (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES PRIOR TO A TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (6) ABOVE), THE HOLDER OF THIS NOTE MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AND THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AND LEGAL OPINIONS AS THEY MAY REASONABLY REQUIRE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS NOTE OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE EXCEPT AS PERMITTED BY THE SECURITIES ACT.

**GNCC CAPITAL, INC.**

**5% Convertible Notes due 2011**

Issue Date: SEPTEMBER 2, 2010

GNCC CAPITAL, INC., a Delaware Corporation promises to pay to ANACONDA EXPLORATION, LLC or its registered assigns, the principal sum of US\$233,200 (Two hundred and thirty three thousand two hundred dollars) on September 2, 2011.

This Note shall bear interest as specified in paragraph 1 of this Note. This Note is convertible into shares of common stock as specified in paragraph 7 of this Note at the Conversion Rate.

Additional provisions of this Note are set forth on the following pages of this Note.

**Dated: SEPTEMBER 2, 2010**

**GNCC CAPITAL, INC.**

**By**



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**Name: RONALD Y LOWENTHAL**  
**Title: PRESIDENT**

Capitalized terms used herein but not defined shall have the meanings assigned to them in Exhibit D attached hereto and incorporated by reference herein unless otherwise indicated.

1. Cash Interest.

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an “Interest Payment Date”), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a “Regular Record Date”), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

2. Method of Payment.

The Company will make payments in respect of the principal of, and cash interest on this Note and in respect of Redemption Prices, if any, to Holders who surrender Notes to a Paying Agent to collect such payments in respect of the Notes. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check or wire transfer payable in such money. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day.

3. Paying Agent, Conversion Agent and Registrar.

Initially, the Agent will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar without notice, other than notice to the Agent, which shall initially be an office or agency of the Agent. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

4. The Notes

The Notes are general unsecured subordinated obligations of the Company limited to US\$2,000,000 (Seven million one hundred and eighty four thousand dollars) aggregate principal amount plus any additional accrued interest on these Notes. The Company may incur other Indebtedness, secured or unsecured.

## 5. Optional Redemption.

This Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

## 6. Conversion.

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to US\$1,000 or any integral multiple of US\$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by US\$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

## 7. Adjustment of Conversion Rate

The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

- (a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction:
  - (1) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the total number of shares constituting such dividend or other distribution, and
  - (2) The denominator of which shall be the sum of such number of shares.

Such increase shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this paragraph 7(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock (commonly referred to as a “forward split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock (commonly referred to as a “reverse split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be reduced, in each such case, by multiplying such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination. Such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

- (c) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period of not more than 60 days) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a Conversion Price per share) less than the Current Market Price on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect at the opening of business on the date after such Record Date by a fraction:
- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible), and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate Conversion Price of the convertible securities so offered) would purchase at such Current Market Price.

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors.

- (d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which paragraph 7(a) applies) or evidences of its indebtedness or other assets, including securities, but excluding (1) any rights or warrants referred to in paragraph 7(c) and (3) dividends and distributions paid exclusively in cash referred to in paragraph 7(e) (the securities described in foregoing clauses (1) and (2) hereinafter in this paragraph 7(d) called the “excluded securities”), then, in each such case, subject to the second succeeding paragraph of this paragraph 7(d), the Conversion Rate shall be adjusted so that the same shall be equal to the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction:
- (1) The numerator of which shall be such Current Market Price, and
  - (2) The denominator of which shall be the Current Market Price on such date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) on

Such date of the portion of the securities or other assets so distributed (other than excluded securities) applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date).

Such increase shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the securities so distributed (other than excluded securities) applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of securities so distributed (other than excluded securities) such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph 7(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution (other than excluded securities), it must in doing so consider the prices in such market over the same period (the “Reference Period”) used in computing the Current Market Price pursuant to paragraph 7(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interests of the Holder.

For purposes of this paragraph 7(d) and paragraphs 7(a), 7(b) and 7(c), any dividend or distribution to which this paragraph 7(d) is applicable that also includes shares of Common Stock, a subdivision or combination of Common Stock to which paragraph 7(b) applies, or rights or warrants to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) to which paragraph 7(c) applies (or any combination thereof), shall be deemed instead to be:

- (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which paragraphs 7(a), 7(b) and 7(c) apply, respectively (and any Conversion Rate increase required by this paragraph 7(d) with respect to such dividend or distribution shall then be made), immediately followed by
- (2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by paragraphs 7(a), 7(b) and 7(c) with respect to such dividend or distribution shall then be made), except:
  - (A) the Record Date of such dividend or distribution shall be substituted as (x) “the date fixed for the determination of stockholders entitled to receive such dividend or other distribution”, “Record Date fixed for such determinations” and “Record Date” within the meaning of paragraph 7(a), (y) “the day upon which such subdivision becomes effective” and “the day upon which such combination becomes effective” within the meaning of paragraph 7(b), and (z) as “the date fixed for the determination of stockholders entitled to receive such rights or warrants”, “the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants” and such “Record Date” within the meaning of paragraph 7(c), and
  - (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business on the date fixed for such determination” within the meaning of paragraph 7(a) and any increase or reduction in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.
- (e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock, cash (excluding any cash that is distributed as part of a distribution referred to in paragraph 7(d) hereof), then and in each such case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:
  - (i) The numerator of which shall be equal to the Current Market Price on such Record Date, and

- (ii) the denominator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the aggregate amount of the cash distributed and (y) the number of shares of Common Stock outstanding on the Record Date.

In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (f) In case the Company or any of its Subsidiaries pays holders of the Common Stock in respect of a tender offer or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for shares of Common Stock to the extent that the cash and fair market value of any other consideration included in the payment per share of Common Stock exceeds the Sale Price per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”), then, and in each such case, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction:

- (1) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and
- (2) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time.

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this paragraph 7(f) to any tender offer or exchange offer would result in an increase in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this paragraph 7(f).

- (g) For purposes of this paragraph 7, the following terms shall have the meanings indicated:

“Current Market Price” shall mean the average of the daily Sale Prices per share of Common Stock for the 5 (Five) consecutive Trading Days ending not later than the earlier of the date immediately prior to the date in question and the day before the “ex” date with respect to the issuance, distribution, subdivision or combination requiring such computation. If another issuance, distribution, subdivision or combination to which paragraph 7 applies occurs during the period applicable for calculating “Current Market Price” pursuant to the preceding definition, then “Current Market Price” shall be appropriately adjusted to reflect the impact of such issuance, distribution, subdivision or combination on the Sale Price of the Common Stock during such period. For purposes of this paragraph, the term “ex” date, when used:

- (A) With respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such issuance or distribution;
- (B) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and
- (C) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this paragraph 7, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this paragraph 7 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

- (2) “Fair market value” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.
- (3) “Record Date” shall mean for purposes of this paragraph 7, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

- (h) The Company may make such increases in the Conversion Rate, in addition to those required by paragraph 7(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 (Twenty) days and the increase is irrevocable during the period and the Board of Directors determines in good faith that such increase would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Agent and each Holder at the address of such Holder as it appears in the Register a notice of the increase at least 15 (Fifteen) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

- (i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% (One percent) in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this paragraph 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In the event that, on the date that is five Business Days prior to the maturity of the Notes (whether at Stated Maturity or otherwise), an adjustment has been carried forward pursuant to the preceding sentence but has not yet been taken into account in an adjustment to the Conversion Rate and notwithstanding the first sentence of this paragraph (i), an adjustment to the Conversion Rate will be made on such date in accordance with the relevant paragraph of this paragraph 7. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. No adjustment in the Conversion Rate shall be required if the Holders participate in the transactions that would otherwise lead to an adjustment in the Conversion Rate pursuant to this paragraph 7.
- (j) In any case in which this paragraph 7 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction.

- (k) For purposes of this paragraph 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.
- (l) Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of paragraph 7(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Agent and any Conversion Agent other than the Agent an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail, or cause the Agent to mail, at the Company's expense, such notice to each Holder at the address of such Holder as it appears in the Register within 20 (twenty) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

8. Denominations; Assignment; Transfer; Exchange.

The Notes are in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and whole multiples of US\$1,000. The Registrar may require a Holder, in order to assign, transfer or exchange Notes, among other things, to furnish appropriate endorsements and assignment or transfer documents (in the form of Exhibit B or Exhibit C attached hereto, as applicable) and to pay any taxes and fees required by law. The Registrar need not transfer or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 (Fifteen) days before the mailing of a notice of redemption of Notes to be redeemed.

9. Persons Deemed Owners.

The registered Holder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money or Notes.

The Agent and the Paying Agent shall return to the Company upon written request any money, Notes or shares of Common Stock held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After such return to the Company, Holders entitled to the money or Notes must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

## 11. Amendment; Waiver.

Except as set forth below, (i) this Note may be amended with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. Without the consent of any Holder, the Company and the Agent may amend the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Holder. The foregoing notwithstanding, without the consent of the Holder of this Note, no amendment may be made reducing the principal or the Interest Rate of this Note or extending the Stated Maturity of this Note.

## 12. Defaults and Remedies.

Events of Default include (1) the Company fails to pay when due the principal of any of the Notes at Stated Maturity, upon redemption or otherwise; (2) the Company fails to pay an installment of interest on any of the Notes that continues for 30 (Thirty) days after the date when due; (3) the Company fails to deliver shares of Common Stock, together with cash in lieu of fractional shares, when such Common Stock or cash in lieu of fractional shares is required to be delivered upon conversion of a Note and such failure continues for 10 days after written notice of default is given to the Company by the Agent or to the Company and the Agent by the Holder of such Note; (4) the Company fails to perform or observe any other term, covenant or agreement contained in the Notes for a period of 60 (Sixty) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Agent or to the Company and the Agent by the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes then outstanding (a "Notice of Default"); (5) in the event of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary and (6) the Company's filing of, or any Significant Subsidiaries' filing of, a voluntary petition seeking liquidation, reorganization arrangement, readjustment of debts or for any other relief under the federal bankruptcy code. If an Event of Default (other than an Event of Default specified in clause (5) or (6) of this paragraph 12) occurs and is continuing, the Agent, or the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes at the time outstanding, may declare all the Notes to be due and payable immediately. An Event of Default under clause (5) or (6) of this paragraph 12 will result in the Notes becoming due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce this Note, except with the approval of Holders of a majority in aggregate principal amount of the Notes. The Agent may refuse to enforce the Notes unless it receives reasonable indemnity or security.

13. Subordination.

The payment of principal of and interest on the Notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents (or otherwise to the extent Holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents) of all Senior Indebtedness whether outstanding on the date of this Note or thereafter incurred.

14. Agent Dealings with the Company.

The Agent, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Agent.

15. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. GOVERNING LAW.

THIS NOTE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

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**Exhibit A**

**CONVERSION NOTICE**

To convert this Note into Common Stock of the Company, check the box:

To convert only part of this Note, state the principal amount to be converted (which must be US\$1,000 or an integral multiple of US\$1,000):

US\$\_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

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(Insert other person's social sec. or tax ID no.)

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(Print or type other person's name, address and zip code)

- If you want the stock certificate made out in another person's name, you are required to complete and deliver to the Conversion Agent a duly completed Transfer Certificate which is in the form of Exhibit B to this Note.

**EXHIBIT B**  
**ASSIGNMENT FORM**

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with the transfer of this Note, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of this Note presented or surrendered on the date hereof (the "Surrendered Note") for registration of transfer, or for exchange where the Notes issuable upon such transfer or exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Note for the reason checked below:

- A transfer of the Surrendered Note is made to the Company; or
- The transfer of the Surrendered Note complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Note is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Note is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, the Surrendered Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Notes registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit C**

**Transfer Certificate**

In connection with any transfer (or exchange or conversion as provided below) of any of the Notes, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of the above-captioned Notes presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange or conversion where the Notes or Common Stock issuable upon such exchange or conversion, as the case may be, are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Notes for the reason checked below:

- A transfer of the Surrendered Notes is made to the Company or any Subsidiaries; or
- The transfer of the Surrendered Notes complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Notes is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Notes is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Notes are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

## **Exhibit D**

### **Definitions**

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means the Company until a successor replaces it as agent with respect to the Notes and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of such board.

“Board Resolution” means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Agent.

“Business Day” means each day of the year other than a Saturday or a Sunday on which banking institutions are not required or authorized to close in The City of New York.

“Capital Stock” of any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock or other equity issued by that corporation.

“Common Stock” means the Common Stock, par value US\$0.00001 per share, of the Company as it exists on the date of this Note. Shares issuable on conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“Common stock” means any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer.

“Company” means the party named as the “Company” in the first paragraph of this Note until a successor replaces it pursuant to the applicable provisions of this Note, and, thereafter,

“Company” shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Conversion Agent” means any person authorized by the Company to convert Notes in accordance with Article 10 hereof. On the date of this Note, the Company hereby appoints the Agent as the Conversion Agent.

“Conversion Price” means US\$1,000 divided by the applicable Conversion Rate.

“Conversion Value” for the Notes is equal to the product of (i) the Sale Price per share of the Common Stock on a given day and (ii) the then current Conversion Rate.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Dollar” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Holder” means a person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means, with respect to any person, without duplication:

- (1) all obligations and other liabilities, contingent or otherwise, of such person for borrowed money (including overdrafts) to the extent such obligations and other liabilities would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;
- (2) all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments to the extent such obligations would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP;
- (3) indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

- (4) All obligations and liabilities, contingent or otherwise, in respect of leases of the person required, in conformity with GAAP, to be accounted for as capitalized lease obligations on the consolidated balance sheet of the person;
- (5) all net obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreements, hedge agreements, forward contracts or similar instruments or agreements or foreign currency, hedge, exchange or purchase or similar instruments or agreements;
- (6) all indebtedness referred to in (but not excluded from) the preceding clauses (1) through (5) of other persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on or with respect to property (including, without limitation, accounts and contract rights) owned by the referent person, even though such person has not assumed or become liable for the payment of such indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);
- (7) All guarantees by such person of indebtedness referred to in this definition or of any other person;
- (8) All Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed purchase price plus accrued and unpaid dividends;
- (9) the present value of the obligation of such person as lessee for net rental payments (excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments) during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; and
- (10) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (9) above.

“Interest Payment Date” means the date specified in the Notes as the fixed date on which an installment of interest on the Notes is due and payable.

“Interest Rate” means 5% (Five percent) per annum.

“Issue Date” of any Note means the date on which the Note was originally issued or deemed issued as set forth on the face of the Note.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

“Notes” mean the Company’s convertible Notes due May 3, 2011.

“Officer” means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

“Officers’ Certificate” means a written certificate signed in the name of the Company by any one Officer, and delivered to the Agent

“person” or “Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof, including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business.

“Principal” of a Note means the principal amount due on the Stated Maturity as set forth on the face of the Note.

“Redeemable Capital Stock” means any class of the Company’s Capital Stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed (whether by sinking fund or otherwise) prior to the date that is 91 days after the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such date. Securities at any time prior to such date (unless it is convertible or exchangeable solely at the Company’s option).

“Redemption Date” or “redemption date” means the date specified for redemption of the Notes in accordance with the terms of this Note.

“Redemption Price” or “redemption price” shall have the meaning set forth in paragraph 5 of this Note.

“Regular Record Date” means, with respect to the interest payable on any Interest Payment Date, the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“Rule 144” means Rule 144 under the Securities Act (or any successor provision), as it may be amended from time to time.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Sale Price” as of any date means the closing per share sale price (or if no closing sale price is reported, the average bid price and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date on the Nasdaq National Market or such other principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, the Company will determine the sale price on the basis of such quotations as the Company considers appropriate.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933 (or any successor statute), as amended from time to time.

“Senior Indebtedness” means any Indebtedness of the Company, unless by the terms of the instrument creating or evidencing such Indebtedness, such Indebtedness is expressly designated equal or junior in right of payment to the Notes.

Notwithstanding the foregoing, “Senior Indebtedness” shall not include:

- (a) Indebtedness evidenced by the Notes;
- (b) Indebtedness of the Company that by operation of law is subordinate to any general unsecured obligations of the Company;
- (c) any liability for federal, state or local taxes or other taxes, owed by the Company.
- (d) accounts payable or other liabilities owed or owing by the Company to trade creditors (including guarantees thereof or instruments evidencing such liabilities);
- (e) amounts owed by the Company for compensation to employees or for services rendered to the Company;
- (f) Indebtedness of the Company to any Subsidiary or any other Affiliate of the Company or any of such Affiliate’s Subsidiaries;

- (g) Capital Stock of the Company, including Redeemable Capital Stock; and
- (h) Indebtedness of the Company which, when incurred and without regard to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to the Company.

“Significant Subsidiary” means any Subsidiary that would be, as of the date of the applicable action set forth in this Note, a “significant subsidiary” of the Company within the meaning of Rule 1-02(w) of Regulation S-X promulgated by the SEC.

“Stated Maturity”, when used with respect to any Note, means the date specified in such Note as the fixed date on which the principal of such Note is due and payable.

“Subsidiary” means, with respect to any Person, (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership in which such Person or a Subsidiary of such Person holds a majority interest in the equity capital or profits of such partnership, or (iii) any other entity (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such entity.

“Trading Day” means a day during which trading in securities generally occurs on the Nasdaq National Market or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System, or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (its “possessions” including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

**Exhibit C (3 of 15)**

**Form of Convertible Note**

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF GNCC CAPITAL, INC. (THE "COMPANY") THAT THIS NOTE MAY NOT BE RESOLD, PLEDGED OR OTHERWISE, OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) TO AN INSTITUTIONAL ACCREDITED INVESTOR" AS DEFINED IN RULE 501 (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE AGENT), (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES PRIOR TO A TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (6) ABOVE), THE HOLDER OF THIS NOTE MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AND THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AND LEGAL OPINIONS AS THEY MAY REASONABLY REQUIRE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS NOTE OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE EXCEPT AS PERMITTED BY THE SECURITIES ACT.

**GNCC CAPITAL, INC.**

**5% Convertible Notes due 2011**

Issue Date: SEPTEMBER 2, 2010

GNCC CAPITAL, INC., a Delaware Corporation promises to pay to STELAN REAL ESTATE MANAGEMENT, INC. or its registered assigns, the principal sum of US\$233,200 (Two hundred and thirty three thousand two hundred dollars) on September 2, 2011.

This Note shall bear interest as specified in paragraph 1 of this Note. This Note is convertible into shares of common stock as specified in paragraph 7 of this Note at the Conversion Rate.

Additional provisions of this Note are set forth on the following pages of this Note.

**Dated: SEPTEMBER 2, 2010**

**GNCC CAPITAL, INC.**

**By**



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**Name: RONALD Y LOWENTHAL**  
**Title: PRESIDENT**

Capitalized terms used herein but not defined shall have the meanings assigned to them in Exhibit D attached hereto and incorporated by reference herein unless otherwise indicated.

1. Cash Interest.

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an “Interest Payment Date”), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a “Regular Record Date”), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

2. Method of Payment.

The Company will make payments in respect of the principal of, and cash interest on this Note and in respect of Redemption Prices, if any, to Holders who surrender Notes to a Paying Agent to collect such payments in respect of the Notes. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check or wire transfer payable in such money. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day.

3. Paying Agent, Conversion Agent and Registrar.

Initially, the Agent will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar without notice, other than notice to the Agent, which shall initially be an office or agency of the Agent. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

4. The Notes

The Notes are general unsecured subordinated obligations of the Company limited to US\$2,000,000 (Seven million one hundred and eighty four thousand dollars) aggregate principal amount plus any additional accrued interest on these Notes. The Company may incur other Indebtedness, secured or unsecured.

## 5. Optional Redemption.

This Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

## 6. Conversion.

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to US\$1,000 or any integral multiple of US\$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by US\$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

## 7. Adjustment of Conversion Rate

The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

- (a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction:
  - (1) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the total number of shares constituting such dividend or other distribution, and
  - (2) The denominator of which shall be the sum of such number of shares.

Such increase shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this paragraph 7(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock (commonly referred to as a “forward split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock (commonly referred to as a “reverse split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be reduced, in each such case, by multiplying such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination. Such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

- (c) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period of not more than 60 days) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a Conversion Price per share) less than the Current Market Price on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect at the opening of business on the date after such Record Date by a fraction:
- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible), and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate Conversion Price of the convertible securities so offered) would purchase at such Current Market Price.

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors.

- (d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which paragraph 7(a) applies) or evidences of its indebtedness or other assets, including securities, but excluding (1) any rights or warrants referred to in paragraph 7(c) and (3) dividends and distributions paid exclusively in cash referred to in paragraph 7(e) (the securities described in foregoing clauses (1) and (2) hereinafter in this paragraph 7(d) called the “excluded securities”), then, in each such case, subject to the second succeeding paragraph of this paragraph 7(d), the Conversion Rate shall be adjusted so that the same shall be equal to the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction:
- (1) The numerator of which shall be such Current Market Price, and
  - (2) The denominator of which shall be the Current Market Price on such date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) on

Such date of the portion of the securities or other assets so distributed (other than excluded securities) applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date).

Such increase shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the securities so distributed (other than excluded securities) applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of securities so distributed (other than excluded securities) such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph 7(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution (other than excluded securities), it must in doing so consider the prices in such market over the same period (the “Reference Period”) used in computing the Current Market Price pursuant to paragraph 7(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interests of the Holder.

For purposes of this paragraph 7(d) and paragraphs 7(a), 7(b) and 7(c), any dividend or distribution to which this paragraph 7(d) is applicable that also includes shares of Common Stock, a subdivision or combination of Common Stock to which paragraph 7(b) applies, or rights or warrants to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) to which paragraph 7(c) applies (or any combination thereof), shall be deemed instead to be:

- (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which paragraphs 7(a), 7(b) and 7(c) apply, respectively (and any Conversion Rate increase required by this paragraph 7(d) with respect to such dividend or distribution shall then be made), immediately followed by
- (2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by paragraphs 7(a), 7(b) and 7(c) with respect to such dividend or distribution shall then be made), except:
  - (A) the Record Date of such dividend or distribution shall be substituted as (x) “the date fixed for the determination of stockholders entitled to receive such dividend or other distribution”, “Record Date fixed for such determinations” and “Record Date” within the meaning of paragraph 7(a), (y) “the day upon which such subdivision becomes effective” and “the day upon which such combination becomes effective” within the meaning of paragraph 7(b), and (z) as “the date fixed for the determination of stockholders entitled to receive such rights or warrants”, “the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants” and such “Record Date” within the meaning of paragraph 7(c), and
  - (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business on the date fixed for such determination” within the meaning of paragraph 7(a) and any increase or reduction in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.
- (e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock, cash (excluding any cash that is distributed as part of a distribution referred to in paragraph 7(d) hereof), then and in each such case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:
  - (i) The numerator of which shall be equal to the Current Market Price on such Record Date, and

- (ii) the denominator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the aggregate amount of the cash distributed and (y) the number of shares of Common Stock outstanding on the Record Date.

In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (f) In case the Company or any of its Subsidiaries pays holders of the Common Stock in respect of a tender offer or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for shares of Common Stock to the extent that the cash and fair market value of any other consideration included in the payment per share of Common Stock exceeds the Sale Price per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”), then, and in each such case, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction:
  - (1) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time.

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this paragraph 7(f) to any tender offer or exchange offer would result in an increase in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this paragraph 7(f).

- (g) For purposes of this paragraph 7, the following terms shall have the meanings indicated:

“Current Market Price” shall mean the average of the daily Sale Prices per share of Common Stock for the 5 (Five) consecutive Trading Days ending not later than the earlier of the date immediately prior to the date in question and the day before the “ex” date with respect to the issuance, distribution, subdivision or combination requiring such computation. If another issuance, distribution, subdivision or combination to which paragraph 7 applies occurs during the period applicable for calculating “Current Market Price” pursuant to the preceding definition, then “Current Market Price” shall be appropriately adjusted to reflect the impact of such issuance, distribution, subdivision or combination on the Sale Price of the Common Stock during such period. For purposes of this paragraph, the term “ex” date, when used:

- (A) With respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such issuance or distribution;
- (B) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and
- (C) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this paragraph 7, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this paragraph 7 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

- (2) “Fair market value” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.
- (3) “Record Date” shall mean for purposes of this paragraph 7, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

- (h) The Company may make such increases in the Conversion Rate, in addition to those required by paragraph 7(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 (Twenty) days and the increase is irrevocable during the period and the Board of Directors determines in good faith that such increase would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Agent and each Holder at the address of such Holder as it appears in the Register a notice of the increase at least 15 (Fifteen) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

- (i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% (One percent) in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this paragraph 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In the event that, on the date that is five Business Days prior to the maturity of the Notes (whether at Stated Maturity or otherwise), an adjustment has been carried forward pursuant to the preceding sentence but has not yet been taken into account in an adjustment to the Conversion Rate and notwithstanding the first sentence of this paragraph (i), an adjustment to the Conversion Rate will be made on such date in accordance with the relevant paragraph of this paragraph 7. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. No adjustment in the Conversion Rate shall be required if the Holders participate in the transactions that would otherwise lead to an adjustment in the Conversion Rate pursuant to this paragraph 7.
- (j) In any case in which this paragraph 7 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction.

- (k) For purposes of this paragraph 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.
- (l) Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of paragraph 7(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Agent and any Conversion Agent other than the Agent an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail, or cause the Agent to mail, at the Company's expense, such notice to each Holder at the address of such Holder as it appears in the Register within 20 (twenty) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

8. Denominations; Assignment; Transfer; Exchange.

The Notes are in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and whole multiples of US\$1,000. The Registrar may require a Holder, in order to assign, transfer or exchange Notes, among other things, to furnish appropriate endorsements and assignment or transfer documents (in the form of Exhibit B or Exhibit C attached hereto, as applicable) and to pay any taxes and fees required by law. The Registrar need not transfer or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 (Fifteen) days before the mailing of a notice of redemption of Notes to be redeemed.

9. Persons Deemed Owners.

The registered Holder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money or Notes.

The Agent and the Paying Agent shall return to the Company upon written request any money, Notes or shares of Common Stock held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After such return to the Company, Holders entitled to the money or Notes must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

## 11. Amendment; Waiver.

Except as set forth below, (i) this Note may be amended with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. Without the consent of any Holder, the Company and the Agent may amend the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Holder. The foregoing notwithstanding, without the consent of the Holder of this Note, no amendment may be made reducing the principal or the Interest Rate of this Note or extending the Stated Maturity of this Note.

## 12. Defaults and Remedies.

Events of Default include (1) the Company fails to pay when due the principal of any of the Notes at Stated Maturity, upon redemption or otherwise; (2) the Company fails to pay an installment of interest on any of the Notes that continues for 30 (Thirty) days after the date when due; (3) the Company fails to deliver shares of Common Stock, together with cash in lieu of fractional shares, when such Common Stock or cash in lieu of fractional shares is required to be delivered upon conversion of a Note and such failure continues for 10 days after written notice of default is given to the Company by the Agent or to the Company and the Agent by the Holder of such Note; (4) the Company fails to perform or observe any other term, covenant or agreement contained in the Notes for a period of 60 (Sixty) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Agent or to the Company and the Agent by the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes then outstanding (a "Notice of Default"); (5) in the event of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary and (6) the Company's filing of, or any Significant Subsidiaries' filing of, a voluntary petition seeking liquidation, reorganization arrangement, readjustment of debts or for any other relief under the federal bankruptcy code. If an Event of Default (other than an Event of Default specified in clause (5) or (6) of this paragraph 12) occurs and is continuing, the Agent, or the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes at the time outstanding, may declare all the Notes to be due and payable immediately. An Event of Default under clause (5) or (6) of this paragraph 12 will result in the Notes becoming due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce this Note, except with the approval of Holders of a majority in aggregate principal amount of the Notes. The Agent may refuse to enforce the Notes unless it receives reasonable indemnity or security.

13. Subordination.

The payment of principal of and interest on the Notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents (or otherwise to the extent Holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents) of all Senior Indebtedness whether outstanding on the date of this Note or thereafter incurred.

14. Agent Dealings with the Company.

The Agent, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Agent.

15. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. GOVERNING LAW.

THIS NOTE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

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**Exhibit A**

**CONVERSION NOTICE**

To convert this Note into Common Stock of the Company, check the box:

To convert only part of this Note, state the principal amount to be converted (which must be US\$1,000 or an integral multiple of US\$1,000):

US\$\_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

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(Insert other person's social sec. or tax ID no.)

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(Print or type other person's name, address and zip code)

- If you want the stock certificate made out in another person's name, you are required to complete and deliver to the Conversion Agent a duly completed Transfer Certificate which is in the form of Exhibit B to this Note.

**EXHIBIT B**  
**ASSIGNMENT FORM**

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with the transfer of this Note, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of this Note presented or surrendered on the date hereof (the "Surrendered Note") for registration of transfer, or for exchange where the Notes issuable upon such transfer or exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Note for the reason checked below:

- A transfer of the Surrendered Note is made to the Company; or
- The transfer of the Surrendered Note complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Note is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Note is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, the Surrendered Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Notes registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit C**

**Transfer Certificate**

In connection with any transfer (or exchange or conversion as provided below) of any of the Notes, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of the above-captioned Notes presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange or conversion where the Notes or Common Stock issuable upon such exchange or conversion, as the case may be, are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Notes for the reason checked below:

- A transfer of the Surrendered Notes is made to the Company or any Subsidiaries; or
- The transfer of the Surrendered Notes complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Notes is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Notes is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Notes are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

## **Exhibit D**

### **Definitions**

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means the Company until a successor replaces it as agent with respect to the Notes and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of such board.

“Board Resolution” means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Agent.

“Business Day” means each day of the year other than a Saturday or a Sunday on which banking institutions are not required or authorized to close in The City of New York.

“Capital Stock” of any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock or other equity issued by that corporation.

“Common Stock” means the Common Stock, par value US\$0.00001 per share, of the Company as it exists on the date of this Note. Shares issuable on conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“Common stock” means any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer.

“Company” means the party named as the “Company” in the first paragraph of this Note until a successor replaces it pursuant to the applicable provisions of this Note, and, thereafter,

“Company” shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Conversion Agent” means any person authorized by the Company to convert Notes in accordance with Article 10 hereof. On the date of this Note, the Company hereby appoints the Agent as the Conversion Agent.

“Conversion Price” means US\$1,000 divided by the applicable Conversion Rate.

“Conversion Value” for the Notes is equal to the product of (i) the Sale Price per share of the Common Stock on a given day and (ii) the then current Conversion Rate.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Dollar” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Holder” means a person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means, with respect to any person, without duplication:

- (1) all obligations and other liabilities, contingent or otherwise, of such person for borrowed money (including overdrafts) to the extent such obligations and other liabilities would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;
- (2) all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments to the extent such obligations would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP;
- (3) indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

- (4) All obligations and liabilities, contingent or otherwise, in respect of leases of the person required, in conformity with GAAP, to be accounted for as capitalized lease obligations on the consolidated balance sheet of the person;
- (5) all net obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreements, hedge agreements, forward contracts or similar instruments or agreements or foreign currency, hedge, exchange or purchase or similar instruments or agreements;
- (6) all indebtedness referred to in (but not excluded from) the preceding clauses (1) through (5) of other persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on or with respect to property (including, without limitation, accounts and contract rights) owned by the referent person, even though such person has not assumed or become liable for the payment of such indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);
- (7) All guarantees by such person of indebtedness referred to in this definition or of any other person;
- (8) All Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed purchase price plus accrued and unpaid dividends;
- (9) the present value of the obligation of such person as lessee for net rental payments (excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments) during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; and
- (10) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (9) above.

“Interest Payment Date” means the date specified in the Notes as the fixed date on which an installment of interest on the Notes is due and payable.

“Interest Rate” means 5% (Five percent) per annum.

“Issue Date” of any Note means the date on which the Note was originally issued or deemed issued as set forth on the face of the Note.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

“Notes” mean the Company’s convertible Notes due May 3, 2011.

“Officer” means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

“Officers’ Certificate” means a written certificate signed in the name of the Company by any one Officer, and delivered to the Agent

“person” or “Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof, including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business.

“Principal” of a Note means the principal amount due on the Stated Maturity as set forth on the face of the Note.

“Redeemable Capital Stock” means any class of the Company’s Capital Stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed (whether by sinking fund or otherwise) prior to the date that is 91 days after the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such date. Securities at any time prior to such date (unless it is convertible or exchangeable solely at the Company’s option).

“Redemption Date” or “redemption date” means the date specified for redemption of the Notes in accordance with the terms of this Note.

“Redemption Price” or “redemption price” shall have the meaning set forth in paragraph 5 of this Note.

“Regular Record Date” means, with respect to the interest payable on any Interest Payment Date, the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“Rule 144” means Rule 144 under the Securities Act (or any successor provision), as it may be amended from time to time.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Sale Price” as of any date means the closing per share sale price (or if no closing sale price is reported, the average bid price and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date on the Nasdaq National Market or such other principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, the Company will determine the sale price on the basis of such quotations as the Company considers appropriate.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933 (or any successor statute), as amended from time to time.

“Senior Indebtedness” means any Indebtedness of the Company, unless by the terms of the instrument creating or evidencing such Indebtedness, such Indebtedness is expressly designated equal or junior in right of payment to the Notes.

Notwithstanding the foregoing, “Senior Indebtedness” shall not include:

- (a) Indebtedness evidenced by the Notes;
- (b) Indebtedness of the Company that by operation of law is subordinate to any general unsecured obligations of the Company;
- (c) any liability for federal, state or local taxes or other taxes, owed by the Company.
- (d) accounts payable or other liabilities owed or owing by the Company to trade creditors (including guarantees thereof or instruments evidencing such liabilities);
- (e) amounts owed by the Company for compensation to employees or for services rendered to the Company;
- (f) Indebtedness of the Company to any Subsidiary or any other Affiliate of the Company or any of such Affiliate’s Subsidiaries;

- (g) Capital Stock of the Company, including Redeemable Capital Stock; and
- (h) Indebtedness of the Company which, when incurred and without regard to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to the Company.

“Significant Subsidiary” means any Subsidiary that would be, as of the date of the applicable action set forth in this Note, a “significant subsidiary” of the Company within the meaning of Rule 1-02(w) of Regulation S-X promulgated by the SEC.

“Stated Maturity”, when used with respect to any Note, means the date specified in such Note as the fixed date on which the principal of such Note is due and payable.

“Subsidiary” means, with respect to any Person, (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership in which such Person or a Subsidiary of such Person holds a majority interest in the equity capital or profits of such partnership, or (iii) any other entity (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such entity.

“Trading Day” means a day during which trading in securities generally occurs on the Nasdaq National Market or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System, or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (its “possessions” including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

**Exhibit C (4 of 15)**

**Form of Convertible Note**

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF GNCC CAPITAL, INC. (THE "COMPANY") THAT THIS NOTE MAY NOT BE RESOLD, PLEDGED OR OTHERWISE, OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) TO AN INSTITUTIONAL ACCREDITED INVESTOR" AS DEFINED IN RULE 501 (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE AGENT), (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES PRIOR TO A TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (6) ABOVE), THE HOLDER OF THIS NOTE MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AND THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AND LEGAL OPINIONS AS THEY MAY REASONABLY REQUIRE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS NOTE OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE EXCEPT AS PERMITTED BY THE SECURITIES ACT.

**GNCC CAPITAL, INC.**

**5% Convertible Notes due 2011**

Issue Date: SEPTEMBER 2, 2010

GNCC CAPITAL, INC., a Delaware Corporation promises to pay to CASTLEWOOD CAPITAL GROUP, S.A. or its registered assigns, the principal sum of US\$198,024 (One hundred and ninety eight thousand and twenty four dollars) on September 2, 2011.

This Note shall bear interest as specified in paragraph 1 of this Note. This Note is convertible into shares of common stock as specified in paragraph 7 of this Note at the Conversion Rate.

Additional provisions of this Note are set forth on the following pages of this Note.

**Dated: SEPTEMBER 2, 2010**

**GNCC CAPITAL, INC.**

**By**



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**Name: RONALD Y LOWENTHAL**  
**Title: PRESIDENT**

Capitalized terms used herein but not defined shall have the meanings assigned to them in Exhibit D attached hereto and incorporated by reference herein unless otherwise indicated.

1. Cash Interest.

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an “Interest Payment Date”), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a “Regular Record Date”), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

2. Method of Payment.

The Company will make payments in respect of the principal of, and cash interest on this Note and in respect of Redemption Prices, if any, to Holders who surrender Notes to a Paying Agent to collect such payments in respect of the Notes. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check or wire transfer payable in such money. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day.

3. Paying Agent, Conversion Agent and Registrar.

Initially, the Agent will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar without notice, other than notice to the Agent, which shall initially be an office or agency of the Agent. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

4. The Notes

The Notes are general unsecured subordinated obligations of the Company limited to US\$2,000,000 (Seven million one hundred and eighty four thousand dollars) aggregate principal amount plus any additional accrued interest on these Notes. The Company may incur other Indebtedness, secured or unsecured.

## 5. Optional Redemption.

This Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

## 6. Conversion.

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to US\$1,000 or any integral multiple of US\$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by US\$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

## 7. Adjustment of Conversion Rate

The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

- (a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction:
  - (1) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the total number of shares constituting such dividend or other distribution, and
  - (2) The denominator of which shall be the sum of such number of shares.

Such increase shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this paragraph 7(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock (commonly referred to as a “forward split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock (commonly referred to as a “reverse split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be reduced, in each such case, by multiplying such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination. Such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

- (c) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period of not more than 60 days) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a Conversion Price per share) less than the Current Market Price on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect at the opening of business on the date after such Record Date by a fraction:
- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible), and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate Conversion Price of the convertible securities so offered) would purchase at such Current Market Price.

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors.

- (d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which paragraph 7(a) applies) or evidences of its indebtedness or other assets, including securities, but excluding (1) any rights or warrants referred to in paragraph 7(c) and (3) dividends and distributions paid exclusively in cash referred to in paragraph 7(e) (the securities described in foregoing clauses (1) and (2) hereinafter in this paragraph 7(d) called the “excluded securities”), then, in each such case, subject to the second succeeding paragraph of this paragraph 7(d), the Conversion Rate shall be adjusted so that the same shall be equal to the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction:
- (1) The numerator of which shall be such Current Market Price, and
  - (2) The denominator of which shall be the Current Market Price on such date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) on

Such date of the portion of the securities or other assets so distributed (other than excluded securities) applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date).

Such increase shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the securities so distributed (other than excluded securities) applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of securities so distributed (other than excluded securities) such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph 7(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution (other than excluded securities), it must in doing so consider the prices in such market over the same period (the “Reference Period”) used in computing the Current Market Price pursuant to paragraph 7(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interests of the Holder.

For purposes of this paragraph 7(d) and paragraphs 7(a), 7(b) and 7(c), any dividend or distribution to which this paragraph 7(d) is applicable that also includes shares of Common Stock, a subdivision or combination of Common Stock to which paragraph 7(b) applies, or rights or warrants to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) to which paragraph 7(c) applies (or any combination thereof), shall be deemed instead to be:

- (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which paragraphs 7(a), 7(b) and 7(c) apply, respectively (and any Conversion Rate increase required by this paragraph 7(d) with respect to such dividend or distribution shall then be made), immediately followed by
- (2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by paragraphs 7(a), 7(b) and 7(c) with respect to such dividend or distribution shall then be made), except:
  - (A) the Record Date of such dividend or distribution shall be substituted as (x) “the date fixed for the determination of stockholders entitled to receive such dividend or other distribution”, “Record Date fixed for such determinations” and “Record Date” within the meaning of paragraph 7(a), (y) “the day upon which such subdivision becomes effective” and “the day upon which such combination becomes effective” within the meaning of paragraph 7(b), and (z) as “the date fixed for the determination of stockholders entitled to receive such rights or warrants”, “the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants” and such “Record Date” within the meaning of paragraph 7(c), and
  - (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business on the date fixed for such determination” within the meaning of paragraph 7(a) and any increase or reduction in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.
- (e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock, cash (excluding any cash that is distributed as part of a distribution referred to in paragraph 7(d) hereof), then and in each such case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:
  - (i) The numerator of which shall be equal to the Current Market Price on such Record Date, and

- (ii) the denominator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the aggregate amount of the cash distributed and (y) the number of shares of Common Stock outstanding on the Record Date.

In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (f) In case the Company or any of its Subsidiaries pays holders of the Common Stock in respect of a tender offer or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for shares of Common Stock to the extent that the cash and fair market value of any other consideration included in the payment per share of Common Stock exceeds the Sale Price per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”), then, and in each such case, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction:

- (1) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and
- (2) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time.

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this paragraph 7(f) to any tender offer or exchange offer would result in an increase in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this paragraph 7(f).

- (g) For purposes of this paragraph 7, the following terms shall have the meanings indicated:

“Current Market Price” shall mean the average of the daily Sale Prices per share of Common Stock for the 5 (Five) consecutive Trading Days ending not later than the earlier of the date immediately prior to the date in question and the day before the “ex” date with respect to the issuance, distribution, subdivision or combination requiring such computation. If another issuance, distribution, subdivision or combination to which paragraph 7 applies occurs during the period applicable for calculating “Current Market Price” pursuant to the preceding definition, then “Current Market Price” shall be appropriately adjusted to reflect the impact of such issuance, distribution, subdivision or combination on the Sale Price of the Common Stock during such period. For purposes of this paragraph, the term “ex” date, when used:

- (A) With respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such issuance or distribution;
- (B) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and
- (C) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this paragraph 7, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this paragraph 7 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

- (2) “Fair market value” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.
- (3) “Record Date” shall mean for purposes of this paragraph 7, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

- (h) The Company may make such increases in the Conversion Rate, in addition to those required by paragraph 7(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 (Twenty) days and the increase is irrevocable during the period and the Board of Directors determines in good faith that such increase would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Agent and each Holder at the address of such Holder as it appears in the Register a notice of the increase at least 15 (Fifteen) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

- (i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% (One percent) in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this paragraph 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In the event that, on the date that is five Business Days prior to the maturity of the Notes (whether at Stated Maturity or otherwise), an adjustment has been carried forward pursuant to the preceding sentence but has not yet been taken into account in an adjustment to the Conversion Rate and notwithstanding the first sentence of this paragraph (i), an adjustment to the Conversion Rate will be made on such date in accordance with the relevant paragraph of this paragraph 7. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. No adjustment in the Conversion Rate shall be required if the Holders participate in the transactions that would otherwise lead to an adjustment in the Conversion Rate pursuant to this paragraph 7.
- (j) In any case in which this paragraph 7 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction.

- (k) For purposes of this paragraph 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.
- (l) Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of paragraph 7(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Agent and any Conversion Agent other than the Agent an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail, or cause the Agent to mail, at the Company's expense, such notice to each Holder at the address of such Holder as it appears in the Register within 20 (twenty) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

8. Denominations; Assignment; Transfer; Exchange.

The Notes are in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and whole multiples of US\$1,000. The Registrar may require a Holder, in order to assign, transfer or exchange Notes, among other things, to furnish appropriate endorsements and assignment or transfer documents (in the form of Exhibit B or Exhibit C attached hereto, as applicable) and to pay any taxes and fees required by law. The Registrar need not transfer or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 (Fifteen) days before the mailing of a notice of redemption of Notes to be redeemed.

9. Persons Deemed Owners.

The registered Holder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money or Notes.

The Agent and the Paying Agent shall return to the Company upon written request any money, Notes or shares of Common Stock held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After such return to the Company, Holders entitled to the money or Notes must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

## 11. Amendment; Waiver.

Except as set forth below, (i) this Note may be amended with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. Without the consent of any Holder, the Company and the Agent may amend the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Holder. The foregoing notwithstanding, without the consent of the Holder of this Note, no amendment may be made reducing the principal or the Interest Rate of this Note or extending the Stated Maturity of this Note.

## 12. Defaults and Remedies.

Events of Default include (1) the Company fails to pay when due the principal of any of the Notes at Stated Maturity, upon redemption or otherwise; (2) the Company fails to pay an installment of interest on any of the Notes that continues for 30 (Thirty) days after the date when due; (3) the Company fails to deliver shares of Common Stock, together with cash in lieu of fractional shares, when such Common Stock or cash in lieu of fractional shares is required to be delivered upon conversion of a Note and such failure continues for 10 days after written notice of default is given to the Company by the Agent or to the Company and the Agent by the Holder of such Note; (4) the Company fails to perform or observe any other term, covenant or agreement contained in the Notes for a period of 60 (Sixty) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Agent or to the Company and the Agent by the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes then outstanding (a "Notice of Default"); (5) in the event of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary and (6) the Company's filing of, or any Significant Subsidiaries' filing of, a voluntary petition seeking liquidation, reorganization arrangement, readjustment of debts or for any other relief under the federal bankruptcy code. If an Event of Default (other than an Event of Default specified in clause (5) or (6) of this paragraph 12) occurs and is continuing, the Agent, or the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes at the time outstanding, may declare all the Notes to be due and payable immediately. An Event of Default under clause (5) or (6) of this paragraph 12 will result in the Notes becoming due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce this Note, except with the approval of Holders of a majority in aggregate principal amount of the Notes. The Agent may refuse to enforce the Notes unless it receives reasonable indemnity or security.

13. Subordination.

The payment of principal of and interest on the Notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents (or otherwise to the extent Holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents) of all Senior Indebtedness whether outstanding on the date of this Note or thereafter incurred.

14. Agent Dealings with the Company.

The Agent, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Agent.

15. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. GOVERNING LAW.

THIS NOTE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

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**Exhibit A**

**CONVERSION NOTICE**

To convert this Note into Common Stock of the Company, check the box:

To convert only part of this Note, state the principal amount to be converted (which must be US\$1,000 or an integral multiple of US\$1,000):

US\$\_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

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(Insert other person's social sec. or tax ID no.)

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(Print or type other person's name, address and zip code)

- If you want the stock certificate made out in another person's name, you are required to complete and deliver to the Conversion Agent a duly completed Transfer Certificate which is in the form of Exhibit B to this Note.

**EXHIBIT B**  
**ASSIGNMENT FORM**

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with the transfer of this Note, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of this Note presented or surrendered on the date hereof (the "Surrendered Note") for registration of transfer, or for exchange where the Notes issuable upon such transfer or exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Note for the reason checked below:

- A transfer of the Surrendered Note is made to the Company; or
- The transfer of the Surrendered Note complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Note is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Note is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, the Surrendered Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Notes registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit C**

**Transfer Certificate**

In connection with any transfer (or exchange or conversion as provided below) of any of the Notes, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of the above-captioned Notes presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange or conversion where the Notes or Common Stock issuable upon such exchange or conversion, as the case may be, are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Notes for the reason checked below:

- A transfer of the Surrendered Notes is made to the Company or any Subsidiaries; or
- The transfer of the Surrendered Notes complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Notes is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Notes is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Notes are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

## **Exhibit D**

### **Definitions**

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means the Company until a successor replaces it as agent with respect to the Notes and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of such board.

“Board Resolution” means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Agent.

“Business Day” means each day of the year other than a Saturday or a Sunday on which banking institutions are not required or authorized to close in The City of New York.

“Capital Stock” of any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock or other equity issued by that corporation.

“Common Stock” means the Common Stock, par value US\$0.00001 per share, of the Company as it exists on the date of this Note. Shares issuable on conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“Common stock” means any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer.

“Company” means the party named as the “Company” in the first paragraph of this Note until a successor replaces it pursuant to the applicable provisions of this Note, and, thereafter,

“Company” shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Conversion Agent” means any person authorized by the Company to convert Notes in accordance with Article 10 hereof. On the date of this Note, the Company hereby appoints the Agent as the Conversion Agent.

“Conversion Price” means US\$1,000 divided by the applicable Conversion Rate.

“Conversion Value” for the Notes is equal to the product of (i) the Sale Price per share of the Common Stock on a given day and (ii) the then current Conversion Rate.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Dollar” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Holder” means a person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means, with respect to any person, without duplication:

- (1) all obligations and other liabilities, contingent or otherwise, of such person for borrowed money (including overdrafts) to the extent such obligations and other liabilities would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;
- (2) all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments to the extent such obligations would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP;
- (3) indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

- (4) All obligations and liabilities, contingent or otherwise, in respect of leases of the person required, in conformity with GAAP, to be accounted for as capitalized lease obligations on the consolidated balance sheet of the person;
- (5) all net obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreements, hedge agreements, forward contracts or similar instruments or agreements or foreign currency, hedge, exchange or purchase or similar instruments or agreements;
- (6) all indebtedness referred to in (but not excluded from) the preceding clauses (1) through (5) of other persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on or with respect to property (including, without limitation, accounts and contract rights) owned by the referent person, even though such person has not assumed or become liable for the payment of such indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);
- (7) All guarantees by such person of indebtedness referred to in this definition or of any other person;
- (8) All Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed purchase price plus accrued and unpaid dividends;
- (9) the present value of the obligation of such person as lessee for net rental payments (excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments) during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; and
- (10) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (9) above.

“Interest Payment Date” means the date specified in the Notes as the fixed date on which an installment of interest on the Notes is due and payable.

“Interest Rate” means 5% (Five percent) per annum.

“Issue Date” of any Note means the date on which the Note was originally issued or deemed issued as set forth on the face of the Note.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

“Notes” mean the Company’s convertible Notes due May 3, 2011.

“Officer” means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

“Officers’ Certificate” means a written certificate signed in the name of the Company by any one Officer, and delivered to the Agent

“person” or “Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof, including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business.

“Principal” of a Note means the principal amount due on the Stated Maturity as set forth on the face of the Note.

“Redeemable Capital Stock” means any class of the Company’s Capital Stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed (whether by sinking fund or otherwise) prior to the date that is 91 days after the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such date. Securities at any time prior to such date (unless it is convertible or exchangeable solely at the Company’s option).

“Redemption Date” or “redemption date” means the date specified for redemption of the Notes in accordance with the terms of this Note.

“Redemption Price” or “redemption price” shall have the meaning set forth in paragraph 5 of this Note.

“Regular Record Date” means, with respect to the interest payable on any Interest Payment Date, the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“Rule 144” means Rule 144 under the Securities Act (or any successor provision), as it may be amended from time to time.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Sale Price” as of any date means the closing per share sale price (or if no closing sale price is reported, the average bid price and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date on the Nasdaq National Market or such other principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, the Company will determine the sale price on the basis of such quotations as the Company considers appropriate.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933 (or any successor statute), as amended from time to time.

“Senior Indebtedness” means any Indebtedness of the Company, unless by the terms of the instrument creating or evidencing such Indebtedness, such Indebtedness is expressly designated equal or junior in right of payment to the Notes.

Notwithstanding the foregoing, “Senior Indebtedness” shall not include:

- (a) Indebtedness evidenced by the Notes;
- (b) Indebtedness of the Company that by operation of law is subordinate to any general unsecured obligations of the Company;
- (c) any liability for federal, state or local taxes or other taxes, owed by the Company.
- (d) accounts payable or other liabilities owed or owing by the Company to trade creditors (including guarantees thereof or instruments evidencing such liabilities);
- (e) amounts owed by the Company for compensation to employees or for services rendered to the Company;
- (f) Indebtedness of the Company to any Subsidiary or any other Affiliate of the Company or any of such Affiliate’s Subsidiaries;

- (g) Capital Stock of the Company, including Redeemable Capital Stock; and
- (h) Indebtedness of the Company which, when incurred and without regard to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to the Company.

“Significant Subsidiary” means any Subsidiary that would be, as of the date of the applicable action set forth in this Note, a “significant subsidiary” of the Company within the meaning of Rule 1-02(w) of Regulation S-X promulgated by the SEC.

“Stated Maturity”, when used with respect to any Note, means the date specified in such Note as the fixed date on which the principal of such Note is due and payable.

“Subsidiary” means, with respect to any Person, (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership in which such Person or a Subsidiary of such Person holds a majority interest in the equity capital or profits of such partnership, or (iii) any other entity (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such entity.

“Trading Day” means a day during which trading in securities generally occurs on the Nasdaq National Market or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System, or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (its “possessions” including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

**Exhibit C (5 of 15)**

**Form of Convertible Note**

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF GNCC CAPITAL, INC. (THE "COMPANY") THAT THIS NOTE MAY NOT BE RESOLD, PLEDGED OR OTHERWISE, OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) TO AN INSTITUTIONAL ACCREDITED INVESTOR" AS DEFINED IN RULE 501 (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE AGENT), (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES PRIOR TO A TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (6) ABOVE), THE HOLDER OF THIS NOTE MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AND THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AND LEGAL OPINIONS AS THEY MAY REASONABLY REQUIRE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS NOTE OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE EXCEPT AS PERMITTED BY THE SECURITIES ACT.

**GNCC CAPITAL, INC.**

**5% Convertible Notes due 2011**

Issue Date: SEPTEMBER 2, 2010

GNCC CAPITAL, INC., a Delaware Corporation promises to pay to HIGHWAVE MANAGEMENT CORP. or its registered assigns, the principal sum of US\$264,032 (two hundred and sixty four thousand and thirty two dollars) on September 2, 2011.

This Note shall bear interest as specified in paragraph 1 of this Note. This Note is convertible into shares of common stock as specified in paragraph 7 of this Note at the Conversion Rate.

Additional provisions of this Note are set forth on the following pages of this Note.

**Dated: SEPTEMBER 2, 2010**

**GNCC CAPITAL, INC.**

**By**



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**Name: RONALD Y LOWENTHAL**  
**Title: PRESIDENT**

Capitalized terms used herein but not defined shall have the meanings assigned to them in Exhibit D attached hereto and incorporated by reference herein unless otherwise indicated.

1. Cash Interest.

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an “Interest Payment Date”), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a “Regular Record Date”), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

2. Method of Payment.

The Company will make payments in respect of the principal of, and cash interest on this Note and in respect of Redemption Prices, if any, to Holders who surrender Notes to a Paying Agent to collect such payments in respect of the Notes. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check or wire transfer payable in such money. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day.

3. Paying Agent, Conversion Agent and Registrar.

Initially, the Agent will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar without notice, other than notice to the Agent, which shall initially be an office or agency of the Agent. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

4. The Notes

The Notes are general unsecured subordinated obligations of the Company limited to US\$2,000,000 (Seven million one hundred and eighty four thousand dollars) aggregate principal amount plus any additional accrued interest on these Notes. The Company may incur other Indebtedness, secured or unsecured.

## 5. Optional Redemption.

This Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

## 6. Conversion.

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to US\$1,000 or any integral multiple of US\$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by US\$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

## 7. Adjustment of Conversion Rate

The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

- (a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction:
  - (1) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the total number of shares constituting such dividend or other distribution, and
  - (2) The denominator of which shall be the sum of such number of shares.

Such increase shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this paragraph 7(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock (commonly referred to as a “forward split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock (commonly referred to as a “reverse split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be reduced, in each such case, by multiplying such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination. Such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

- (c) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period of not more than 60 days) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a Conversion Price per share) less than the Current Market Price on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect at the opening of business on the date after such Record Date by a fraction:
- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible), and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate Conversion Price of the convertible securities so offered) would purchase at such Current Market Price.

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors.

- (d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which paragraph 7(a) applies) or evidences of its indebtedness or other assets, including securities, but excluding (1) any rights or warrants referred to in paragraph 7(c) and (3) dividends and distributions paid exclusively in cash referred to in paragraph 7(e) (the securities described in foregoing clauses (1) and (2) hereinafter in this paragraph 7(d) called the “excluded securities”), then, in each such case, subject to the second succeeding paragraph of this paragraph 7(d), the Conversion Rate shall be adjusted so that the same shall be equal to the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction:
- (1) The numerator of which shall be such Current Market Price, and
  - (2) The denominator of which shall be the Current Market Price on such date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) on

Such date of the portion of the securities or other assets so distributed (other than excluded securities) applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date).

Such increase shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the securities so distributed (other than excluded securities) applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of securities so distributed (other than excluded securities) such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph 7(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution (other than excluded securities), it must in doing so consider the prices in such market over the same period (the “Reference Period”) used in computing the Current Market Price pursuant to paragraph 7(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interests of the Holder.

For purposes of this paragraph 7(d) and paragraphs 7(a), 7(b) and 7(c), any dividend or distribution to which this paragraph 7(d) is applicable that also includes shares of Common Stock, a subdivision or combination of Common Stock to which paragraph 7(b) applies, or rights or warrants to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) to which paragraph 7(c) applies (or any combination thereof), shall be deemed instead to be:

- (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which paragraphs 7(a), 7(b) and 7(c) apply, respectively (and any Conversion Rate increase required by this paragraph 7(d) with respect to such dividend or distribution shall then be made), immediately followed by
- (2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by paragraphs 7(a), 7(b) and 7(c) with respect to such dividend or distribution shall then be made), except:
  - (A) the Record Date of such dividend or distribution shall be substituted as (x) “the date fixed for the determination of stockholders entitled to receive such dividend or other distribution”, “Record Date fixed for such determinations” and “Record Date” within the meaning of paragraph 7(a), (y) “the day upon which such subdivision becomes effective” and “the day upon which such combination becomes effective” within the meaning of paragraph 7(b), and (z) as “the date fixed for the determination of stockholders entitled to receive such rights or warrants”, “the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants” and such “Record Date” within the meaning of paragraph 7(c), and
  - (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business on the date fixed for such determination” within the meaning of paragraph 7(a) and any increase or reduction in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.
- (e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock, cash (excluding any cash that is distributed as part of a distribution referred to in paragraph 7(d) hereof), then and in each such case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:
  - (i) The numerator of which shall be equal to the Current Market Price on such Record Date, and

- (ii) the denominator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the aggregate amount of the cash distributed and (y) the number of shares of Common Stock outstanding on the Record Date.

In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (f) In case the Company or any of its Subsidiaries pays holders of the Common Stock in respect of a tender offer or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for shares of Common Stock to the extent that the cash and fair market value of any other consideration included in the payment per share of Common Stock exceeds the Sale Price per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”), then, and in each such case, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction:
  - (1) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time.

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this paragraph 7(f) to any tender offer or exchange offer would result in an increase in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this paragraph 7(f).

- (g) For purposes of this paragraph 7, the following terms shall have the meanings indicated:

“Current Market Price” shall mean the average of the daily Sale Prices per share of Common Stock for the 5 (Five) consecutive Trading Days ending not later than the earlier of the date immediately prior to the date in question and the day before the “ex” date with respect to the issuance, distribution, subdivision or combination requiring such computation. If another issuance, distribution, subdivision or combination to which paragraph 7 applies occurs during the period applicable for calculating “Current Market Price” pursuant to the preceding definition, then “Current Market Price” shall be appropriately adjusted to reflect the impact of such issuance, distribution, subdivision or combination on the Sale Price of the Common Stock during such period. For purposes of this paragraph, the term “ex” date, when used:

- (A) With respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such issuance or distribution;
- (B) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and
- (C) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this paragraph 7, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this paragraph 7 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

- (2) “Fair market value” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.
- (3) “Record Date” shall mean for purposes of this paragraph 7, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

- (h) The Company may make such increases in the Conversion Rate, in addition to those required by paragraph 7(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 (Twenty) days and the increase is irrevocable during the period and the Board of Directors determines in good faith that such increase would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Agent and each Holder at the address of such Holder as it appears in the Register a notice of the increase at least 15 (Fifteen) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

- (i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% (One percent) in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this paragraph 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In the event that, on the date that is five Business Days prior to the maturity of the Notes (whether at Stated Maturity or otherwise), an adjustment has been carried forward pursuant to the preceding sentence but has not yet been taken into account in an adjustment to the Conversion Rate and notwithstanding the first sentence of this paragraph (i), an adjustment to the Conversion Rate will be made on such date in accordance with the relevant paragraph of this paragraph 7. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. No adjustment in the Conversion Rate shall be required if the Holders participate in the transactions that would otherwise lead to an adjustment in the Conversion Rate pursuant to this paragraph 7.
- (j) In any case in which this paragraph 7 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction.

- (k) For purposes of this paragraph 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.
- (l) Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of paragraph 7(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Agent and any Conversion Agent other than the Agent an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail, or cause the Agent to mail, at the Company's expense, such notice to each Holder at the address of such Holder as it appears in the Register within 20 (twenty) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

8. Denominations; Assignment; Transfer; Exchange.

The Notes are in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and whole multiples of US\$1,000. The Registrar may require a Holder, in order to assign, transfer or exchange Notes, among other things, to furnish appropriate endorsements and assignment or transfer documents (in the form of Exhibit B or Exhibit C attached hereto, as applicable) and to pay any taxes and fees required by law. The Registrar need not transfer or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 (Fifteen) days before the mailing of a notice of redemption of Notes to be redeemed.

9. Persons Deemed Owners.

The registered Holder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money or Notes.

The Agent and the Paying Agent shall return to the Company upon written request any money, Notes or shares of Common Stock held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After such return to the Company, Holders entitled to the money or Notes must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

## 11. Amendment; Waiver.

Except as set forth below, (i) this Note may be amended with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. Without the consent of any Holder, the Company and the Agent may amend the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Holder. The foregoing notwithstanding, without the consent of the Holder of this Note, no amendment may be made reducing the principal or the Interest Rate of this Note or extending the Stated Maturity of this Note.

## 12. Defaults and Remedies.

Events of Default include (1) the Company fails to pay when due the principal of any of the Notes at Stated Maturity, upon redemption or otherwise; (2) the Company fails to pay an installment of interest on any of the Notes that continues for 30 (Thirty) days after the date when due; (3) the Company fails to deliver shares of Common Stock, together with cash in lieu of fractional shares, when such Common Stock or cash in lieu of fractional shares is required to be delivered upon conversion of a Note and such failure continues for 10 days after written notice of default is given to the Company by the Agent or to the Company and the Agent by the Holder of such Note; (4) the Company fails to perform or observe any other term, covenant or agreement contained in the Notes for a period of 60 (Sixty) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Agent or to the Company and the Agent by the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes then outstanding (a "Notice of Default"); (5) in the event of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary and (6) the Company's filing of, or any Significant Subsidiaries' filing of, a voluntary petition seeking liquidation, reorganization arrangement, readjustment of debts or for any other relief under the federal bankruptcy code. If an Event of Default (other than an Event of Default specified in clause (5) or (6) of this paragraph 12) occurs and is continuing, the Agent, or the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes at the time outstanding, may declare all the Notes to be due and payable immediately. An Event of Default under clause (5) or (6) of this paragraph 12 will result in the Notes becoming due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce this Note, except with the approval of Holders of a majority in aggregate principal amount of the Notes. The Agent may refuse to enforce the Notes unless it receives reasonable indemnity or security.

13. Subordination.

The payment of principal of and interest on the Notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents (or otherwise to the extent Holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents) of all Senior Indebtedness whether outstanding on the date of this Note or thereafter incurred.

14. Agent Dealings with the Company.

The Agent, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Agent.

15. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. GOVERNING LAW.

THIS NOTE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

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**Exhibit A**

**CONVERSION NOTICE**

To convert this Note into Common Stock of the Company, check the box:

To convert only part of this Note, state the principal amount to be converted (which must be US\$1,000 or an integral multiple of US\$1,000):

US\$\_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

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(Insert other person's social sec. or tax ID no.)

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(Print or type other person's name, address and zip code)

- If you want the stock certificate made out in another person's name, you are required to complete and deliver to the Conversion Agent a duly completed Transfer Certificate which is in the form of Exhibit B to this Note.

**EXHIBIT B**  
**ASSIGNMENT FORM**

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with the transfer of this Note, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of this Note presented or surrendered on the date hereof (the "Surrendered Note") for registration of transfer, or for exchange where the Notes issuable upon such transfer or exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Note for the reason checked below:

- A transfer of the Surrendered Note is made to the Company; or
- The transfer of the Surrendered Note complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Note is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Note is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, the Surrendered Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Notes registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit C**

**Transfer Certificate**

In connection with any transfer (or exchange or conversion as provided below) of any of the Notes, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of the above-captioned Notes presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange or conversion where the Notes or Common Stock issuable upon such exchange or conversion, as the case may be, are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Notes for the reason checked below:

- A transfer of the Surrendered Notes is made to the Company or any Subsidiaries; or
- The transfer of the Surrendered Notes complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Notes is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Notes is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Notes are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

## **Exhibit D**

### **Definitions**

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means the Company until a successor replaces it as agent with respect to the Notes and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of such board.

“Board Resolution” means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Agent.

“Business Day” means each day of the year other than a Saturday or a Sunday on which banking institutions are not required or authorized to close in The City of New York.

“Capital Stock” of any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock or other equity issued by that corporation.

“Common Stock” means the Common Stock, par value US\$0.00001 per share, of the Company as it exists on the date of this Note. Shares issuable on conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“Common stock” means any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer.

“Company” means the party named as the “Company” in the first paragraph of this Note until a successor replaces it pursuant to the applicable provisions of this Note, and, thereafter,

“Company” shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Conversion Agent” means any person authorized by the Company to convert Notes in accordance with Article 10 hereof. On the date of this Note, the Company hereby appoints the Agent as the Conversion Agent.

“Conversion Price” means US\$1,000 divided by the applicable Conversion Rate.

“Conversion Value” for the Notes is equal to the product of (i) the Sale Price per share of the Common Stock on a given day and (ii) the then current Conversion Rate.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Dollar” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Holder” means a person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means, with respect to any person, without duplication:

- (1) all obligations and other liabilities, contingent or otherwise, of such person for borrowed money (including overdrafts) to the extent such obligations and other liabilities would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;
- (2) all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments to the extent such obligations would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP;
- (3) indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

- (4) All obligations and liabilities, contingent or otherwise, in respect of leases of the person required, in conformity with GAAP, to be accounted for as capitalized lease obligations on the consolidated balance sheet of the person;
- (5) all net obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreements, hedge agreements, forward contracts or similar instruments or agreements or foreign currency, hedge, exchange or purchase or similar instruments or agreements;
- (6) all indebtedness referred to in (but not excluded from) the preceding clauses (1) through (5) of other persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on or with respect to property (including, without limitation, accounts and contract rights) owned by the referent person, even though such person has not assumed or become liable for the payment of such indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);
- (7) All guarantees by such person of indebtedness referred to in this definition or of any other person;
- (8) All Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed purchase price plus accrued and unpaid dividends;
- (9) the present value of the obligation of such person as lessee for net rental payments (excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments) during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; and
- (10) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (9) above.

“Interest Payment Date” means the date specified in the Notes as the fixed date on which an installment of interest on the Notes is due and payable.

“Interest Rate” means 5% (Five percent) per annum.

“Issue Date” of any Note means the date on which the Note was originally issued or deemed issued as set forth on the face of the Note.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

“Notes” mean the Company’s convertible Notes due May 3, 2011.

“Officer” means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

“Officers’ Certificate” means a written certificate signed in the name of the Company by any one Officer, and delivered to the Agent

“person” or “Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof, including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business.

“Principal” of a Note means the principal amount due on the Stated Maturity as set forth on the face of the Note.

“Redeemable Capital Stock” means any class of the Company’s Capital Stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed (whether by sinking fund or otherwise) prior to the date that is 91 days after the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such date. Securities at any time prior to such date (unless it is convertible or exchangeable solely at the Company’s option).

“Redemption Date” or “redemption date” means the date specified for redemption of the Notes in accordance with the terms of this Note.

“Redemption Price” or “redemption price” shall have the meaning set forth in paragraph 5 of this Note.

“Regular Record Date” means, with respect to the interest payable on any Interest Payment Date, the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“Rule 144” means Rule 144 under the Securities Act (or any successor provision), as it may be amended from time to time.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Sale Price” as of any date means the closing per share sale price (or if no closing sale price is reported, the average bid price and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date on the Nasdaq National Market or such other principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, the Company will determine the sale price on the basis of such quotations as the Company considers appropriate.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933 (or any successor statute), as amended from time to time.

“Senior Indebtedness” means any Indebtedness of the Company, unless by the terms of the instrument creating or evidencing such Indebtedness, such Indebtedness is expressly designated equal or junior in right of payment to the Notes.

Notwithstanding the foregoing, “Senior Indebtedness” shall not include:

- (a) Indebtedness evidenced by the Notes;
- (b) Indebtedness of the Company that by operation of law is subordinate to any general unsecured obligations of the Company;
- (c) any liability for federal, state or local taxes or other taxes, owed by the Company.
- (d) accounts payable or other liabilities owed or owing by the Company to trade creditors (including guarantees thereof or instruments evidencing such liabilities);
- (e) amounts owed by the Company for compensation to employees or for services rendered to the Company;
- (f) Indebtedness of the Company to any Subsidiary or any other Affiliate of the Company or any of such Affiliate’s Subsidiaries;

- (g) Capital Stock of the Company, including Redeemable Capital Stock; and
- (h) Indebtedness of the Company which, when incurred and without regard to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to the Company.

“Significant Subsidiary” means any Subsidiary that would be, as of the date of the applicable action set forth in this Note, a “significant subsidiary” of the Company within the meaning of Rule 1-02(w) of Regulation S-X promulgated by the SEC.

“Stated Maturity”, when used with respect to any Note, means the date specified in such Note as the fixed date on which the principal of such Note is due and payable.

“Subsidiary” means, with respect to any Person, (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership in which such Person or a Subsidiary of such Person holds a majority interest in the equity capital or profits of such partnership, or (iii) any other entity (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such entity.

“Trading Day” means a day during which trading in securities generally occurs on the Nasdaq National Market or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System, or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (its “possessions” including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

**Exhibit C (6 of 15)**

**Form of Convertible Note**

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF GNCC CAPITAL, INC. (THE "COMPANY") THAT THIS NOTE MAY NOT BE RESOLD, PLEDGED OR OTHERWISE, OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) TO AN INSTITUTIONAL ACCREDITED INVESTOR" AS DEFINED IN RULE 501 (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE AGENT), (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES PRIOR TO A TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (6) ABOVE), THE HOLDER OF THIS NOTE MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AND THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AND LEGAL OPINIONS AS THEY MAY REASONABLY REQUIRE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS NOTE OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE EXCEPT AS PERMITTED BY THE SECURITIES ACT.

**GNCC CAPITAL, INC.**

**5% Convertible Notes due 2011**

Issue Date: SEPTEMBER 2, 2010

GNCC CAPITAL, INC., a Delaware Corporation promises to pay to STREETSIDE HOLDINGS AG or its registered assigns, the principal sum of US\$297,036 (Two hundred and ninety seven thousand and thirty six dollars) on September 2, 2011.

This Note shall bear interest as specified in paragraph 1 of this Note. This Note is convertible into shares of common stock as specified in paragraph 7 of this Note at the Conversion Rate.

Additional provisions of this Note are set forth on the following pages of this Note.

**Dated: SEPTEMBER 2, 2010**

**GNCC CAPITAL, INC.**

**By**



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**Name: RONALD Y LOWENTHAL**  
**Title: PRESIDENT**

Capitalized terms used herein but not defined shall have the meanings assigned to them in Exhibit D attached hereto and incorporated by reference herein unless otherwise indicated.

1. Cash Interest.

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an "Interest Payment Date"), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a "Regular Record Date"), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

2. Method of Payment.

The Company will make payments in respect of the principal of, and cash interest on this Note and in respect of Redemption Prices, if any, to Holders who surrender Notes to a Paying Agent to collect such payments in respect of the Notes. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check or wire transfer payable in such money. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day.

3. Paying Agent, Conversion Agent and Registrar.

Initially, the Agent will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar without notice, other than notice to the Agent, which shall initially be an office or agency of the Agent. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

4. The Notes

The Notes are general unsecured subordinated obligations of the Company limited to US\$2,000,000 (Seven million one hundred and eighty four thousand dollars) aggregate principal amount plus any additional accrued interest on these Notes. The Company may incur other Indebtedness, secured or unsecured.

## 5. Optional Redemption.

This Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

## 6. Conversion.

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to US\$1,000 or any integral multiple of US\$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by US\$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

## 7. Adjustment of Conversion Rate

The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

- (a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction:
  - (1) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the total number of shares constituting such dividend or other distribution, and
  - (2) The denominator of which shall be the sum of such number of shares.

Such increase shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this paragraph 7(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock (commonly referred to as a “forward split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock (commonly referred to as a “reverse split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be reduced, in each such case, by multiplying such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination. Such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

- (c) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period of not more than 60 days) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a Conversion Price per share) less than the Current Market Price on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect at the opening of business on the date after such Record Date by a fraction:
- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible), and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate Conversion Price of the convertible securities so offered) would purchase at such Current Market Price.

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors.

- (d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which paragraph 7(a) applies) or evidences of its indebtedness or other assets, including securities, but excluding (1) any rights or warrants referred to in paragraph 7(c) and (3) dividends and distributions paid exclusively in cash referred to in paragraph 7(e) (the securities described in foregoing clauses (1) and (2) hereinafter in this paragraph 7(d) called the “excluded securities”), then, in each such case, subject to the second succeeding paragraph of this paragraph 7(d), the Conversion Rate shall be adjusted so that the same shall be equal to the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction:
- (1) The numerator of which shall be such Current Market Price, and
  - (2) The denominator of which shall be the Current Market Price on such date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) on

Such date of the portion of the securities or other assets so distributed (other than excluded securities) applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date).

Such increase shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the securities so distributed (other than excluded securities) applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of securities so distributed (other than excluded securities) such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph 7(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution (other than excluded securities), it must in doing so consider the prices in such market over the same period (the “Reference Period”) used in computing the Current Market Price pursuant to paragraph 7(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interests of the Holder.

For purposes of this paragraph 7(d) and paragraphs 7(a), 7(b) and 7(c), any dividend or distribution to which this paragraph 7(d) is applicable that also includes shares of Common Stock, a subdivision or combination of Common Stock to which paragraph 7(b) applies, or rights or warrants to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) to which paragraph 7(c) applies (or any combination thereof), shall be deemed instead to be:

- (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which paragraphs 7(a), 7(b) and 7(c) apply, respectively (and any Conversion Rate increase required by this paragraph 7(d) with respect to such dividend or distribution shall then be made), immediately followed by
- (2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by paragraphs 7(a), 7(b) and 7(c) with respect to such dividend or distribution shall then be made), except:
  - (A) the Record Date of such dividend or distribution shall be substituted as (x) “the date fixed for the determination of stockholders entitled to receive such dividend or other distribution”, “Record Date fixed for such determinations” and “Record Date” within the meaning of paragraph 7(a), (y) “the day upon which such subdivision becomes effective” and “the day upon which such combination becomes effective” within the meaning of paragraph 7(b), and (z) as “the date fixed for the determination of stockholders entitled to receive such rights or warrants”, “the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants” and such “Record Date” within the meaning of paragraph 7(c), and
  - (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business on the date fixed for such determination” within the meaning of paragraph 7(a) and any increase or reduction in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.
- (e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock, cash (excluding any cash that is distributed as part of a distribution referred to in paragraph 7(d) hereof), then and in each such case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:
  - (i) The numerator of which shall be equal to the Current Market Price on such Record Date, and

- (ii) the denominator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the aggregate amount of the cash distributed and (y) the number of shares of Common Stock outstanding on the Record Date.

In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (f) In case the Company or any of its Subsidiaries pays holders of the Common Stock in respect of a tender offer or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for shares of Common Stock to the extent that the cash and fair market value of any other consideration included in the payment per share of Common Stock exceeds the Sale Price per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”), then, and in each such case, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction:

- (1) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and
- (2) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time.

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this paragraph 7(f) to any tender offer or exchange offer would result in an increase in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this paragraph 7(f).

- (g) For purposes of this paragraph 7, the following terms shall have the meanings indicated:

“Current Market Price” shall mean the average of the daily Sale Prices per share of Common Stock for the 5 (Five) consecutive Trading Days ending not later than the earlier of the date immediately prior to the date in question and the day before the “ex” date with respect to the issuance, distribution, subdivision or combination requiring such computation. If another issuance, distribution, subdivision or combination to which paragraph 7 applies occurs during the period applicable for calculating “Current Market Price” pursuant to the preceding definition, then “Current Market Price” shall be appropriately adjusted to reflect the impact of such issuance, distribution, subdivision or combination on the Sale Price of the Common Stock during such period. For purposes of this paragraph, the term “ex” date, when used:

- (A) With respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such issuance or distribution;
- (B) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and
- (C) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this paragraph 7, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this paragraph 7 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

- (2) “Fair market value” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.
- (3) “Record Date” shall mean for purposes of this paragraph 7, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

- (h) The Company may make such increases in the Conversion Rate, in addition to those required by paragraph 7(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 (Twenty) days and the increase is irrevocable during the period and the Board of Directors determines in good faith that such increase would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Agent and each Holder at the address of such Holder as it appears in the Register a notice of the increase at least 15 (Fifteen) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

- (i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% (One percent) in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this paragraph 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In the event that, on the date that is five Business Days prior to the maturity of the Notes (whether at Stated Maturity or otherwise), an adjustment has been carried forward pursuant to the preceding sentence but has not yet been taken into account in an adjustment to the Conversion Rate and notwithstanding the first sentence of this paragraph (i), an adjustment to the Conversion Rate will be made on such date in accordance with the relevant paragraph of this paragraph 7. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. No adjustment in the Conversion Rate shall be required if the Holders participate in the transactions that would otherwise lead to an adjustment in the Conversion Rate pursuant to this paragraph 7.
- (j) In any case in which this paragraph 7 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction.

- (k) For purposes of this paragraph 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.
- (l) Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of paragraph 7(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Agent and any Conversion Agent other than the Agent an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail, or cause the Agent to mail, at the Company's expense, such notice to each Holder at the address of such Holder as it appears in the Register within 20 (twenty) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

8. Denominations; Assignment; Transfer; Exchange.

The Notes are in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and whole multiples of US\$1,000. The Registrar may require a Holder, in order to assign, transfer or exchange Notes, among other things, to furnish appropriate endorsements and assignment or transfer documents (in the form of Exhibit B or Exhibit C attached hereto, as applicable) and to pay any taxes and fees required by law. The Registrar need not transfer or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 (Fifteen) days before the mailing of a notice of redemption of Notes to be redeemed.

9. Persons Deemed Owners.

The registered Holder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money or Notes.

The Agent and the Paying Agent shall return to the Company upon written request any money, Notes or shares of Common Stock held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After such return to the Company, Holders entitled to the money or Notes must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

## 11. Amendment; Waiver.

Except as set forth below, (i) this Note may be amended with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. Without the consent of any Holder, the Company and the Agent may amend the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Holder. The foregoing notwithstanding, without the consent of the Holder of this Note, no amendment may be made reducing the principal or the Interest Rate of this Note or extending the Stated Maturity of this Note.

## 12. Defaults and Remedies.

Events of Default include (1) the Company fails to pay when due the principal of any of the Notes at Stated Maturity, upon redemption or otherwise; (2) the Company fails to pay an installment of interest on any of the Notes that continues for 30 (Thirty) days after the date when due; (3) the Company fails to deliver shares of Common Stock, together with cash in lieu of fractional shares, when such Common Stock or cash in lieu of fractional shares is required to be delivered upon conversion of a Note and such failure continues for 10 days after written notice of default is given to the Company by the Agent or to the Company and the Agent by the Holder of such Note; (4) the Company fails to perform or observe any other term, covenant or agreement contained in the Notes for a period of 60 (Sixty) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Agent or to the Company and the Agent by the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes then outstanding (a "Notice of Default"); (5) in the event of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary and (6) the Company's filing of, or any Significant Subsidiaries' filing of, a voluntary petition seeking liquidation, reorganization arrangement, readjustment of debts or for any other relief under the federal bankruptcy code. If an Event of Default (other than an Event of Default specified in clause (5) or (6) of this paragraph 12) occurs and is continuing, the Agent, or the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes at the time outstanding, may declare all the Notes to be due and payable immediately. An Event of Default under clause (5) or (6) of this paragraph 12 will result in the Notes becoming due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce this Note, except with the approval of Holders of a majority in aggregate principal amount of the Notes. The Agent may refuse to enforce the Notes unless it receives reasonable indemnity or security.

13. Subordination.

The payment of principal of and interest on the Notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents (or otherwise to the extent Holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents) of all Senior Indebtedness whether outstanding on the date of this Note or thereafter incurred.

14. Agent Dealings with the Company.

The Agent, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Agent.

15. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. GOVERNING LAW.

THIS NOTE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

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**Exhibit A**

**CONVERSION NOTICE**

To convert this Note into Common Stock of the Company, check the box:

To convert only part of this Note, state the principal amount to be converted (which must be US\$1,000 or an integral multiple of US\$1,000):

US\$\_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

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(Insert other person's social sec. or tax ID no.)

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(Print or type other person's name, address and zip code)

- If you want the stock certificate made out in another person's name, you are required to complete and deliver to the Conversion Agent a duly completed Transfer Certificate which is in the form of Exhibit B to this Note.

**EXHIBIT B**  
**ASSIGNMENT FORM**

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with the transfer of this Note, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of this Note presented or surrendered on the date hereof (the "Surrendered Note") for registration of transfer, or for exchange where the Notes issuable upon such transfer or exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Note for the reason checked below:

- A transfer of the Surrendered Note is made to the Company; or
- The transfer of the Surrendered Note complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Note is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Note is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, the Surrendered Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Notes registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit C**

**Transfer Certificate**

In connection with any transfer (or exchange or conversion as provided below) of any of the Notes, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of the above-captioned Notes presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange or conversion where the Notes or Common Stock issuable upon such exchange or conversion, as the case may be, are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Notes for the reason checked below:

- A transfer of the Surrendered Notes is made to the Company or any Subsidiaries; or
- The transfer of the Surrendered Notes complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Notes is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Notes is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Notes are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

## **Exhibit D**

### **Definitions**

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means the Company until a successor replaces it as agent with respect to the Notes and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of such board.

“Board Resolution” means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Agent.

“Business Day” means each day of the year other than a Saturday or a Sunday on which banking institutions are not required or authorized to close in The City of New York.

“Capital Stock” of any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock or other equity issued by that corporation.

“Common Stock” means the Common Stock, par value US\$0.00001 per share, of the Company as it exists on the date of this Note. Shares issuable on conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“Common stock” means any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer.

“Company” means the party named as the “Company” in the first paragraph of this Note until a successor replaces it pursuant to the applicable provisions of this Note, and, thereafter,

“Company” shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Conversion Agent” means any person authorized by the Company to convert Notes in accordance with Article 10 hereof. On the date of this Note, the Company hereby appoints the Agent as the Conversion Agent.

“Conversion Price” means US\$1,000 divided by the applicable Conversion Rate.

“Conversion Value” for the Notes is equal to the product of (i) the Sale Price per share of the Common Stock on a given day and (ii) the then current Conversion Rate.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Dollar” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Holder” means a person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means, with respect to any person, without duplication:

- (1) all obligations and other liabilities, contingent or otherwise, of such person for borrowed money (including overdrafts) to the extent such obligations and other liabilities would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;
- (2) all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments to the extent such obligations would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP;
- (3) indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

- (4) All obligations and liabilities, contingent or otherwise, in respect of leases of the person required, in conformity with GAAP, to be accounted for as capitalized lease obligations on the consolidated balance sheet of the person;
- (5) all net obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreements, hedge agreements, forward contracts or similar instruments or agreements or foreign currency, hedge, exchange or purchase or similar instruments or agreements;
- (6) all indebtedness referred to in (but not excluded from) the preceding clauses (1) through (5) of other persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on or with respect to property (including, without limitation, accounts and contract rights) owned by the referent person, even though such person has not assumed or become liable for the payment of such indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);
- (7) All guarantees by such person of indebtedness referred to in this definition or of any other person;
- (8) All Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed purchase price plus accrued and unpaid dividends;
- (9) the present value of the obligation of such person as lessee for net rental payments (excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments) during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; and
- (10) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (9) above.

“Interest Payment Date” means the date specified in the Notes as the fixed date on which an installment of interest on the Notes is due and payable.

“Interest Rate” means 5% (Five percent) per annum.

“Issue Date” of any Note means the date on which the Note was originally issued or deemed issued as set forth on the face of the Note.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

“Notes” mean the Company’s convertible Notes due May 3, 2011.

“Officer” means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

“Officers’ Certificate” means a written certificate signed in the name of the Company by any one Officer, and delivered to the Agent

“person” or “Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof, including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business.

“Principal” of a Note means the principal amount due on the Stated Maturity as set forth on the face of the Note.

“Redeemable Capital Stock” means any class of the Company’s Capital Stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed (whether by sinking fund or otherwise) prior to the date that is 91 days after the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such date. Securities at any time prior to such date (unless it is convertible or exchangeable solely at the Company’s option).

“Redemption Date” or “redemption date” means the date specified for redemption of the Notes in accordance with the terms of this Note.

“Redemption Price” or “redemption price” shall have the meaning set forth in paragraph 5 of this Note.

“Regular Record Date” means, with respect to the interest payable on any Interest Payment Date, the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“Rule 144” means Rule 144 under the Securities Act (or any successor provision), as it may be amended from time to time.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Sale Price” as of any date means the closing per share sale price (or if no closing sale price is reported, the average bid price and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date on the Nasdaq National Market or such other principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, the Company will determine the sale price on the basis of such quotations as the Company considers appropriate.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933 (or any successor statute), as amended from time to time.

“Senior Indebtedness” means any Indebtedness of the Company, unless by the terms of the instrument creating or evidencing such Indebtedness, such Indebtedness is expressly designated equal or junior in right of payment to the Notes.

Notwithstanding the foregoing, “Senior Indebtedness” shall not include:

- (a) Indebtedness evidenced by the Notes;
- (b) Indebtedness of the Company that by operation of law is subordinate to any general unsecured obligations of the Company;
- (c) any liability for federal, state or local taxes or other taxes, owed by the Company.
- (d) accounts payable or other liabilities owed or owing by the Company to trade creditors (including guarantees thereof or instruments evidencing such liabilities);
- (e) amounts owed by the Company for compensation to employees or for services rendered to the Company;
- (f) Indebtedness of the Company to any Subsidiary or any other Affiliate of the Company or any of such Affiliate’s Subsidiaries;

- (g) Capital Stock of the Company, including Redeemable Capital Stock; and
- (h) Indebtedness of the Company which, when incurred and without regard to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to the Company.

“Significant Subsidiary” means any Subsidiary that would be, as of the date of the applicable action set forth in this Note, a “significant subsidiary” of the Company within the meaning of Rule 1-02(w) of Regulation S-X promulgated by the SEC.

“Stated Maturity”, when used with respect to any Note, means the date specified in such Note as the fixed date on which the principal of such Note is due and payable.

“Subsidiary” means, with respect to any Person, (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership in which such Person or a Subsidiary of such Person holds a majority interest in the equity capital or profits of such partnership, or (iii) any other entity (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such entity.

“Trading Day” means a day during which trading in securities generally occurs on the Nasdaq National Market or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System, or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (its “possessions” including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

**Exhibit C (7 of 15)**

**Form of Convertible Note**

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF GNCC CAPITAL, INC. (THE "COMPANY") THAT THIS NOTE MAY NOT BE RESOLD, PLEDGED OR OTHERWISE, OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) TO AN INSTITUTIONAL ACCREDITED INVESTOR" AS DEFINED IN RULE 501 (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE AGENT), (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES PRIOR TO A TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (6) ABOVE), THE HOLDER OF THIS NOTE MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AND THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AND LEGAL OPINIONS AS THEY MAY REASONABLY REQUIRE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS NOTE OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE EXCEPT AS PERMITTED BY THE SECURITIES ACT.

**GNCC CAPITAL, INC.**

**5% Convertible Notes due 2011**

Issue Date: SEPTEMBER 2, 2010

GNCC CAPITAL, INC., a Delaware Corporation promises to pay to ARTCO CAPITAL LTD or its registered assigns, the principal sum of US\$231,028 (Two hundred and thirty one thousand and twenty eight dollars) on September 2, 2011.

This Note shall bear interest as specified in paragraph 1 of this Note. This Note is convertible into shares of common stock as specified in paragraph 7 of this Note at the Conversion Rate.

Additional provisions of this Note are set forth on the following pages of this Note.

**Dated: SEPTEMBER 2, 2010**

**GNCC CAPITAL, INC.**

**By**



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**Name: RONALD Y LOWENTHAL**  
**Title: PRESIDENT**

Capitalized terms used herein but not defined shall have the meanings assigned to them in Exhibit D attached hereto and incorporated by reference herein unless otherwise indicated.

1. Cash Interest.

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an "Interest Payment Date"), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a "Regular Record Date"), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

2. Method of Payment.

The Company will make payments in respect of the principal of, and cash interest on this Note and in respect of Redemption Prices, if any, to Holders who surrender Notes to a Paying Agent to collect such payments in respect of the Notes. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check or wire transfer payable in such money. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day.

3. Paying Agent, Conversion Agent and Registrar.

Initially, the Agent will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar without notice, other than notice to the Agent, which shall initially be an office or agency of the Agent. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

4. The Notes

The Notes are general unsecured subordinated obligations of the Company limited to US\$2,000,000 (Seven million one hundred and eighty four thousand dollars) aggregate principal amount plus any additional accrued interest on these Notes. The Company may incur other Indebtedness, secured or unsecured.

## 5. Optional Redemption.

This Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

## 6. Conversion.

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to US\$1,000 or any integral multiple of US\$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by US\$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

## 7. Adjustment of Conversion Rate

The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

- (a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction:
  - (1) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the total number of shares constituting such dividend or other distribution, and
  - (2) The denominator of which shall be the sum of such number of shares.

Such increase shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this paragraph 7(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock (commonly referred to as a “forward split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock (commonly referred to as a “reverse split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be reduced, in each such case, by multiplying such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination. Such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

- (c) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period of not more than 60 days) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a Conversion Price per share) less than the Current Market Price on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect at the opening of business on the date after such Record Date by a fraction:
- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible), and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate Conversion Price of the convertible securities so offered) would purchase at such Current Market Price.

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors.

- (d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which paragraph 7(a) applies) or evidences of its indebtedness or other assets, including securities, but excluding (1) any rights or warrants referred to in paragraph 7(c) and (3) dividends and distributions paid exclusively in cash referred to in paragraph 7(e) (the securities described in foregoing clauses (1) and (2) hereinafter in this paragraph 7(d) called the “excluded securities”), then, in each such case, subject to the second succeeding paragraph of this paragraph 7(d), the Conversion Rate shall be adjusted so that the same shall be equal to the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction:
- (1) The numerator of which shall be such Current Market Price, and
  - (2) The denominator of which shall be the Current Market Price on such date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) on

Such date of the portion of the securities or other assets so distributed (other than excluded securities) applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date).

Such increase shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the securities so distributed (other than excluded securities) applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of securities so distributed (other than excluded securities) such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph 7(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution (other than excluded securities), it must in doing so consider the prices in such market over the same period (the “Reference Period”) used in computing the Current Market Price pursuant to paragraph 7(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interests of the Holder.

For purposes of this paragraph 7(d) and paragraphs 7(a), 7(b) and 7(c), any dividend or distribution to which this paragraph 7(d) is applicable that also includes shares of Common Stock, a subdivision or combination of Common Stock to which paragraph 7(b) applies, or rights or warrants to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) to which paragraph 7(c) applies (or any combination thereof), shall be deemed instead to be:

- (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which paragraphs 7(a), 7(b) and 7(c) apply, respectively (and any Conversion Rate increase required by this paragraph 7(d) with respect to such dividend or distribution shall then be made), immediately followed by
- (2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by paragraphs 7(a), 7(b) and 7(c) with respect to such dividend or distribution shall then be made), except:
  - (A) the Record Date of such dividend or distribution shall be substituted as (x) “the date fixed for the determination of stockholders entitled to receive such dividend or other distribution”, “Record Date fixed for such determinations” and “Record Date” within the meaning of paragraph 7(a), (y) “the day upon which such subdivision becomes effective” and “the day upon which such combination becomes effective” within the meaning of paragraph 7(b), and (z) as “the date fixed for the determination of stockholders entitled to receive such rights or warrants”, “the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants” and such “Record Date” within the meaning of paragraph 7(c), and
  - (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business on the date fixed for such determination” within the meaning of paragraph 7(a) and any increase or reduction in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.
- (e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock, cash (excluding any cash that is distributed as part of a distribution referred to in paragraph 7(d) hereof), then and in each such case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:
  - (i) The numerator of which shall be equal to the Current Market Price on such Record Date, and

- (ii) the denominator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the aggregate amount of the cash distributed and (y) the number of shares of Common Stock outstanding on the Record Date.

In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (f) In case the Company or any of its Subsidiaries pays holders of the Common Stock in respect of a tender offer or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for shares of Common Stock to the extent that the cash and fair market value of any other consideration included in the payment per share of Common Stock exceeds the Sale Price per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”), then, and in each such case, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction:

- (1) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and
- (2) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time.

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this paragraph 7(f) to any tender offer or exchange offer would result in an increase in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this paragraph 7(f).

- (g) For purposes of this paragraph 7, the following terms shall have the meanings indicated:

“Current Market Price” shall mean the average of the daily Sale Prices per share of Common Stock for the 5 (Five) consecutive Trading Days ending not later than the earlier of the date immediately prior to the date in question and the day before the “ex” date with respect to the issuance, distribution, subdivision or combination requiring such computation. If another issuance, distribution, subdivision or combination to which paragraph 7 applies occurs during the period applicable for calculating “Current Market Price” pursuant to the preceding definition, then “Current Market Price” shall be appropriately adjusted to reflect the impact of such issuance, distribution, subdivision or combination on the Sale Price of the Common Stock during such period. For purposes of this paragraph, the term “ex” date, when used:

- (A) With respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such issuance or distribution;
- (B) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and
- (C) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this paragraph 7, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this paragraph 7 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

- (2) “Fair market value” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.
- (3) “Record Date” shall mean for purposes of this paragraph 7, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

- (h) The Company may make such increases in the Conversion Rate, in addition to those required by paragraph 7(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 (Twenty) days and the increase is irrevocable during the period and the Board of Directors determines in good faith that such increase would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Agent and each Holder at the address of such Holder as it appears in the Register a notice of the increase at least 15 (Fifteen) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

- (i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% (One percent) in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this paragraph 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In the event that, on the date that is five Business Days prior to the maturity of the Notes (whether at Stated Maturity or otherwise), an adjustment has been carried forward pursuant to the preceding sentence but has not yet been taken into account in an adjustment to the Conversion Rate and notwithstanding the first sentence of this paragraph (i), an adjustment to the Conversion Rate will be made on such date in accordance with the relevant paragraph of this paragraph 7. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. No adjustment in the Conversion Rate shall be required if the Holders participate in the transactions that would otherwise lead to an adjustment in the Conversion Rate pursuant to this paragraph 7.
- (j) In any case in which this paragraph 7 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction.

- (k) For purposes of this paragraph 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.
- (l) Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of paragraph 7(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Agent and any Conversion Agent other than the Agent an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail, or cause the Agent to mail, at the Company's expense, such notice to each Holder at the address of such Holder as it appears in the Register within 20 (twenty) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

8. Denominations; Assignment; Transfer; Exchange.

The Notes are in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and whole multiples of US\$1,000. The Registrar may require a Holder, in order to assign, transfer or exchange Notes, among other things, to furnish appropriate endorsements and assignment or transfer documents (in the form of Exhibit B or Exhibit C attached hereto, as applicable) and to pay any taxes and fees required by law. The Registrar need not transfer or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 (Fifteen) days before the mailing of a notice of redemption of Notes to be redeemed.

9. Persons Deemed Owners.

The registered Holder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money or Notes.

The Agent and the Paying Agent shall return to the Company upon written request any money, Notes or shares of Common Stock held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After such return to the Company, Holders entitled to the money or Notes must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

## 11. Amendment; Waiver.

Except as set forth below, (i) this Note may be amended with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. Without the consent of any Holder, the Company and the Agent may amend the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Holder. The foregoing notwithstanding, without the consent of the Holder of this Note, no amendment may be made reducing the principal or the Interest Rate of this Note or extending the Stated Maturity of this Note.

## 12. Defaults and Remedies.

Events of Default include (1) the Company fails to pay when due the principal of any of the Notes at Stated Maturity, upon redemption or otherwise; (2) the Company fails to pay an installment of interest on any of the Notes that continues for 30 (Thirty) days after the date when due; (3) the Company fails to deliver shares of Common Stock, together with cash in lieu of fractional shares, when such Common Stock or cash in lieu of fractional shares is required to be delivered upon conversion of a Note and such failure continues for 10 days after written notice of default is given to the Company by the Agent or to the Company and the Agent by the Holder of such Note; (4) the Company fails to perform or observe any other term, covenant or agreement contained in the Notes for a period of 60 (Sixty) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Agent or to the Company and the Agent by the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes then outstanding (a "Notice of Default"); (5) in the event of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary and (6) the Company's filing of, or any Significant Subsidiaries' filing of, a voluntary petition seeking liquidation, reorganization arrangement, readjustment of debts or for any other relief under the federal bankruptcy code. If an Event of Default (other than an Event of Default specified in clause (5) or (6) of this paragraph 12) occurs and is continuing, the Agent, or the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes at the time outstanding, may declare all the Notes to be due and payable immediately. An Event of Default under clause (5) or (6) of this paragraph 12 will result in the Notes becoming due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce this Note, except with the approval of Holders of a majority in aggregate principal amount of the Notes. The Agent may refuse to enforce the Notes unless it receives reasonable indemnity or security.

13. Subordination.

The payment of principal of and interest on the Notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents (or otherwise to the extent Holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents) of all Senior Indebtedness whether outstanding on the date of this Note or thereafter incurred.

14. Agent Dealings with the Company.

The Agent, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Agent.

15. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. GOVERNING LAW.

THIS NOTE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

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**Exhibit A**

**CONVERSION NOTICE**

To convert this Note into Common Stock of the Company, check the box:

To convert only part of this Note, state the principal amount to be converted (which must be US\$1,000 or an integral multiple of US\$1,000):

US\$\_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

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(Insert other person's social sec. or tax ID no.)

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(Print or type other person's name, address and zip code)

- If you want the stock certificate made out in another person's name, you are required to complete and deliver to the Conversion Agent a duly completed Transfer Certificate which is in the form of Exhibit B to this Note.

**EXHIBIT B**  
**ASSIGNMENT FORM**

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with the transfer of this Note, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of this Note presented or surrendered on the date hereof (the "Surrendered Note") for registration of transfer, or for exchange where the Notes issuable upon such transfer or exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Note for the reason checked below:

- A transfer of the Surrendered Note is made to the Company; or
- The transfer of the Surrendered Note complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Note is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Note is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, the Surrendered Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Notes registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit C**

**Transfer Certificate**

In connection with any transfer (or exchange or conversion as provided below) of any of the Notes, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of the above-captioned Notes presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange or conversion where the Notes or Common Stock issuable upon such exchange or conversion, as the case may be, are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Notes for the reason checked below:

- A transfer of the Surrendered Notes is made to the Company or any Subsidiaries; or
- The transfer of the Surrendered Notes complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Notes is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Notes is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Notes are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

## **Exhibit D**

### **Definitions**

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means the Company until a successor replaces it as agent with respect to the Notes and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of such board.

“Board Resolution” means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Agent.

“Business Day” means each day of the year other than a Saturday or a Sunday on which banking institutions are not required or authorized to close in The City of New York.

“Capital Stock” of any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock or other equity issued by that corporation.

“Common Stock” means the Common Stock, par value US\$0.00001 per share, of the Company as it exists on the date of this Note. Shares issuable on conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“Common stock” means any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer.

“Company” means the party named as the “Company” in the first paragraph of this Note until a successor replaces it pursuant to the applicable provisions of this Note, and, thereafter,

“Company” shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Conversion Agent” means any person authorized by the Company to convert Notes in accordance with Article 10 hereof. On the date of this Note, the Company hereby appoints the Agent as the Conversion Agent.

“Conversion Price” means US\$1,000 divided by the applicable Conversion Rate.

“Conversion Value” for the Notes is equal to the product of (i) the Sale Price per share of the Common Stock on a given day and (ii) the then current Conversion Rate.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Dollar” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Holder” means a person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means, with respect to any person, without duplication:

- (1) all obligations and other liabilities, contingent or otherwise, of such person for borrowed money (including overdrafts) to the extent such obligations and other liabilities would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;
- (2) all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments to the extent such obligations would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP;
- (3) indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

- (4) All obligations and liabilities, contingent or otherwise, in respect of leases of the person required, in conformity with GAAP, to be accounted for as capitalized lease obligations on the consolidated balance sheet of the person;
- (5) all net obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreements, hedge agreements, forward contracts or similar instruments or agreements or foreign currency, hedge, exchange or purchase or similar instruments or agreements;
- (6) all indebtedness referred to in (but not excluded from) the preceding clauses (1) through (5) of other persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on or with respect to property (including, without limitation, accounts and contract rights) owned by the referent person, even though such person has not assumed or become liable for the payment of such indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);
- (7) All guarantees by such person of indebtedness referred to in this definition or of any other person;
- (8) All Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed purchase price plus accrued and unpaid dividends;
- (9) the present value of the obligation of such person as lessee for net rental payments (excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments) during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; and
- (10) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (9) above.

“Interest Payment Date” means the date specified in the Notes as the fixed date on which an installment of interest on the Notes is due and payable.

“Interest Rate” means 5% (Five percent) per annum.

“Issue Date” of any Note means the date on which the Note was originally issued or deemed issued as set forth on the face of the Note.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

“Notes” mean the Company’s convertible Notes due May 3, 2011.

“Officer” means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

“Officers’ Certificate” means a written certificate signed in the name of the Company by any one Officer, and delivered to the Agent

“person” or “Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof, including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business.

“Principal” of a Note means the principal amount due on the Stated Maturity as set forth on the face of the Note.

“Redeemable Capital Stock” means any class of the Company’s Capital Stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed (whether by sinking fund or otherwise) prior to the date that is 91 days after the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such date. Securities at any time prior to such date (unless it is convertible or exchangeable solely at the Company’s option).

“Redemption Date” or “redemption date” means the date specified for redemption of the Notes in accordance with the terms of this Note.

“Redemption Price” or “redemption price” shall have the meaning set forth in paragraph 5 of this Note.

“Regular Record Date” means, with respect to the interest payable on any Interest Payment Date, the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“Rule 144” means Rule 144 under the Securities Act (or any successor provision), as it may be amended from time to time.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Sale Price” as of any date means the closing per share sale price (or if no closing sale price is reported, the average bid price and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date on the Nasdaq National Market or such other principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, the Company will determine the sale price on the basis of such quotations as the Company considers appropriate.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933 (or any successor statute), as amended from time to time.

“Senior Indebtedness” means any Indebtedness of the Company, unless by the terms of the instrument creating or evidencing such Indebtedness, such Indebtedness is expressly designated equal or junior in right of payment to the Notes.

Notwithstanding the foregoing, “Senior Indebtedness” shall not include:

- (a) Indebtedness evidenced by the Notes;
- (b) Indebtedness of the Company that by operation of law is subordinate to any general unsecured obligations of the Company;
- (c) any liability for federal, state or local taxes or other taxes, owed by the Company.
- (d) accounts payable or other liabilities owed or owing by the Company to trade creditors (including guarantees thereof or instruments evidencing such liabilities);
- (e) amounts owed by the Company for compensation to employees or for services rendered to the Company;
- (f) Indebtedness of the Company to any Subsidiary or any other Affiliate of the Company or any of such Affiliate’s Subsidiaries;

- (g) Capital Stock of the Company, including Redeemable Capital Stock; and
- (h) Indebtedness of the Company which, when incurred and without regard to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to the Company.

“Significant Subsidiary” means any Subsidiary that would be, as of the date of the applicable action set forth in this Note, a “significant subsidiary” of the Company within the meaning of Rule 1-02(w) of Regulation S-X promulgated by the SEC.

“Stated Maturity”, when used with respect to any Note, means the date specified in such Note as the fixed date on which the principal of such Note is due and payable.

“Subsidiary” means, with respect to any Person, (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership in which such Person or a Subsidiary of such Person holds a majority interest in the equity capital or profits of such partnership, or (iii) any other entity (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such entity.

“Trading Day” means a day during which trading in securities generally occurs on the Nasdaq National Market or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System, or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (its “possessions” including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

**Exhibit C (8 of 15)**

**Form of Convertible Note**

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF GNCC CAPITAL, INC. (THE "COMPANY") THAT THIS NOTE MAY NOT BE RESOLD, PLEDGED OR OTHERWISE, OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) TO AN INSTITUTIONAL ACCREDITED INVESTOR" AS DEFINED IN RULE 501 (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE AGENT), (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES PRIOR TO A TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (6) ABOVE), THE HOLDER OF THIS NOTE MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AND THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AND LEGAL OPINIONS AS THEY MAY REASONABLY REQUIRE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS NOTE OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE EXCEPT AS PERMITTED BY THE SECURITIES ACT.

**GNCC CAPITAL, INC.**

**5% Convertible Notes due 2011**

Issue Date: SEPTEMBER 2, 2010

GNCC CAPITAL, INC., a Delaware Corporation promises to pay to INSIGHT HOLDINGS, S.A. or its registered assigns, the principal sum of US\$297,036 (Two hundred and ninety seven thousand and thirty six dollars) on September 2, 2011.

This Note shall bear interest as specified in paragraph 1 of this Note. This Note is convertible into shares of common stock as specified in paragraph 7 of this Note at the Conversion Rate.

Additional provisions of this Note are set forth on the following pages of this Note.

**Dated: SEPTEMBER 2, 2010**

**GNCC CAPITAL, INC.**

**By**



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**Name: RONALD Y LOWENTHAL**  
**Title: PRESIDENT**

Capitalized terms used herein but not defined shall have the meanings assigned to them in Exhibit D attached hereto and incorporated by reference herein unless otherwise indicated.

1. Cash Interest.

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an “Interest Payment Date”), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a “Regular Record Date”), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

2. Method of Payment.

The Company will make payments in respect of the principal of, and cash interest on this Note and in respect of Redemption Prices, if any, to Holders who surrender Notes to a Paying Agent to collect such payments in respect of the Notes. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check or wire transfer payable in such money. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day.

3. Paying Agent, Conversion Agent and Registrar.

Initially, the Agent will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar without notice, other than notice to the Agent, which shall initially be an office or agency of the Agent. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

4. The Notes

The Notes are general unsecured subordinated obligations of the Company limited to US\$2,000,000 (Seven million one hundred and eighty four thousand dollars) aggregate principal amount plus any additional accrued interest on these Notes. The Company may incur other Indebtedness, secured or unsecured.

## 5. Optional Redemption.

This Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

## 6. Conversion.

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to US\$1,000 or any integral multiple of US\$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by US\$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

## 7. Adjustment of Conversion Rate

The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

- (a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction:
  - (1) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the total number of shares constituting such dividend or other distribution, and
  - (2) The denominator of which shall be the sum of such number of shares.

Such increase shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this paragraph 7(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock (commonly referred to as a “forward split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock (commonly referred to as a “reverse split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be reduced, in each such case, by multiplying such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination. Such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

- (c) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period of not more than 60 days) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a Conversion Price per share) less than the Current Market Price on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect at the opening of business on the date after such Record Date by a fraction:
- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible), and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate Conversion Price of the convertible securities so offered) would purchase at such Current Market Price.

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors.

- (d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which paragraph 7(a) applies) or evidences of its indebtedness or other assets, including securities, but excluding (1) any rights or warrants referred to in paragraph 7(c) and (3) dividends and distributions paid exclusively in cash referred to in paragraph 7(e) (the securities described in foregoing clauses (1) and (2) hereinafter in this paragraph 7(d) called the “excluded securities”), then, in each such case, subject to the second succeeding paragraph of this paragraph 7(d), the Conversion Rate shall be adjusted so that the same shall be equal to the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction:
- (1) The numerator of which shall be such Current Market Price, and
  - (2) The denominator of which shall be the Current Market Price on such date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) on

Such date of the portion of the securities or other assets so distributed (other than excluded securities) applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date).

Such increase shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the securities so distributed (other than excluded securities) applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of securities so distributed (other than excluded securities) such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph 7(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution (other than excluded securities), it must in doing so consider the prices in such market over the same period (the “Reference Period”) used in computing the Current Market Price pursuant to paragraph 7(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interests of the Holder.

For purposes of this paragraph 7(d) and paragraphs 7(a), 7(b) and 7(c), any dividend or distribution to which this paragraph 7(d) is applicable that also includes shares of Common Stock, a subdivision or combination of Common Stock to which paragraph 7(b) applies, or rights or warrants to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) to which paragraph 7(c) applies (or any combination thereof), shall be deemed instead to be:

- (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which paragraphs 7(a), 7(b) and 7(c) apply, respectively (and any Conversion Rate increase required by this paragraph 7(d) with respect to such dividend or distribution shall then be made), immediately followed by
- (2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by paragraphs 7(a), 7(b) and 7(c) with respect to such dividend or distribution shall then be made), except:
  - (A) the Record Date of such dividend or distribution shall be substituted as (x) “the date fixed for the determination of stockholders entitled to receive such dividend or other distribution”, “Record Date fixed for such determinations” and “Record Date” within the meaning of paragraph 7(a), (y) “the day upon which such subdivision becomes effective” and “the day upon which such combination becomes effective” within the meaning of paragraph 7(b), and (z) as “the date fixed for the determination of stockholders entitled to receive such rights or warrants”, “the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants” and such “Record Date” within the meaning of paragraph 7(c), and
  - (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business on the date fixed for such determination” within the meaning of paragraph 7(a) and any increase or reduction in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.
- (e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock, cash (excluding any cash that is distributed as part of a distribution referred to in paragraph 7(d) hereof), then and in each such case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:
  - (i) The numerator of which shall be equal to the Current Market Price on such Record Date, and

- (ii) the denominator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the aggregate amount of the cash distributed and (y) the number of shares of Common Stock outstanding on the Record Date.

In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (f) In case the Company or any of its Subsidiaries pays holders of the Common Stock in respect of a tender offer or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for shares of Common Stock to the extent that the cash and fair market value of any other consideration included in the payment per share of Common Stock exceeds the Sale Price per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”), then, and in each such case, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction:

- (1) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and
- (2) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time.

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this paragraph 7(f) to any tender offer or exchange offer would result in an increase in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this paragraph 7(f).

- (g) For purposes of this paragraph 7, the following terms shall have the meanings indicated:

“Current Market Price” shall mean the average of the daily Sale Prices per share of Common Stock for the 5 (Five) consecutive Trading Days ending not later than the earlier of the date immediately prior to the date in question and the day before the “ex” date with respect to the issuance, distribution, subdivision or combination requiring such computation. If another issuance, distribution, subdivision or combination to which paragraph 7 applies occurs during the period applicable for calculating “Current Market Price” pursuant to the preceding definition, then “Current Market Price” shall be appropriately adjusted to reflect the impact of such issuance, distribution, subdivision or combination on the Sale Price of the Common Stock during such period. For purposes of this paragraph, the term “ex” date, when used:

- (A) With respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such issuance or distribution;
- (B) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and
- (C) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this paragraph 7, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this paragraph 7 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

- (2) “Fair market value” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.
- (3) “Record Date” shall mean for purposes of this paragraph 7, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

- (h) The Company may make such increases in the Conversion Rate, in addition to those required by paragraph 7(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 (Twenty) days and the increase is irrevocable during the period and the Board of Directors determines in good faith that such increase would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Agent and each Holder at the address of such Holder as it appears in the Register a notice of the increase at least 15 (Fifteen) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

- (i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% (One percent) in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this paragraph 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In the event that, on the date that is five Business Days prior to the maturity of the Notes (whether at Stated Maturity or otherwise), an adjustment has been carried forward pursuant to the preceding sentence but has not yet been taken into account in an adjustment to the Conversion Rate and notwithstanding the first sentence of this paragraph (i), an adjustment to the Conversion Rate will be made on such date in accordance with the relevant paragraph of this paragraph 7. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. No adjustment in the Conversion Rate shall be required if the Holders participate in the transactions that would otherwise lead to an ~~混混椋X孰鯨奮H~~ ~~篋玄芒織抉獬金奮H混~~  
~~金擦擦奮H~~
- (j) In any case in which this paragraph 7 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction.

- (k) For purposes of this paragraph 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.
- (l) Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of paragraph 7(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Agent and any Conversion Agent other than the Agent an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail, or cause the Agent to mail, at the Company's expense, such notice to each Holder at the address of such Holder as it appears in the Register within 20 (twenty) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

8. Denominations; Assignment; Transfer; Exchange.

The Notes are in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and whole multiples of US\$1,000. The Registrar may require a Holder, in order to assign, transfer or exchange Notes, among other things, to furnish appropriate endorsements and assignment or transfer documents (in the form of Exhibit B or Exhibit C attached hereto, as applicable) and to pay any taxes and fees required by law. The Registrar need not transfer or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 (Fifteen) days before the mailing of a notice of redemption of Notes to be redeemed.

9. Persons Deemed Owners.

The registered Holder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money or Notes.

The Agent and the Paying Agent shall return to the Company upon written request any money, Notes or shares of Common Stock held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After such return to the Company, Holders entitled to the money or Notes must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

## 11. Amendment; Waiver.

Except as set forth below, (i) this Note may be amended with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. Without the consent of any Holder, the Company and the Agent may amend the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Holder. The foregoing notwithstanding, without the consent of the Holder of this Note, no amendment may be made reducing the principal or the Interest Rate of this Note or extending the Stated Maturity of this Note.

## 12. Defaults and Remedies.

Events of Default include (1) the Company fails to pay when due the principal of any of the Notes at Stated Maturity, upon redemption or otherwise; (2) the Company fails to pay an installment of interest on any of the Notes that continues for 30 (Thirty) days after the date when due; (3) the Company fails to deliver shares of Common Stock, together with cash in lieu of fractional shares, when such Common Stock or cash in lieu of fractional shares is required to be delivered upon conversion of a Note and such failure continues for 10 days after written notice of default is given to the Company by the Agent or to the Company and the Agent by the Holder of such Note; (4) the Company fails to perform or observe any other term, covenant or agreement contained in the Notes for a period of 60 (Sixty) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Agent or to the Company and the Agent by the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes then outstanding (a "Notice of Default"); (5) in the event of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary and (6) the Company's filing of, or any Significant Subsidiaries' filing of, a voluntary petition seeking liquidation, reorganization arrangement, readjustment of debts or for any other relief under the federal bankruptcy code. If an Event of Default (other than an Event of Default specified in clause (5) or (6) of this paragraph 12) occurs and is continuing, the Agent, or the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes at the time outstanding, may declare all the Notes to be due and payable immediately. An Event of Default under clause (5) or (6) of this paragraph 12 will result in the Notes becoming due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce this Note, except with the approval of Holders of a majority in aggregate principal amount of the Notes. The Agent may refuse to enforce the Notes unless it receives reasonable indemnity or security.

13. Subordination.

The payment of principal of and interest on the Notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents (or otherwise to the extent Holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents) of all Senior Indebtedness whether outstanding on the date of this Note or thereafter incurred.

14. Agent Dealings with the Company.

The Agent, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Agent.

15. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. GOVERNING LAW.

THIS NOTE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

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**Exhibit A**

**CONVERSION NOTICE**

To convert this Note into Common Stock of the Company, check the box:

To convert only part of this Note, state the principal amount to be converted (which must be US\$1,000 or an integral multiple of US\$1,000):

US\$\_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

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(Insert other person's social sec. or tax ID no.)

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(Print or type other person's name, address and zip code)

- If you want the stock certificate made out in another person's name, you are required to complete and deliver to the Conversion Agent a duly completed Transfer Certificate which is in the form of Exhibit B to this Note.

**EXHIBIT B**  
**ASSIGNMENT FORM**

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with the transfer of this Note, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of this Note presented or surrendered on the date hereof (the "Surrendered Note") for registration of transfer, or for exchange where the Notes issuable upon such transfer or exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Note for the reason checked below:

- A transfer of the Surrendered Note is made to the Company; or
- The transfer of the Surrendered Note complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Note is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Note is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, the Surrendered Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Notes registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit C**

**Transfer Certificate**

In connection with any transfer (or exchange or conversion as provided below) of any of the Notes, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of the above-captioned Notes presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange or conversion where the Notes or Common Stock issuable upon such exchange or conversion, as the case may be, are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Notes for the reason checked below:

- A transfer of the Surrendered Notes is made to the Company or any Subsidiaries; or
- The transfer of the Surrendered Notes complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Notes is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Notes is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Notes are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

## **Exhibit D**

### **Definitions**

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means the Company until a successor replaces it as agent with respect to the Notes and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of such board.

“Board Resolution” means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Agent.

“Business Day” means each day of the year other than a Saturday or a Sunday on which banking institutions are not required or authorized to close in The City of New York.

“Capital Stock” of any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock or other equity issued by that corporation.

“Common Stock” means the Common Stock, par value US\$0.00001 per share, of the Company as it exists on the date of this Note. Shares issuable on conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“Common stock” means any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer.

“Company” means the party named as the “Company” in the first paragraph of this Note until a successor replaces it pursuant to the applicable provisions of this Note, and, thereafter,

“Company” shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Conversion Agent” means any person authorized by the Company to convert Notes in accordance with Article 10 hereof. On the date of this Note, the Company hereby appoints the Agent as the Conversion Agent.

“Conversion Price” means US\$1,000 divided by the applicable Conversion Rate.

“Conversion Value” for the Notes is equal to the product of (i) the Sale Price per share of the Common Stock on a given day and (ii) the then current Conversion Rate.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Dollar” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Holder” means a person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means, with respect to any person, without duplication:

- (1) all obligations and other liabilities, contingent or otherwise, of such person for borrowed money (including overdrafts) to the extent such obligations and other liabilities would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;
- (2) all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments to the extent such obligations would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP;
- (3) indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

- (4) All obligations and liabilities, contingent or otherwise, in respect of leases of the person required, in conformity with GAAP, to be accounted for as capitalized lease obligations on the consolidated balance sheet of the person;
- (5) all net obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreements, hedge agreements, forward contracts or similar instruments or agreements or foreign currency, hedge, exchange or purchase or similar instruments or agreements;
- (6) all indebtedness referred to in (but not excluded from) the preceding clauses (1) through (5) of other persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on or with respect to property (including, without limitation, accounts and contract rights) owned by the referent person, even though such person has not assumed or become liable for the payment of such indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);
- (7) All guarantees by such person of indebtedness referred to in this definition or of any other person;
- (8) All Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed purchase price plus accrued and unpaid dividends;
- (9) the present value of the obligation of such person as lessee for net rental payments (excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments) during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; and
- (10) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (9) above.

“Interest Payment Date” means the date specified in the Notes as the fixed date on which an installment of interest on the Notes is due and payable.

“Interest Rate” means 5% (Five percent) per annum.

“Issue Date” of any Note means the date on which the Note was originally issued or deemed issued as set forth on the face of the Note.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

“Notes” mean the Company’s convertible Notes due May 3, 2011.

“Officer” means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

“Officers’ Certificate” means a written certificate signed in the name of the Company by any one Officer, and delivered to the Agent

“person” or “Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof, including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business.

“Principal” of a Note means the principal amount due on the Stated Maturity as set forth on the face of the Note.

“Redeemable Capital Stock” means any class of the Company’s Capital Stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed (whether by sinking fund or otherwise) prior to the date that is 91 days after the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such date. Securities at any time prior to such date (unless it is convertible or exchangeable solely at the Company’s option).

“Redemption Date” or “redemption date” means the date specified for redemption of the Notes in accordance with the terms of this Note.

“Redemption Price” or “redemption price” shall have the meaning set forth in paragraph 5 of this Note.

“Regular Record Date” means, with respect to the interest payable on any Interest Payment Date, the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“Rule 144” means Rule 144 under the Securities Act (or any successor provision), as it may be amended from time to time.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Sale Price” as of any date means the closing per share sale price (or if no closing sale price is reported, the average bid price and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date on the Nasdaq National Market or such other principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, the Company will determine the sale price on the basis of such quotations as the Company considers appropriate.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933 (or any successor statute), as amended from time to time.

“Senior Indebtedness” means any Indebtedness of the Company, unless by the terms of the instrument creating or evidencing such Indebtedness, such Indebtedness is expressly designated equal or junior in right of payment to the Notes.

Notwithstanding the foregoing, “Senior Indebtedness” shall not include:

- (a) Indebtedness evidenced by the Notes;
- (b) Indebtedness of the Company that by operation of law is subordinate to any general unsecured obligations of the Company;
- (c) any liability for federal, state or local taxes or other taxes, owed by the Company.
- (d) accounts payable or other liabilities owed or owing by the Company to trade creditors (including guarantees thereof or instruments evidencing such liabilities);
- (e) amounts owed by the Company for compensation to employees or for services rendered to the Company;
- (f) Indebtedness of the Company to any Subsidiary or any other Affiliate of the Company or any of such Affiliate’s Subsidiaries;

- (g) Capital Stock of the Company, including Redeemable Capital Stock; and
- (h) Indebtedness of the Company which, when incurred and without regard to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to the Company.

“Significant Subsidiary” means any Subsidiary that would be, as of the date of the applicable action set forth in this Note, a “significant subsidiary” of the Company within the meaning of Rule 1-02(w) of Regulation S-X promulgated by the SEC.

“Stated Maturity”, when used with respect to any Note, means the date specified in such Note as the fixed date on which the principal of such Note is due and payable.

“Subsidiary” means, with respect to any Person, (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership in which such Person or a Subsidiary of such Person holds a majority interest in the equity capital or profits of such partnership, or (iii) any other entity (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such entity.

“Trading Day” means a day during which trading in securities generally occurs on the Nasdaq National Market or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System, or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (its “possessions” including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

**Exhibit C (9 of 15)**

**Form of Convertible Note**

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF GNCC CAPITAL, INC. (THE "COMPANY") THAT THIS NOTE MAY NOT BE RESOLD, PLEDGED OR OTHERWISE, OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) TO AN INSTITUTIONAL ACCREDITED INVESTOR" AS DEFINED IN RULE 501 (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE AGENT), (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES PRIOR TO A TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (6) ABOVE), THE HOLDER OF THIS NOTE MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AND THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AND LEGAL OPINIONS AS THEY MAY REASONABLY REQUIRE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS NOTE OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE EXCEPT AS PERMITTED BY THE SECURITIES ACT.

**GNCC CAPITAL, INC.**

**5% Convertible Notes due 2011**

Issue Date: SEPTEMBER 2, 2010

GNCC CAPITAL, INC., a Delaware Corporation promises to pay to EMERALD INTERNATIONAL CORPORATION or its registered assigns, the principal sum of US\$264,032 (Two hundred and sixty four thousand and thirty two dollars) on September 2, 2011.

This Note shall bear interest as specified in paragraph 1 of this Note. This Note is convertible into shares of common stock as specified in paragraph 7 of this Note at the Conversion Rate.

Additional provisions of this Note are set forth on the following pages of this Note.

**Dated: SEPTEMBER 2, 2010**

**GNCC CAPITAL, INC.**

**By**



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**Name: RONALD Y LOWENTHAL**  
**Title: PRESIDENT**

Capitalized terms used herein but not defined shall have the meanings assigned to them in Exhibit D attached hereto and incorporated by reference herein unless otherwise indicated.

1. Cash Interest.

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an “Interest Payment Date”), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a “Regular Record Date”), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

2. Method of Payment.

The Company will make payments in respect of the principal of, and cash interest on this Note and in respect of Redemption Prices, if any, to Holders who surrender Notes to a Paying Agent to collect such payments in respect of the Notes. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check or wire transfer payable in such money. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day.

3. Paying Agent, Conversion Agent and Registrar.

Initially, the Agent will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar without notice, other than notice to the Agent, which shall initially be an office or agency of the Agent. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

4. The Notes

The Notes are general unsecured subordinated obligations of the Company limited to US\$2,000,000 (Seven million one hundred and eighty four thousand dollars) aggregate principal amount plus any additional accrued interest on these Notes. The Company may incur other Indebtedness, secured or unsecured.

## 5. Optional Redemption.

This Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

## 6. Conversion.

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to US\$1,000 or any integral multiple of US\$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by US\$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

## 7. Adjustment of Conversion Rate

The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

- (a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction:
  - (1) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the total number of shares constituting such dividend or other distribution, and
  - (2) The denominator of which shall be the sum of such number of shares.

Such increase shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this paragraph 7(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock (commonly referred to as a “forward split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock (commonly referred to as a “reverse split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be reduced, in each such case, by multiplying such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination. Such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

- (c) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period of not more than 60 days) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a Conversion Price per share) less than the Current Market Price on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect at the opening of business on the date after such Record Date by a fraction:
- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible), and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate Conversion Price of the convertible securities so offered) would purchase at such Current Market Price.

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors.

- (d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which paragraph 7(a) applies) or evidences of its indebtedness or other assets, including securities, but excluding (1) any rights or warrants referred to in paragraph 7(c) and (3) dividends and distributions paid exclusively in cash referred to in paragraph 7(e) (the securities described in foregoing clauses (1) and (2) hereinafter in this paragraph 7(d) called the “excluded securities”), then, in each such case, subject to the second succeeding paragraph of this paragraph 7(d), the Conversion Rate shall be adjusted so that the same shall be equal to the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction:
- (1) The numerator of which shall be such Current Market Price, and
  - (2) The denominator of which shall be the Current Market Price on such date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) on

Such date of the portion of the securities or other assets so distributed (other than excluded securities) applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date).

Such increase shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the securities so distributed (other than excluded securities) applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of securities so distributed (other than excluded securities) such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph 7(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution (other than excluded securities), it must in doing so consider the prices in such market over the same period (the “Reference Period”) used in computing the Current Market Price pursuant to paragraph 7(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interests of the Holder.

For purposes of this paragraph 7(d) and paragraphs 7(a), 7(b) and 7(c), any dividend or distribution to which this paragraph 7(d) is applicable that also includes shares of Common Stock, a subdivision or combination of Common Stock to which paragraph 7(b) applies, or rights or warrants to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) to which paragraph 7(c) applies (or any combination thereof), shall be deemed instead to be:

- (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which paragraphs 7(a), 7(b) and 7(c) apply, respectively (and any Conversion Rate increase required by this paragraph 7(d) with respect to such dividend or distribution shall then be made), immediately followed by
- (2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by paragraphs 7(a), 7(b) and 7(c) with respect to such dividend or distribution shall then be made), except:
  - (A) the Record Date of such dividend or distribution shall be substituted as (x) “the date fixed for the determination of stockholders entitled to receive such dividend or other distribution”, “Record Date fixed for such determinations” and “Record Date” within the meaning of paragraph 7(a), (y) “the day upon which such subdivision becomes effective” and “the day upon which such combination becomes effective” within the meaning of paragraph 7(b), and (z) as “the date fixed for the determination of stockholders entitled to receive such rights or warrants”, “the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants” and such “Record Date” within the meaning of paragraph 7(c), and
  - (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business on the date fixed for such determination” within the meaning of paragraph 7(a) and any increase or reduction in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.
- (e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock, cash (excluding any cash that is distributed as part of a distribution referred to in paragraph 7(d) hereof), then and in each such case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:
  - (i) The numerator of which shall be equal to the Current Market Price on such Record Date, and

- (ii) the denominator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the aggregate amount of the cash distributed and (y) the number of shares of Common Stock outstanding on the Record Date.

In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (f) In case the Company or any of its Subsidiaries pays holders of the Common Stock in respect of a tender offer or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for shares of Common Stock to the extent that the cash and fair market value of any other consideration included in the payment per share of Common Stock exceeds the Sale Price per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”), then, and in each such case, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction:

- (1) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and
- (2) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time.

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this paragraph 7(f) to any tender offer or exchange offer would result in an increase in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this paragraph 7(f).

- (g) For purposes of this paragraph 7, the following terms shall have the meanings indicated:

“Current Market Price” shall mean the average of the daily Sale Prices per share of Common Stock for the 5 (Five) consecutive Trading Days ending not later than the earlier of the date immediately prior to the date in question and the day before the “ex” date with respect to the issuance, distribution, subdivision or combination requiring such computation. If another issuance, distribution, subdivision or combination to which paragraph 7 applies occurs during the period applicable for calculating “Current Market Price” pursuant to the preceding definition, then “Current Market Price” shall be appropriately adjusted to reflect the impact of such issuance, distribution, subdivision or combination on the Sale Price of the Common Stock during such period. For purposes of this paragraph, the term “ex” date, when used:

- (A) With respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such issuance or distribution;
- (B) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and
- (C) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this paragraph 7, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this paragraph 7 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

- (2) “Fair market value” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.
- (3) “Record Date” shall mean for purposes of this paragraph 7, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

- (h) The Company may make such increases in the Conversion Rate, in addition to those required by paragraph 7(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 (Twenty) days and the increase is irrevocable during the period and the Board of Directors determines in good faith that such increase would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Agent and each Holder at the address of such Holder as it appears in the Register a notice of the increase at least 15 (Fifteen) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

- (i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% (One percent) in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this paragraph 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In the event that, on the date that is five Business Days prior to the maturity of the Notes (whether at Stated Maturity or otherwise), an adjustment has been carried forward pursuant to the preceding sentence but has not yet been taken into account in an adjustment to the Conversion Rate and notwithstanding the first sentence of this paragraph (i), an adjustment to the Conversion Rate will be made on such date in accordance with the relevant paragraph of this paragraph 7. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. No adjustment in the Conversion Rate shall be required if the Holders participate in the transactions that would otherwise lead to an adjustment in the Conversion Rate pursuant to this paragraph 7.
- (j) In any case in which this paragraph 7 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction.

- (k) For purposes of this paragraph 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.
- (l) Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of paragraph 7(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Agent and any Conversion Agent other than the Agent an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail, or cause the Agent to mail, at the Company's expense, such notice to each Holder at the address of such Holder as it appears in the Register within 20 (twenty) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

8. Denominations; Assignment; Transfer; Exchange.

The Notes are in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and whole multiples of US\$1,000. The Registrar may require a Holder, in order to assign, transfer or exchange Notes, among other things, to furnish appropriate endorsements and assignment or transfer documents (in the form of Exhibit B or Exhibit C attached hereto, as applicable) and to pay any taxes and fees required by law. The Registrar need not transfer or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 (Fifteen) days before the mailing of a notice of redemption of Notes to be redeemed.

9. Persons Deemed Owners.

The registered Holder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money or Notes.

The Agent and the Paying Agent shall return to the Company upon written request any money, Notes or shares of Common Stock held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After such return to the Company, Holders entitled to the money or Notes must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

## 11. Amendment; Waiver.

Except as set forth below, (i) this Note may be amended with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. Without the consent of any Holder, the Company and the Agent may amend the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Holder. The foregoing notwithstanding, without the consent of the Holder of this Note, no amendment may be made reducing the principal or the Interest Rate of this Note or extending the Stated Maturity of this Note.

## 12. Defaults and Remedies.

Events of Default include (1) the Company fails to pay when due the principal of any of the Notes at Stated Maturity, upon redemption or otherwise; (2) the Company fails to pay an installment of interest on any of the Notes that continues for 30 (Thirty) days after the date when due; (3) the Company fails to deliver shares of Common Stock, together with cash in lieu of fractional shares, when such Common Stock or cash in lieu of fractional shares is required to be delivered upon conversion of a Note and such failure continues for 10 days after written notice of default is given to the Company by the Agent or to the Company and the Agent by the Holder of such Note; (4) the Company fails to perform or observe any other term, covenant or agreement contained in the Notes for a period of 60 (Sixty) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Agent or to the Company and the Agent by the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes then outstanding (a "Notice of Default"); (5) in the event of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary and (6) the Company's filing of, or any Significant Subsidiaries' filing of, a voluntary petition seeking liquidation, reorganization arrangement, readjustment of debts or for any other relief under the federal bankruptcy code. If an Event of Default (other than an Event of Default specified in clause (5) or (6) of this paragraph 12) occurs and is continuing, the Agent, or the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes at the time outstanding, may declare all the Notes to be due and payable immediately. An Event of Default under clause (5) or (6) of this paragraph 12 will result in the Notes becoming due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce this Note, except with the approval of Holders of a majority in aggregate principal amount of the Notes. The Agent may refuse to enforce the Notes unless it receives reasonable indemnity or security.

13. Subordination.

The payment of principal of and interest on the Notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents (or otherwise to the extent Holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents) of all Senior Indebtedness whether outstanding on the date of this Note or thereafter incurred.

14. Agent Dealings with the Company.

The Agent, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Agent.

15. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. GOVERNING LAW.

THIS NOTE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

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**Exhibit A**

**CONVERSION NOTICE**

To convert this Note into Common Stock of the Company, check the box:

To convert only part of this Note, state the principal amount to be converted (which must be US\$1,000 or an integral multiple of US\$1,000):

US\$\_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

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(Insert other person's social sec. or tax ID no.)

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(Print or type other person's name, address and zip code)

- If you want the stock certificate made out in another person's name, you are required to complete and deliver to the Conversion Agent a duly completed Transfer Certificate which is in the form of Exhibit B to this Note.

**EXHIBIT B**  
**ASSIGNMENT FORM**

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with the transfer of this Note, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of this Note presented or surrendered on the date hereof (the "Surrendered Note") for registration of transfer, or for exchange where the Notes issuable upon such transfer or exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Note for the reason checked below:

- A transfer of the Surrendered Note is made to the Company; or
- The transfer of the Surrendered Note complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Note is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Note is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, the Surrendered Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Notes registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit C**

**Transfer Certificate**

In connection with any transfer (or exchange or conversion as provided below) of any of the Notes, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of the above-captioned Notes presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange or conversion where the Notes or Common Stock issuable upon such exchange or conversion, as the case may be, are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Notes for the reason checked below:

- A transfer of the Surrendered Notes is made to the Company or any Subsidiaries; or
- The transfer of the Surrendered Notes complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Notes is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Notes is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Notes are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

## **Exhibit D**

### **Definitions**

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means the Company until a successor replaces it as agent with respect to the Notes and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of such board.

“Board Resolution” means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Agent.

“Business Day” means each day of the year other than a Saturday or a Sunday on which banking institutions are not required or authorized to close in The City of New York.

“Capital Stock” of any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock or other equity issued by that corporation.

“Common Stock” means the Common Stock, par value US\$0.00001 per share, of the Company as it exists on the date of this Note. Shares issuable on conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“Common stock” means any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer.

“Company” means the party named as the “Company” in the first paragraph of this Note until a successor replaces it pursuant to the applicable provisions of this Note, and, thereafter,

“Company” shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Conversion Agent” means any person authorized by the Company to convert Notes in accordance with Article 10 hereof. On the date of this Note, the Company hereby appoints the Agent as the Conversion Agent.

“Conversion Price” means US\$1,000 divided by the applicable Conversion Rate.

“Conversion Value” for the Notes is equal to the product of (i) the Sale Price per share of the Common Stock on a given day and (ii) the then current Conversion Rate.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Dollar” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Holder” means a person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means, with respect to any person, without duplication:

- (1) all obligations and other liabilities, contingent or otherwise, of such person for borrowed money (including overdrafts) to the extent such obligations and other liabilities would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;
- (2) all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments to the extent such obligations would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP;
- (3) indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

- (4) All obligations and liabilities, contingent or otherwise, in respect of leases of the person required, in conformity with GAAP, to be accounted for as capitalized lease obligations on the consolidated balance sheet of the person;
- (5) all net obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreements, hedge agreements, forward contracts or similar instruments or agreements or foreign currency, hedge, exchange or purchase or similar instruments or agreements;
- (6) all indebtedness referred to in (but not excluded from) the preceding clauses (1) through (5) of other persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on or with respect to property (including, without limitation, accounts and contract rights) owned by the referent person, even though such person has not assumed or become liable for the payment of such indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);
- (7) All guarantees by such person of indebtedness referred to in this definition or of any other person;
- (8) All Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed purchase price plus accrued and unpaid dividends;
- (9) the present value of the obligation of such person as lessee for net rental payments (excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments) during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; and
- (10) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (9) above.

“Interest Payment Date” means the date specified in the Notes as the fixed date on which an installment of interest on the Notes is due and payable.

“Interest Rate” means 5% (Five percent) per annum.

“Issue Date” of any Note means the date on which the Note was originally issued or deemed issued as set forth on the face of the Note.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

“Notes” mean the Company’s convertible Notes due May 3, 2011.

“Officer” means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

“Officers’ Certificate” means a written certificate signed in the name of the Company by any one Officer, and delivered to the Agent

“person” or “Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof, including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business.

“Principal” of a Note means the principal amount due on the Stated Maturity as set forth on the face of the Note.

“Redeemable Capital Stock” means any class of the Company’s Capital Stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed (whether by sinking fund or otherwise) prior to the date that is 91 days after the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such date. Securities at any time prior to such date (unless it is convertible or exchangeable solely at the Company’s option).

“Redemption Date” or “redemption date” means the date specified for redemption of the Notes in accordance with the terms of this Note.

“Redemption Price” or “redemption price” shall have the meaning set forth in paragraph 5 of this Note.

“Regular Record Date” means, with respect to the interest payable on any Interest Payment Date, the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“Rule 144” means Rule 144 under the Securities Act (or any successor provision), as it may be amended from time to time.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Sale Price” as of any date means the closing per share sale price (or if no closing sale price is reported, the average bid price and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date on the Nasdaq National Market or such other principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, the Company will determine the sale price on the basis of such quotations as the Company considers appropriate.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933 (or any successor statute), as amended from time to time.

“Senior Indebtedness” means any Indebtedness of the Company, unless by the terms of the instrument creating or evidencing such Indebtedness, such Indebtedness is expressly designated equal or junior in right of payment to the Notes.

Notwithstanding the foregoing, “Senior Indebtedness” shall not include:

- (a) Indebtedness evidenced by the Notes;
- (b) Indebtedness of the Company that by operation of law is subordinate to any general unsecured obligations of the Company;
- (c) any liability for federal, state or local taxes or other taxes, owed by the Company.
- (d) accounts payable or other liabilities owed or owing by the Company to trade creditors (including guarantees thereof or instruments evidencing such liabilities);
- (e) amounts owed by the Company for compensation to employees or for services rendered to the Company;
- (f) Indebtedness of the Company to any Subsidiary or any other Affiliate of the Company or any of such Affiliate’s Subsidiaries;

- (g) Capital Stock of the Company, including Redeemable Capital Stock; and
- (h) Indebtedness of the Company which, when incurred and without regard to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to the Company.

“Significant Subsidiary” means any Subsidiary that would be, as of the date of the applicable action set forth in this Note, a “significant subsidiary” of the Company within the meaning of Rule 1-02(w) of Regulation S-X promulgated by the SEC.

“Stated Maturity”, when used with respect to any Note, means the date specified in such Note as the fixed date on which the principal of such Note is due and payable.

“Subsidiary” means, with respect to any Person, (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership in which such Person or a Subsidiary of such Person holds a majority interest in the equity capital or profits of such partnership, or (iii) any other entity (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such entity.

“Trading Day” means a day during which trading in securities generally occurs on the Nasdaq National Market or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System, or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (its “possessions” including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

**Exhibit C (10 of 15)**

**Form of Convertible Note**

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF GNCC CAPITAL, INC. (THE "COMPANY") THAT THIS NOTE MAY NOT BE RESOLD, PLEDGED OR OTHERWISE, OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) TO AN INSTITUTIONAL ACCREDITED INVESTOR" AS DEFINED IN RULE 501 (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE AGENT), (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES PRIOR TO A TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (6) ABOVE), THE HOLDER OF THIS NOTE MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AND THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AND LEGAL OPINIONS AS THEY MAY REASONABLY REQUIRE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS NOTE OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE EXCEPT AS PERMITTED BY THE SECURITIES ACT.

**GNCC CAPITAL, INC.**

**5% Convertible Notes due 2011**

Issue Date: SEPTEMBER 2, 2010

GNCC CAPITAL, INC., a Delaware Corporation promises to pay to SAFFRON VENTURES GmbH or its registered assigns, the principal sum of US\$297,036 (Two hundred and ninety seven thousand and thirty six dollars) on September 2, 2011.

This Note shall bear interest as specified in paragraph 1 of this Note. This Note is convertible into shares of common stock as specified in paragraph 7 of this Note at the Conversion Rate.

Additional provisions of this Note are set forth on the following pages of this Note.

**Dated: SEPTEMBER 2, 2010**

**GNCC CAPITAL, INC.**

**By**



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**Name: RONALD Y LOWENTHAL**  
**Title: PRESIDENT**

Capitalized terms used herein but not defined shall have the meanings assigned to them in Exhibit D attached hereto and incorporated by reference herein unless otherwise indicated.

1. Cash Interest.

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an “Interest Payment Date”), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a “Regular Record Date”), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

2. Method of Payment.

The Company will make payments in respect of the principal of, and cash interest on this Note and in respect of Redemption Prices, if any, to Holders who surrender Notes to a Paying Agent to collect such payments in respect of the Notes. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check or wire transfer payable in such money. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day.

3. Paying Agent, Conversion Agent and Registrar.

Initially, the Agent will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar without notice, other than notice to the Agent, which shall initially be an office or agency of the Agent. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

4. The Notes

The Notes are general unsecured subordinated obligations of the Company limited to US\$2,000,000 (Seven million one hundred and eighty four thousand dollars) aggregate principal amount plus any additional accrued interest on these Notes. The Company may incur other Indebtedness, secured or unsecured.

## 5. Optional Redemption.

This Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

## 6. Conversion.

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to US\$1,000 or any integral multiple of US\$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by US\$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

## 7. Adjustment of Conversion Rate

The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

- (a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction:
  - (1) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the total number of shares constituting such dividend or other distribution, and
  - (2) The denominator of which shall be the sum of such number of shares.

Such increase shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this paragraph 7(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock (commonly referred to as a “forward split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock (commonly referred to as a “reverse split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be reduced, in each such case, by multiplying such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination. Such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

- (c) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period of not more than 60 days) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a Conversion Price per share) less than the Current Market Price on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect at the opening of business on the date after such Record Date by a fraction:
- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible), and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate Conversion Price of the convertible securities so offered) would purchase at such Current Market Price.

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors.

- (d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which paragraph 7(a) applies) or evidences of its indebtedness or other assets, including securities, but excluding (1) any rights or warrants referred to in paragraph 7(c) and (3) dividends and distributions paid exclusively in cash referred to in paragraph 7(e) (the securities described in foregoing clauses (1) and (2) hereinafter in this paragraph 7(d) called the “excluded securities”), then, in each such case, subject to the second succeeding paragraph of this paragraph 7(d), the Conversion Rate shall be adjusted so that the same shall be equal to the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction:
- (1) The numerator of which shall be such Current Market Price, and
  - (2) The denominator of which shall be the Current Market Price on such date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) on

Such date of the portion of the securities or other assets so distributed (other than excluded securities) applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date).

Such increase shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the securities so distributed (other than excluded securities) applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of securities so distributed (other than excluded securities) such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph 7(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution (other than excluded securities), it must in doing so consider the prices in such market over the same period (the “Reference Period”) used in computing the Current Market Price pursuant to paragraph 7(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interests of the Holder.

For purposes of this paragraph 7(d) and paragraphs 7(a), 7(b) and 7(c), any dividend or distribution to which this paragraph 7(d) is applicable that also includes shares of Common Stock, a subdivision or combination of Common Stock to which paragraph 7(b) applies, or rights or warrants to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) to which paragraph 7(c) applies (or any combination thereof), shall be deemed instead to be:

- (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which paragraphs 7(a), 7(b) and 7(c) apply, respectively (and any Conversion Rate increase required by this paragraph 7(d) with respect to such dividend or distribution shall then be made), immediately followed by
- (2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by paragraphs 7(a), 7(b) and 7(c) with respect to such dividend or distribution shall then be made), except:
  - (A) the Record Date of such dividend or distribution shall be substituted as (x) “the date fixed for the determination of stockholders entitled to receive such dividend or other distribution”, “Record Date fixed for such determinations” and “Record Date” within the meaning of paragraph 7(a), (y) “the day upon which such subdivision becomes effective” and “the day upon which such combination becomes effective” within the meaning of paragraph 7(b), and (z) as “the date fixed for the determination of stockholders entitled to receive such rights or warrants”, “the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants” and such “Record Date” within the meaning of paragraph 7(c), and
  - (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business on the date fixed for such determination” within the meaning of paragraph 7(a) and any increase or reduction in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.
- (e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock, cash (excluding any cash that is distributed as part of a distribution referred to in paragraph 7(d) hereof), then and in each such case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:
  - (i) The numerator of which shall be equal to the Current Market Price on such Record Date, and

- (ii) the denominator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the aggregate amount of the cash distributed and (y) the number of shares of Common Stock outstanding on the Record Date.

In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (f) In case the Company or any of its Subsidiaries pays holders of the Common Stock in respect of a tender offer or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for shares of Common Stock to the extent that the cash and fair market value of any other consideration included in the payment per share of Common Stock exceeds the Sale Price per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”), then, and in each such case, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction:

- (1) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and
- (2) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time.

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this paragraph 7(f) to any tender offer or exchange offer would result in an increase in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this paragraph 7(f).

- (g) For purposes of this paragraph 7, the following terms shall have the meanings indicated:

“Current Market Price” shall mean the average of the daily Sale Prices per share of Common Stock for the 5 (Five) consecutive Trading Days ending not later than the earlier of the date immediately prior to the date in question and the day before the “ex” date with respect to the issuance, distribution, subdivision or combination requiring such computation. If another issuance, distribution, subdivision or combination to which paragraph 7 applies occurs during the period applicable for calculating “Current Market Price” pursuant to the preceding definition, then “Current Market Price” shall be appropriately adjusted to reflect the impact of such issuance, distribution, subdivision or combination on the Sale Price of the Common Stock during such period. For purposes of this paragraph, the term “ex” date, when used:

- (A) With respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such issuance or distribution;
- (B) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and
- (C) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this paragraph 7, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this paragraph 7 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

- (2) “Fair market value” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.
- (3) “Record Date” shall mean for purposes of this paragraph 7, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

- (h) The Company may make such increases in the Conversion Rate, in addition to those required by paragraph 7(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 (Twenty) days and the increase is irrevocable during the period and the Board of Directors determines in good faith that such increase would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Agent and each Holder at the address of such Holder as it appears in the Register a notice of the increase at least 15 (Fifteen) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

- (i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% (One percent) in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this paragraph 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In the event that, on the date that is five Business Days prior to the maturity of the Notes (whether at Stated Maturity or otherwise), an adjustment has been carried forward pursuant to the preceding sentence but has not yet been taken into account in an adjustment to the Conversion Rate and notwithstanding the first sentence of this paragraph (i), an adjustment to the Conversion Rate will be made on such date in accordance with the relevant paragraph of this paragraph 7. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. No adjustment in the Conversion Rate shall be required if the Holders participate in the transactions that would otherwise lead to an adjustment in the Conversion Rate pursuant to this paragraph 7.
- (j) In any case in which this paragraph 7 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction.

- (k) For purposes of this paragraph 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.
- (l) Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of paragraph 7(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Agent and any Conversion Agent other than the Agent an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail, or cause the Agent to mail, at the Company's expense, such notice to each Holder at the address of such Holder as it appears in the Register within 20 (twenty) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

8. Denominations; Assignment; Transfer; Exchange.

The Notes are in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and whole multiples of US\$1,000. The Registrar may require a Holder, in order to assign, transfer or exchange Notes, among other things, to furnish appropriate endorsements and assignment or transfer documents (in the form of Exhibit B or Exhibit C attached hereto, as applicable) and to pay any taxes and fees required by law. The Registrar need not transfer or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 (Fifteen) days before the mailing of a notice of redemption of Notes to be redeemed.

9. Persons Deemed Owners.

The registered Holder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money or Notes.

The Agent and the Paying Agent shall return to the Company upon written request any money, Notes or shares of Common Stock held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After such return to the Company, Holders entitled to the money or Notes must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

## 11. Amendment; Waiver.

Except as set forth below, (i) this Note may be amended with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. Without the consent of any Holder, the Company and the Agent may amend the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Holder. The foregoing notwithstanding, without the consent of the Holder of this Note, no amendment may be made reducing the principal or the Interest Rate of this Note or extending the Stated Maturity of this Note.

## 12. Defaults and Remedies.

Events of Default include (1) the Company fails to pay when due the principal of any of the Notes at Stated Maturity, upon redemption or otherwise; (2) the Company fails to pay an installment of interest on any of the Notes that continues for 30 (Thirty) days after the date when due; (3) the Company fails to deliver shares of Common Stock, together with cash in lieu of fractional shares, when such Common Stock or cash in lieu of fractional shares is required to be delivered upon conversion of a Note and such failure continues for 10 days after written notice of default is given to the Company by the Agent or to the Company and the Agent by the Holder of such Note; (4) the Company fails to perform or observe any other term, covenant or agreement contained in the Notes for a period of 60 (Sixty) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Agent or to the Company and the Agent by the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes then outstanding (a "Notice of Default"); (5) in the event of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary and (6) the Company's filing of, or any Significant Subsidiaries' filing of, a voluntary petition seeking liquidation, reorganization arrangement, readjustment of debts or for any other relief under the federal bankruptcy code. If an Event of Default (other than an Event of Default specified in clause (5) or (6) of this paragraph 12) occurs and is continuing, the Agent, or the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes at the time outstanding, may declare all the Notes to be due and payable immediately. An Event of Default under clause (5) or (6) of this paragraph 12 will result in the Notes becoming due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce this Note, except with the approval of Holders of a majority in aggregate principal amount of the Notes. The Agent may refuse to enforce the Notes unless it receives reasonable indemnity or security.

13. Subordination.

The payment of principal of and interest on the Notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents (or otherwise to the extent Holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents) of all Senior Indebtedness whether outstanding on the date of this Note or thereafter incurred.

14. Agent Dealings with the Company.

The Agent, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Agent.

15. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. GOVERNING LAW.

THIS NOTE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

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**Exhibit A**

**CONVERSION NOTICE**

To convert this Note into Common Stock of the Company, check the box:

To convert only part of this Note, state the principal amount to be converted (which must be US\$1,000 or an integral multiple of US\$1,000):

US\$\_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

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(Insert other person's social sec. or tax ID no.)

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(Print or type other person's name, address and zip code)

- If you want the stock certificate made out in another person's name, you are required to complete and deliver to the Conversion Agent a duly completed Transfer Certificate which is in the form of Exhibit B to this Note.

**EXHIBIT B**  
**ASSIGNMENT FORM**

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with the transfer of this Note, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of this Note presented or surrendered on the date hereof (the "Surrendered Note") for registration of transfer, or for exchange where the Notes issuable upon such transfer or exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Note for the reason checked below:

- A transfer of the Surrendered Note is made to the Company; or
- The transfer of the Surrendered Note complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Note is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Note is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, the Surrendered Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Notes registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit C**

**Transfer Certificate**

In connection with any transfer (or exchange or conversion as provided below) of any of the Notes, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of the above-captioned Notes presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange or conversion where the Notes or Common Stock issuable upon such exchange or conversion, as the case may be, are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Notes for the reason checked below:

- A transfer of the Surrendered Notes is made to the Company or any Subsidiaries; or
- The transfer of the Surrendered Notes complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Notes is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Notes is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Notes are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

## **Exhibit D**

### **Definitions**

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means the Company until a successor replaces it as agent with respect to the Notes and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of such board.

“Board Resolution” means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Agent.

“Business Day” means each day of the year other than a Saturday or a Sunday on which banking institutions are not required or authorized to close in The City of New York.

“Capital Stock” of any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock or other equity issued by that corporation.

“Common Stock” means the Common Stock, par value US\$0.00001 per share, of the Company as it exists on the date of this Note. Shares issuable on conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“Common stock” means any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer.

“Company” means the party named as the “Company” in the first paragraph of this Note until a successor replaces it pursuant to the applicable provisions of this Note, and, thereafter,

“Company” shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Conversion Agent” means any person authorized by the Company to convert Notes in accordance with Article 10 hereof. On the date of this Note, the Company hereby appoints the Agent as the Conversion Agent.

“Conversion Price” means US\$1,000 divided by the applicable Conversion Rate.

“Conversion Value” for the Notes is equal to the product of (i) the Sale Price per share of the Common Stock on a given day and (ii) the then current Conversion Rate.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Dollar” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Holder” means a person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means, with respect to any person, without duplication:

- (1) all obligations and other liabilities, contingent or otherwise, of such person for borrowed money (including overdrafts) to the extent such obligations and other liabilities would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;
- (2) all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments to the extent such obligations would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP;
- (3) indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

- (4) All obligations and liabilities, contingent or otherwise, in respect of leases of the person required, in conformity with GAAP, to be accounted for as capitalized lease obligations on the consolidated balance sheet of the person;
- (5) all net obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreements, hedge agreements, forward contracts or similar instruments or agreements or foreign currency, hedge, exchange or purchase or similar instruments or agreements;
- (6) all indebtedness referred to in (but not excluded from) the preceding clauses (1) through (5) of other persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on or with respect to property (including, without limitation, accounts and contract rights) owned by the referent person, even though such person has not assumed or become liable for the payment of such indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);
- (7) All guarantees by such person of indebtedness referred to in this definition or of any other person;
- (8) All Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed purchase price plus accrued and unpaid dividends;
- (9) the present value of the obligation of such person as lessee for net rental payments (excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments) during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; and
- (10) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (9) above.

“Interest Payment Date” means the date specified in the Notes as the fixed date on which an installment of interest on the Notes is due and payable.

“Interest Rate” means 5% (Five percent) per annum.

“Issue Date” of any Note means the date on which the Note was originally issued or deemed issued as set forth on the face of the Note.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

“Notes” mean the Company’s convertible Notes due May 3, 2011.

“Officer” means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

“Officers’ Certificate” means a written certificate signed in the name of the Company by any one Officer, and delivered to the Agent

“person” or “Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof, including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business.

“Principal” of a Note means the principal amount due on the Stated Maturity as set forth on the face of the Note.

“Redeemable Capital Stock” means any class of the Company’s Capital Stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed (whether by sinking fund or otherwise) prior to the date that is 91 days after the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such date. Securities at any time prior to such date (unless it is convertible or exchangeable solely at the Company’s option).

“Redemption Date” or “redemption date” means the date specified for redemption of the Notes in accordance with the terms of this Note.

“Redemption Price” or “redemption price” shall have the meaning set forth in paragraph 5 of this Note.

“Regular Record Date” means, with respect to the interest payable on any Interest Payment Date, the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“Rule 144” means Rule 144 under the Securities Act (or any successor provision), as it may be amended from time to time.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Sale Price” as of any date means the closing per share sale price (or if no closing sale price is reported, the average bid price and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date on the Nasdaq National Market or such other principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, the Company will determine the sale price on the basis of such quotations as the Company considers appropriate.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933 (or any successor statute), as amended from time to time.

“Senior Indebtedness” means any Indebtedness of the Company, unless by the terms of the instrument creating or evidencing such Indebtedness, such Indebtedness is expressly designated equal or junior in right of payment to the Notes.

Notwithstanding the foregoing, “Senior Indebtedness” shall not include:

- (a) Indebtedness evidenced by the Notes;
- (b) Indebtedness of the Company that by operation of law is subordinate to any general unsecured obligations of the Company;
- (c) any liability for federal, state or local taxes or other taxes, owed by the Company.
- (d) accounts payable or other liabilities owed or owing by the Company to trade creditors (including guarantees thereof or instruments evidencing such liabilities);
- (e) amounts owed by the Company for compensation to employees or for services rendered to the Company;
- (f) Indebtedness of the Company to any Subsidiary or any other Affiliate of the Company or any of such Affiliate’s Subsidiaries;

- (g) Capital Stock of the Company, including Redeemable Capital Stock; and
- (h) Indebtedness of the Company which, when incurred and without regard to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to the Company.

“Significant Subsidiary” means any Subsidiary that would be, as of the date of the applicable action set forth in this Note, a “significant subsidiary” of the Company within the meaning of Rule 1-02(w) of Regulation S-X promulgated by the SEC.

“Stated Maturity”, when used with respect to any Note, means the date specified in such Note as the fixed date on which the principal of such Note is due and payable.

“Subsidiary” means, with respect to any Person, (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership in which such Person or a Subsidiary of such Person holds a majority interest in the equity capital or profits of such partnership, or (iii) any other entity (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such entity.

“Trading Day” means a day during which trading in securities generally occurs on the Nasdaq National Market or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System, or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (its “possessions” including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

**Exhibit C (11 of 15)**

**Form of Convertible Note**

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF GNCC CAPITAL, INC. (THE "COMPANY") THAT THIS NOTE MAY NOT BE RESOLD, PLEDGED OR OTHERWISE, OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) TO AN INSTITUTIONAL ACCREDITED INVESTOR" AS DEFINED IN RULE 501 (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE AGENT), (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES PRIOR TO A TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (6) ABOVE), THE HOLDER OF THIS NOTE MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AND THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AND LEGAL OPINIONS AS THEY MAY REASONABLY REQUIRE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS NOTE OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE EXCEPT AS PERMITTED BY THE SECURITIES ACT.

**GNCC CAPITAL, INC.**

**5% Convertible Notes due 2011**

Issue Date: SEPTEMBER 2, 2010

GNCC CAPITAL, INC., a Delaware Corporation promises to pay to LIBERTY INVESTMENT SERVICES LTD or its registered assigns, the principal sum of US\$297,036 (Two hundred and ninety seven thousand and thirty six dollars) on September 2, 2011.

This Note shall bear interest as specified in paragraph 1 of this Note. This Note is convertible into shares of common stock as specified in paragraph 7 of this Note at the Conversion Rate.

Additional provisions of this Note are set forth on the following pages of this Note.

**Dated: SEPTEMBER 2, 2010**

**GNCC CAPITAL, INC.**

**By**



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**Name: RONALD Y LOWENTHAL**  
**Title: PRESIDENT**

Capitalized terms used herein but not defined shall have the meanings assigned to them in Exhibit D attached hereto and incorporated by reference herein unless otherwise indicated.

1. Cash Interest.

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an “Interest Payment Date”), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a “Regular Record Date”), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

2. Method of Payment.

The Company will make payments in respect of the principal of, and cash interest on this Note and in respect of Redemption Prices, if any, to Holders who surrender Notes to a Paying Agent to collect such payments in respect of the Notes. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check or wire transfer payable in such money. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day.

3. Paying Agent, Conversion Agent and Registrar.

Initially, the Agent will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar without notice, other than notice to the Agent, which shall initially be an office or agency of the Agent. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

4. The Notes

The Notes are general unsecured subordinated obligations of the Company limited to US\$2,000,000 (Seven million one hundred and eighty four thousand dollars) aggregate principal amount plus any additional accrued interest on these Notes. The Company may incur other Indebtedness, secured or unsecured.

## 5. Optional Redemption.

This Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

## 6. Conversion.

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to US\$1,000 or any integral multiple of US\$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by US\$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

## 7. Adjustment of Conversion Rate

The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

- (a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction:
  - (1) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the total number of shares constituting such dividend or other distribution, and
  - (2) The denominator of which shall be the sum of such number of shares.

Such increase shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this paragraph 7(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock (commonly referred to as a “forward split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock (commonly referred to as a “reverse split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be reduced, in each such case, by multiplying such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination. Such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

- (c) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period of not more than 60 days) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a Conversion Price per share) less than the Current Market Price on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect at the opening of business on the date after such Record Date by a fraction:
- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible), and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate Conversion Price of the convertible securities so offered) would purchase at such Current Market Price.

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors.

- (d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which paragraph 7(a) applies) or evidences of its indebtedness or other assets, including securities, but excluding (1) any rights or warrants referred to in paragraph 7(c) and (3) dividends and distributions paid exclusively in cash referred to in paragraph 7(e) (the securities described in foregoing clauses (1) and (2) hereinafter in this paragraph 7(d) called the “excluded securities”), then, in each such case, subject to the second succeeding paragraph of this paragraph 7(d), the Conversion Rate shall be adjusted so that the same shall be equal to the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction:
- (1) The numerator of which shall be such Current Market Price, and
  - (2) The denominator of which shall be the Current Market Price on such date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) on

Such date of the portion of the securities or other assets so distributed (other than excluded securities) applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date).

Such increase shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the securities so distributed (other than excluded securities) applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of securities so distributed (other than excluded securities) such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph 7(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution (other than excluded securities), it must in doing so consider the prices in such market over the same period (the “Reference Period”) used in computing the Current Market Price pursuant to paragraph 7(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interests of the Holder.

For purposes of this paragraph 7(d) and paragraphs 7(a), 7(b) and 7(c), any dividend or distribution to which this paragraph 7(d) is applicable that also includes shares of Common Stock, a subdivision or combination of Common Stock to which paragraph 7(b) applies, or rights or warrants to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) to which paragraph 7(c) applies (or any combination thereof), shall be deemed instead to be:

- (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which paragraphs 7(a), 7(b) and 7(c) apply, respectively (and any Conversion Rate increase required by this paragraph 7(d) with respect to such dividend or distribution shall then be made), immediately followed by
- (2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by paragraphs 7(a), 7(b) and 7(c) with respect to such dividend or distribution shall then be made), except:
  - (A) the Record Date of such dividend or distribution shall be substituted as (x) “the date fixed for the determination of stockholders entitled to receive such dividend or other distribution”, “Record Date fixed for such determinations” and “Record Date” within the meaning of paragraph 7(a), (y) “the day upon which such subdivision becomes effective” and “the day upon which such combination becomes effective” within the meaning of paragraph 7(b), and (z) as “the date fixed for the determination of stockholders entitled to receive such rights or warrants”, “the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants” and such “Record Date” within the meaning of paragraph 7(c), and
  - (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business on the date fixed for such determination” within the meaning of paragraph 7(a) and any increase or reduction in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.
- (e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock, cash (excluding any cash that is distributed as part of a distribution referred to in paragraph 7(d) hereof), then and in each such case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:
  - (i) The numerator of which shall be equal to the Current Market Price on such Record Date, and

- (ii) the denominator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the aggregate amount of the cash distributed and (y) the number of shares of Common Stock outstanding on the Record Date.

In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (f) In case the Company or any of its Subsidiaries pays holders of the Common Stock in respect of a tender offer or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for shares of Common Stock to the extent that the cash and fair market value of any other consideration included in the payment per share of Common Stock exceeds the Sale Price per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”), then, and in each such case, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction:

- (1) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and
- (2) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time.

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this paragraph 7(f) to any tender offer or exchange offer would result in an increase in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this paragraph 7(f).

- (g) For purposes of this paragraph 7, the following terms shall have the meanings indicated:

“Current Market Price” shall mean the average of the daily Sale Prices per share of Common Stock for the 5 (Five) consecutive Trading Days ending not later than the earlier of the date immediately prior to the date in question and the day before the “ex” date with respect to the issuance, distribution, subdivision or combination requiring such computation. If another issuance, distribution, subdivision or combination to which paragraph 7 applies occurs during the period applicable for calculating “Current Market Price” pursuant to the preceding definition, then “Current Market Price” shall be appropriately adjusted to reflect the impact of such issuance, distribution, subdivision or combination on the Sale Price of the Common Stock during such period. For purposes of this paragraph, the term “ex” date, when used:

- (A) With respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such issuance or distribution;
- (B) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and
- (C) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this paragraph 7, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this paragraph 7 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

- (2) “Fair market value” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.
- (3) “Record Date” shall mean for purposes of this paragraph 7, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

- (h) The Company may make such increases in the Conversion Rate, in addition to those required by paragraph 7(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 (Twenty) days and the increase is irrevocable during the period and the Board of Directors determines in good faith that such increase would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Agent and each Holder at the address of such Holder as it appears in the Register a notice of the increase at least 15 (Fifteen) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

- (i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% (One percent) in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this paragraph 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In the event that, on the date that is five Business Days prior to the maturity of the Notes (whether at Stated Maturity or otherwise), an adjustment has been carried forward pursuant to the preceding sentence but has not yet been taken into account in an adjustment to the Conversion Rate and notwithstanding the first sentence of this paragraph (i), an adjustment to the Conversion Rate will be made on such date in accordance with the relevant paragraph of this paragraph 7. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. No adjustment in the Conversion Rate shall be required if the Holders participate in the transactions that would otherwise lead to an adjustment in the Conversion Rate pursuant to this paragraph 7.
- (j) In any case in which this paragraph 7 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction.

- (k) For purposes of this paragraph 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.
- (l) Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of paragraph 7(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Agent and any Conversion Agent other than the Agent an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail, or cause the Agent to mail, at the Company's expense, such notice to each Holder at the address of such Holder as it appears in the Register within 20 (twenty) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

8. Denominations; Assignment; Transfer; Exchange.

The Notes are in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and whole multiples of US\$1,000. The Registrar may require a Holder, in order to assign, transfer or exchange Notes, among other things, to furnish appropriate endorsements and assignment or transfer documents (in the form of Exhibit B or Exhibit C attached hereto, as applicable) and to pay any taxes and fees required by law. The Registrar need not transfer or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 (Fifteen) days before the mailing of a notice of redemption of Notes to be redeemed.

9. Persons Deemed Owners.

The registered Holder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money or Notes.

The Agent and the Paying Agent shall return to the Company upon written request any money, Notes or shares of Common Stock held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After such return to the Company, Holders entitled to the money or Notes must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

## 11. Amendment; Waiver.

Except as set forth below, (i) this Note may be amended with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. Without the consent of any Holder, the Company and the Agent may amend the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Holder. The foregoing notwithstanding, without the consent of the Holder of this Note, no amendment may be made reducing the principal or the Interest Rate of this Note or extending the Stated Maturity of this Note.

## 12. Defaults and Remedies.

Events of Default include (1) the Company fails to pay when due the principal of any of the Notes at Stated Maturity, upon redemption or otherwise; (2) the Company fails to pay an installment of interest on any of the Notes that continues for 30 (Thirty) days after the date when due; (3) the Company fails to deliver shares of Common Stock, together with cash in lieu of fractional shares, when such Common Stock or cash in lieu of fractional shares is required to be delivered upon conversion of a Note and such failure continues for 10 days after written notice of default is given to the Company by the Agent or to the Company and the Agent by the Holder of such Note; (4) the Company fails to perform or observe any other term, covenant or agreement contained in the Notes for a period of 60 (Sixty) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Agent or to the Company and the Agent by the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes then outstanding (a "Notice of Default"); (5) in the event of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary and (6) the Company's filing of, or any Significant Subsidiaries' filing of, a voluntary petition seeking liquidation, reorganization arrangement, readjustment of debts or for any other relief under the federal bankruptcy code. If an Event of Default (other than an Event of Default specified in clause (5) or (6) of this paragraph 12) occurs and is continuing, the Agent, or the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes at the time outstanding, may declare all the Notes to be due and payable immediately. An Event of Default under clause (5) or (6) of this paragraph 12 will result in the Notes becoming due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce this Note, except with the approval of Holders of a majority in aggregate principal amount of the Notes. The Agent may refuse to enforce the Notes unless it receives reasonable indemnity or security.

13. Subordination.

The payment of principal of and interest on the Notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents (or otherwise to the extent Holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents) of all Senior Indebtedness whether outstanding on the date of this Note or thereafter incurred.

14. Agent Dealings with the Company.

The Agent, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Agent.

15. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. GOVERNING LAW.

THIS NOTE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

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**Exhibit A**

**CONVERSION NOTICE**

To convert this Note into Common Stock of the Company, check the box:

To convert only part of this Note, state the principal amount to be converted (which must be US\$1,000 or an integral multiple of US\$1,000):

US\$\_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

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(Insert other person's social sec. or tax ID no.)

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(Print or type other person's name, address and zip code)

- If you want the stock certificate made out in another person's name, you are required to complete and deliver to the Conversion Agent a duly completed Transfer Certificate which is in the form of Exhibit B to this Note.

**EXHIBIT B**  
**ASSIGNMENT FORM**

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with the transfer of this Note, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of this Note presented or surrendered on the date hereof (the "Surrendered Note") for registration of transfer, or for exchange where the Notes issuable upon such transfer or exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Note for the reason checked below:

- A transfer of the Surrendered Note is made to the Company; or
- The transfer of the Surrendered Note complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Note is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Note is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, the Surrendered Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Notes registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit C**

**Transfer Certificate**

In connection with any transfer (or exchange or conversion as provided below) of any of the Notes, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of the above-captioned Notes presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange or conversion where the Notes or Common Stock issuable upon such exchange or conversion, as the case may be, are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Notes for the reason checked below:

- A transfer of the Surrendered Notes is made to the Company or any Subsidiaries; or
- The transfer of the Surrendered Notes complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Notes is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Notes is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Notes are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

## **Exhibit D**

### **Definitions**

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means the Company until a successor replaces it as agent with respect to the Notes and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of such board.

“Board Resolution” means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Agent.

“Business Day” means each day of the year other than a Saturday or a Sunday on which banking institutions are not required or authorized to close in The City of New York.

“Capital Stock” of any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock or other equity issued by that corporation.

“Common Stock” means the Common Stock, par value US\$0.00001 per share, of the Company as it exists on the date of this Note. Shares issuable on conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“Common stock” means any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer.

“Company” means the party named as the “Company” in the first paragraph of this Note until a successor replaces it pursuant to the applicable provisions of this Note, and, thereafter,

“Company” shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Conversion Agent” means any person authorized by the Company to convert Notes in accordance with Article 10 hereof. On the date of this Note, the Company hereby appoints the Agent as the Conversion Agent.

“Conversion Price” means US\$1,000 divided by the applicable Conversion Rate.

“Conversion Value” for the Notes is equal to the product of (i) the Sale Price per share of the Common Stock on a given day and (ii) the then current Conversion Rate.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Dollar” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Holder” means a person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means, with respect to any person, without duplication:

- (1) all obligations and other liabilities, contingent or otherwise, of such person for borrowed money (including overdrafts) to the extent such obligations and other liabilities would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;
- (2) all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments to the extent such obligations would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP;
- (3) indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

- (4) All obligations and liabilities, contingent or otherwise, in respect of leases of the person required, in conformity with GAAP, to be accounted for as capitalized lease obligations on the consolidated balance sheet of the person;
- (5) all net obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreements, hedge agreements, forward contracts or similar instruments or agreements or foreign currency, hedge, exchange or purchase or similar instruments or agreements;
- (6) all indebtedness referred to in (but not excluded from) the preceding clauses (1) through (5) of other persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on or with respect to property (including, without limitation, accounts and contract rights) owned by the referent person, even though such person has not assumed or become liable for the payment of such indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);
- (7) All guarantees by such person of indebtedness referred to in this definition or of any other person;
- (8) All Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed purchase price plus accrued and unpaid dividends;
- (9) the present value of the obligation of such person as lessee for net rental payments (excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments) during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; and
- (10) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (9) above.

“Interest Payment Date” means the date specified in the Notes as the fixed date on which an installment of interest on the Notes is due and payable.

“Interest Rate” means 5% (Five percent) per annum.

“Issue Date” of any Note means the date on which the Note was originally issued or deemed issued as set forth on the face of the Note.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

“Notes” mean the Company’s convertible Notes due May 3, 2011.

“Officer” means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

“Officers’ Certificate” means a written certificate signed in the name of the Company by any one Officer, and delivered to the Agent

“person” or “Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof, including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business.

“Principal” of a Note means the principal amount due on the Stated Maturity as set forth on the face of the Note.

“Redeemable Capital Stock” means any class of the Company’s Capital Stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed (whether by sinking fund or otherwise) prior to the date that is 91 days after the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such date. Securities at any time prior to such date (unless it is convertible or exchangeable solely at the Company’s option).

“Redemption Date” or “redemption date” means the date specified for redemption of the Notes in accordance with the terms of this Note.

“Redemption Price” or “redemption price” shall have the meaning set forth in paragraph 5 of this Note.

“Regular Record Date” means, with respect to the interest payable on any Interest Payment Date, the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“Rule 144” means Rule 144 under the Securities Act (or any successor provision), as it may be amended from time to time.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Sale Price” as of any date means the closing per share sale price (or if no closing sale price is reported, the average bid price and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date on the Nasdaq National Market or such other principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, the Company will determine the sale price on the basis of such quotations as the Company considers appropriate.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933 (or any successor statute), as amended from time to time.

“Senior Indebtedness” means any Indebtedness of the Company, unless by the terms of the instrument creating or evidencing such Indebtedness, such Indebtedness is expressly designated equal or junior in right of payment to the Notes.

Notwithstanding the foregoing, “Senior Indebtedness” shall not include:

- (a) Indebtedness evidenced by the Notes;
- (b) Indebtedness of the Company that by operation of law is subordinate to any general unsecured obligations of the Company;
- (c) any liability for federal, state or local taxes or other taxes, owed by the Company.
- (d) accounts payable or other liabilities owed or owing by the Company to trade creditors (including guarantees thereof or instruments evidencing such liabilities);
- (e) amounts owed by the Company for compensation to employees or for services rendered to the Company;
- (f) Indebtedness of the Company to any Subsidiary or any other Affiliate of the Company or any of such Affiliate’s Subsidiaries;

- (g) Capital Stock of the Company, including Redeemable Capital Stock; and
- (h) Indebtedness of the Company which, when incurred and without regard to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to the Company.

“Significant Subsidiary” means any Subsidiary that would be, as of the date of the applicable action set forth in this Note, a “significant subsidiary” of the Company within the meaning of Rule 1-02(w) of Regulation S-X promulgated by the SEC.

“Stated Maturity”, when used with respect to any Note, means the date specified in such Note as the fixed date on which the principal of such Note is due and payable.

“Subsidiary” means, with respect to any Person, (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership in which such Person or a Subsidiary of such Person holds a majority interest in the equity capital or profits of such partnership, or (iii) any other entity (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such entity.

“Trading Day” means a day during which trading in securities generally occurs on the Nasdaq National Market or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System, or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (its “possessions” including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

**Exhibit C (12 of 15)**

**Form of Convertible Note**

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF GNCC CAPITAL, INC. (THE "COMPANY") THAT THIS NOTE MAY NOT BE RESOLD, PLEDGED OR OTHERWISE, OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) TO AN INSTITUTIONAL ACCREDITED INVESTOR" AS DEFINED IN RULE 501 (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE AGENT), (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE p 8448455ATES PRIOR TO A TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (6) ABOVE), THE HOLDER OF THIS NOTE MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AND THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AND LEGAL OPINIONS AS THEY MAY REASONABLY REQUIRE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS NOTE OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE EXCEPT AS PERMITTED BY THE SECURITIES ACT.

**GNCC CAPITAL, INC.**

**5% Convertible Notes due 2011**

Issue Date: SEPTEMBER 2, 2010

GNCC CAPITAL, INC., a Delaware Corporation promises to pay to MACY OCEAN ENTERPRISES, INC. or its registered assigns, the principal sum of US\$264,032 (Two hundred and sixty four thousand and thirty two dollars) on September 2, 2011.

This Note shall bear interest as specified in paragraph 1 of this Note. This Note is convertible into shares of common stock as specified in paragraph 7 of this Note at the Conversion Rate.

Additional provisions of this Note are set forth on the following pages of this Note.

**Dated: SEPTEMBER 2, 2010**

**GNCC CAPITAL, INC.**

**By**



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**Name: RONALD Y LOWENTHAL**  
**Title: PRESIDENT**

Capitalized terms used herein but not defined shall have the meanings assigned to them in Exhibit D attached hereto and incorporated by reference herein unless otherwise indicated.

1. Cash Interest.

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an "Interest Payment Date"), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a "Regular Record Date"), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

2. Method of Payment.

The Company will make payments in respect of the principal of, and cash interest on this Note and in respect of Redemption Prices, if any, to Holders who surrender Notes to a Paying Agent to collect such payments in respect of the Notes. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check or wire transfer payable in such money. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day.

3. Paying Agent, Conversion Agent and Registrar.

Initially, the Agent will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar without notice, other than notice to the Agent, which shall initially be an office or agency of the Agent. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

4. The Notes

The Notes are general unsecured subordinated obligations of the Company limited to US\$2,000,000 (Seven million one hundred and eighty four thousand dollars) aggregate principal amount plus any additional accrued interest on these Notes. The Company may incur other Indebtedness, secured or unsecured.

## 5. Optional Redemption.

This Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

## 6. Conversion.

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to US\$1,000 or any integral multiple of US\$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by US\$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

## 7. Adjustment of Conversion Rate

The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

- (a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction:
  - (1) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the total number of shares constituting such dividend or other distribution, and
  - (2) The denominator of which shall be the sum of such number of shares.

Such increase shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this paragraph 7(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock (commonly referred to as a “forward split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock (commonly referred to as a “reverse split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be reduced, in each such case, by multiplying such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination. Such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

- (c) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period of not more than 60 days) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a Conversion Price per share) less than the Current Market Price on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect at the opening of business on the date after such Record Date by a fraction:
- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible), and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate Conversion Price of the convertible securities so offered) would purchase at such Current Market Price.

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors.

- (d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which paragraph 7(a) applies) or evidences of its indebtedness or other assets, including securities, but excluding (1) any rights or warrants referred to in paragraph 7(c) and (3) dividends and distributions paid exclusively in cash referred to in paragraph 7(e) (the securities described in foregoing clauses (1) and (2) hereinafter in this paragraph 7(d) called the “excluded securities”), then, in each such case, subject to the second succeeding paragraph of this paragraph 7(d), the Conversion Rate shall be adjusted so that the same shall be equal to the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction:
- (1) The numerator of which shall be such Current Market Price, and
  - (2) The denominator of which shall be the Current Market Price on such date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) on

Such date of the portion of the securities or other assets so distributed (other than excluded securities) applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date).

Such increase shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the securities so distributed (other than excluded securities) applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of securities so distributed (other than excluded securities) such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph 7(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution (other than excluded securities), it must in doing so consider the prices in such market over the same period (the “Reference Period”) used in computing the Current Market Price pursuant to paragraph 7(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interests of the Holder.

For purposes of this paragraph 7(d) and paragraphs 7(a), 7(b) and 7(c), any dividend or distribution to which this paragraph 7(d) is applicable that also includes shares of Common Stock, a subdivision or combination of Common Stock to which paragraph 7(b) applies, or rights or warrants to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) to which paragraph 7(c) applies (or any combination thereof), shall be deemed instead to be:

- (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which paragraphs 7(a), 7(b) and 7(c) apply, respectively (and any Conversion Rate increase required by this paragraph 7(d) with respect to such dividend or distribution shall then be made), immediately followed by
- (2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by paragraphs 7(a), 7(b) and 7(c) with respect to such dividend or distribution shall then be made), except:
  - (A) the Record Date of such dividend or distribution shall be substituted as (x) “the date fixed for the determination of stockholders entitled to receive such dividend or other distribution”, “Record Date fixed for such determinations” and “Record Date” within the meaning of paragraph 7(a), (y) “the day upon which such subdivision becomes effective” and “the day upon which such combination becomes effective” within the meaning of paragraph 7(b), and (z) as “the date fixed for the determination of stockholders entitled to receive such rights or warrants”, “the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants” and such “Record Date” within the meaning of paragraph 7(c), and
  - (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business on the date fixed for such determination” within the meaning of paragraph 7(a) and any increase or reduction in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.
- (e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock, cash (excluding any cash that is distributed as part of a distribution referred to in paragraph 7(d) hereof), then and in each such case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:
  - (i) The numerator of which shall be equal to the Current Market Price on such Record Date, and

- (ii) the denominator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the aggregate amount of the cash distributed and (y) the number of shares of Common Stock outstanding on the Record Date.

In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (f) In case the Company or any of its Subsidiaries pays holders of the Common Stock in respect of a tender offer or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for shares of Common Stock to the extent that the cash and fair market value of any other consideration included in the payment per share of Common Stock exceeds the Sale Price per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”), then, and in each such case, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction:

- (1) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and
- (2) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time.

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this paragraph 7(f) to any tender offer or exchange offer would result in an increase in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this paragraph 7(f).

- (g) For purposes of this paragraph 7, the following terms shall have the meanings indicated:

“Current Market Price” shall mean the average of the daily Sale Prices per share of Common Stock for the 5 (Five) consecutive Trading Days ending not later than the earlier of the date immediately prior to the date in question and the day before the “ex” date with respect to the issuance, distribution, subdivision or combination requiring such computation. If another issuance, distribution, subdivision or combination to which paragraph 7 applies occurs during the period applicable for calculating “Current Market Price” pursuant to the preceding definition, then “Current Market Price” shall be appropriately adjusted to reflect the impact of such issuance, distribution, subdivision or combination on the Sale Price of the Common Stock during such period. For purposes of this paragraph, the term “ex” date, when used:

- (A) With respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such issuance or distribution;
- (B) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and
- (C) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this paragraph 7, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this paragraph 7 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

- (2) “Fair market value” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.
- (3) “Record Date” shall mean for purposes of this paragraph 7, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

- (h) The Company may make such increases in the Conversion Rate, in addition to those required by paragraph 7(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 (Twenty) days and the increase is irrevocable during the period and the Board of Directors determines in good faith that such increase would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Agent and each Holder at the address of such Holder as it appears in the Register a notice of the increase at least 15 (Fifteen) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

- (i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% (One percent) in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this paragraph 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In the event that, on the date that is five Business Days prior to the maturity of the Notes (whether at Stated Maturity or otherwise), an adjustment has been carried forward pursuant to the preceding sentence but has not yet been taken into account in an adjustment to the Conversion Rate and notwithstanding the first sentence of this paragraph (i), an adjustment to the Conversion Rate will be made on such date in accordance with the relevant paragraph of this paragraph 7. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. No adjustment in the Conversion Rate shall be required if the Holders participate in the transactions that would otherwise lead to an adjustment in the Conversion Rate pursuant to this paragraph 7.
- (j) In any case in which this paragraph 7 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction.

- (k) For purposes of this paragraph 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.
- (l) Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of paragraph 7(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Agent and any Conversion Agent other than the Agent an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail, or cause the Agent to mail, at the Company's expense, such notice to each Holder at the address of such Holder as it appears in the Register within 20 (twenty) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

8. Denominations; Assignment; Transfer; Exchange.

The Notes are in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and whole multiples of US\$1,000. The Registrar may require a Holder, in order to assign, transfer or exchange Notes, among other things, to furnish appropriate endorsements and assignment or transfer documents (in the form of Exhibit B or Exhibit C attached hereto, as applicable) and to pay any taxes and fees required by law. The Registrar need not transfer or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 (Fifteen) days before the mailing of a notice of redemption of Notes to be redeemed.

9. Persons Deemed Owners.

The registered Holder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money or Notes.

The Agent and the Paying Agent shall return to the Company upon written request any money, Notes or shares of Common Stock held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After such return to the Company, Holders entitled to the money or Notes must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

## 11. Amendment; Waiver.

Except as set forth below, (i) this Note may be amended with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. Without the consent of any Holder, the Company and the Agent may amend the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Holder. The foregoing notwithstanding, without the consent of the Holder of this Note, no amendment may be made reducing the principal or the Interest Rate of this Note or extending the Stated Maturity of this Note.

## 12. Defaults and Remedies.

Events of Default include (1) the Company fails to pay when due the principal of any of the Notes at Stated Maturity, upon redemption or otherwise; (2) the Company fails to pay an installment of interest on any of the Notes that continues for 30 (Thirty) days after the date when due; (3) the Company fails to deliver shares of Common Stock, together with cash in lieu of fractional shares, when such Common Stock or cash in lieu of fractional shares is required to be delivered upon conversion of a Note and such failure continues for 10 days after written notice of default is given to the Company by the Agent or to the Company and the Agent by the Holder of such Note; (4) the Company fails to perform or observe any other term, covenant or agreement contained in the Notes for a period of 60 (Sixty) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Agent or to the Company and the Agent by the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes then outstanding (a "Notice of Default"); (5) in the event of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary and (6) the Company's filing of, or any Significant Subsidiaries' filing of, a voluntary petition seeking liquidation, reorganization arrangement, readjustment of debts or for any other relief under the federal bankruptcy code. If an Event of Default (other than an Event of Default specified in clause (5) or (6) of this paragraph 12) occurs and is continuing, the Agent, or the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes at the time outstanding, may declare all the Notes to be due and payable immediately. An Event of Default under clause (5) or (6) of this paragraph 12 will result in the Notes becoming due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce this Note, except with the approval of Holders of a majority in aggregate principal amount of the Notes. The Agent may refuse to enforce the Notes unless it receives reasonable indemnity or security.

13. Subordination.

The payment of principal of and interest on the Notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents (or otherwise to the extent Holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents) of all Senior Indebtedness whether outstanding on the date of this Note or thereafter incurred.

14. Agent Dealings with the Company.

The Agent, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Agent.

15. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. GOVERNING LAW.

THIS NOTE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

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**Exhibit A**

**CONVERSION NOTICE**

To convert this Note into Common Stock of the Company, check the box:

To convert only part of this Note, state the principal amount to be converted (which must be US\$1,000 or an integral multiple of US\$1,000):

US\$\_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

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(Insert other person's social sec. or tax ID no.)

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(Print or type other person's name, address and zip code)

- If you want the stock certificate made out in another person's name, you are required to complete and deliver to the Conversion Agent a duly completed Transfer Certificate which is in the form of Exhibit B to this Note.

**EXHIBIT B**  
**ASSIGNMENT FORM**

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with the transfer of this Note, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of this Note presented or surrendered on the date hereof (the "Surrendered Note") for registration of transfer, or for exchange where the Notes issuable upon such transfer or exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Note for the reason checked below:

- A transfer of the Surrendered Note is made to the Company; or
- The transfer of the Surrendered Note complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Note is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Note is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, the Surrendered Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Notes registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit C**

**Transfer Certificate**

In connection with any transfer (or exchange or conversion as provided below) of any of the Notes, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of the above-captioned Notes presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange or conversion where the Notes or Common Stock issuable upon such exchange or conversion, as the case may be, are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Notes for the reason checked below:

- A transfer of the Surrendered Notes is made to the Company or any Subsidiaries; or
- The transfer of the Surrendered Notes complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Notes is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Notes is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Notes are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

## **Exhibit D**

### **Definitions**

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means the Company until a successor replaces it as agent with respect to the Notes and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of such board.

“Board Resolution” means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Agent.

“Business Day” means each day of the year other than a Saturday or a Sunday on which banking institutions are not required or authorized to close in The City of New York.

“Capital Stock” of any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock or other equity issued by that corporation.

“Common Stock” means the Common Stock, par value US\$0.00001 per share, of the Company as it exists on the date of this Note. Shares issuable on conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“Common stock” means any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer.

“Company” means the party named as the “Company” in the first paragraph of this Note until a successor replaces it pursuant to the applicable provisions of this Note, and, thereafter,

“Company” shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Conversion Agent” means any person authorized by the Company to convert Notes in accordance with Article 10 hereof. On the date of this Note, the Company hereby appoints the Agent as the Conversion Agent.

“Conversion Price” means US\$1,000 divided by the applicable Conversion Rate.

“Conversion Value” for the Notes is equal to the product of (i) the Sale Price per share of the Common Stock on a given day and (ii) the then current Conversion Rate.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Dollar” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Holder” means a person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means, with respect to any person, without duplication:

- (1) all obligations and other liabilities, contingent or otherwise, of such person for borrowed money (including overdrafts) to the extent such obligations and other liabilities would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;
- (2) all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments to the extent such obligations would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP;
- (3) indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

- (4) All obligations and liabilities, contingent or otherwise, in respect of leases of the person required, in conformity with GAAP, to be accounted for as capitalized lease obligations on the consolidated balance sheet of the person;
- (5) all net obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreements, hedge agreements, forward contracts or similar instruments or agreements or foreign currency, hedge, exchange or purchase or similar instruments or agreements;
- (6) all indebtedness referred to in (but not excluded from) the preceding clauses (1) through (5) of other persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on or with respect to property (including, without limitation, accounts and contract rights) owned by the referent person, even though such person has not assumed or become liable for the payment of such indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);
- (7) All guarantees by such person of indebtedness referred to in this definition or of any other person;
- (8) All Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed purchase price plus accrued and unpaid dividends;
- (9) the present value of the obligation of such person as lessee for net rental payments (excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments) during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; and
- (10) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (9) above.

“Interest Payment Date” means the date specified in the Notes as the fixed date on which an installment of interest on the Notes is due and payable.

“Interest Rate” means 5% (Five percent) per annum.

“Issue Date” of any Note means the date on which the Note was originally issued or deemed issued as set forth on the face of the Note.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

“Notes” mean the Company’s convertible Notes due May 3, 2011.

“Officer” means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

“Officers’ Certificate” means a written certificate signed in the name of the Company by any one Officer, and delivered to the Agent

“person” or “Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof, including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business.

“Principal” of a Note means the principal amount due on the Stated Maturity as set forth on the face of the Note.

“Redeemable Capital Stock” means any class of the Company’s Capital Stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed (whether by sinking fund or otherwise) prior to the date that is 91 days after the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such date. Securities at any time prior to such date (unless it is convertible or exchangeable solely at the Company’s option).

“Redemption Date” or “redemption date” means the date specified for redemption of the Notes in accordance with the terms of this Note.

“Redemption Price” or “redemption price” shall have the meaning set forth in paragraph 5 of this Note.

“Regular Record Date” means, with respect to the interest payable on any Interest Payment Date, the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“Rule 144” means Rule 144 under the Securities Act (or any successor provision), as it may be amended from time to time.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Sale Price” as of any date means the closing per share sale price (or if no closing sale price is reported, the average bid price and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date on the Nasdaq National Market or such other principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, the Company will determine the sale price on the basis of such quotations as the Company considers appropriate.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933 (or any successor statute), as amended from time to time.

“Senior Indebtedness” means any Indebtedness of the Company, unless by the terms of the instrument creating or evidencing such Indebtedness, such Indebtedness is expressly designated equal or junior in right of payment to the Notes.

Notwithstanding the foregoing, “Senior Indebtedness” shall not include:

- (a) Indebtedness evidenced by the Notes;
- (b) Indebtedness of the Company that by operation of law is subordinate to any general unsecured obligations of the Company;
- (c) any liability for federal, state or local taxes or other taxes, owed by the Company.
- (d) accounts payable or other liabilities owed or owing by the Company to trade creditors (including guarantees thereof or instruments evidencing such liabilities);
- (e) amounts owed by the Company for compensation to employees or for services rendered to the Company;
- (f) Indebtedness of the Company to any Subsidiary or any other Affiliate of the Company or any of such Affiliate’s Subsidiaries;

- (g) Capital Stock of the Company, including Redeemable Capital Stock; and
- (h) Indebtedness of the Company which, when incurred and without regard to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to the Company.

“Significant Subsidiary” means any Subsidiary that would be, as of the date of the applicable action set forth in this Note, a “significant subsidiary” of the Company within the meaning of Rule 1-02(w) of Regulation S-X promulgated by the SEC.

“Stated Maturity”, when used with respect to any Note, means the date specified in such Note as the fixed date on which the principal of such Note is due and payable.

“Subsidiary” means, with respect to any Person, (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership in which such Person or a Subsidiary of such Person holds a majority interest in the equity capital or profits of such partnership, or (iii) any other entity (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such entity.

“Trading Day” means a day during which trading in securities generally occurs on the Nasdaq National Market or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System, or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (its “possessions” including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

**Exhibit C (13 of 15)**

**Form of Convertible Note**

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF GNCC CAPITAL, INC. (THE "COMPANY") THAT THIS NOTE MAY NOT BE RESOLD, PLEDGED OR OTHERWISE, OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) TO AN INSTITUTIONAL ACCREDITED INVESTOR" AS DEFINED IN RULE 501 (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE AGENT), (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES PRIOR TO A TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (6) ABOVE), THE HOLDER OF THIS NOTE MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AND THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AND LEGAL OPINIONS AS THEY MAY REASONABLY REQUIRE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS NOTE OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE EXCEPT AS PERMITTED BY THE SECURITIES ACT.

**GNCC CAPITAL, INC.**

**5% Convertible Notes due 2011**

Issue Date: SEPTEMBER 2, 2010

GNCC CAPITAL, INC., a Delaware Corporation promises to pay to NEUTRAL BAY INVESTMENTS, S.A. or its registered assigns, the principal sum of US\$297,036 (Two hundred and ninety seven thousand and thirty six dollars) on September 2, 2011.

This Note shall bear interest as specified in paragraph 1 of this Note. This Note is convertible into shares of common stock as specified in paragraph 7 of this Note at the Conversion Rate.

Additional provisions of this Note are set forth on the following pages of this Note.

**Dated: SEPTEMBER 2, 2010**

**GNCC CAPITAL, INC.**

**By**



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**Name: RONALD Y LOWENTHAL**  
**Title: PRESIDENT**

Capitalized terms used herein but not defined shall have the meanings assigned to them in Exhibit D attached hereto and incorporated by reference herein unless otherwise indicated.

1. Cash Interest.

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an "Interest Payment Date"), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a "Regular Record Date"), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

2. Method of Payment.

The Company will make payments in respect of the principal of, and cash interest on this Note and in respect of Redemption Prices, if any, to Holders who surrender Notes to a Paying Agent to collect such payments in respect of the Notes. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check or wire transfer payable in such money. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day.

3. Paying Agent, Conversion Agent and Registrar.

Initially, the Agent will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar without notice, other than notice to the Agent, which shall initially be an office or agency of the Agent. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

4. The Notes

The Notes are general unsecured subordinated obligations of the Company limited to US\$2,000,000 (Seven million one hundred and eighty four thousand dollars) aggregate principal amount plus any additional accrued interest on these Notes. The Company may incur other Indebtedness, secured or unsecured.

## 5. Optional Redemption.

This Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

## 6. Conversion.

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to US\$1,000 or any integral multiple of US\$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by US\$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

## 7. Adjustment of Conversion Rate

The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

- (a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction:
  - (1) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the total number of shares constituting such dividend or other distribution, and
  - (2) The denominator of which shall be the sum of such number of shares.

Such increase shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this paragraph 7(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock (commonly referred to as a “forward split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock (commonly referred to as a “reverse split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be reduced, in each such case, by multiplying such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination. Such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

- (c) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period of not more than 60 days) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a Conversion Price per share) less than the Current Market Price on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect at the opening of business on the date after such Record Date by a fraction:
- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible), and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate Conversion Price of the convertible securities so offered) would purchase at such Current Market Price.

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors.

- (d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which paragraph 7(a) applies) or evidences of its indebtedness or other assets, including securities, but excluding (1) any rights or warrants referred to in paragraph 7(c) and (3) dividends and distributions paid exclusively in cash referred to in paragraph 7(e) (the securities described in foregoing clauses (1) and (2) hereinafter in this paragraph 7(d) called the “excluded securities”), then, in each such case, subject to the second succeeding paragraph of this paragraph 7(d), the Conversion Rate shall be adjusted so that the same shall be equal to the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction:
- (1) The numerator of which shall be such Current Market Price, and
  - (2) The denominator of which shall be the Current Market Price on such date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) on

Such date of the portion of the securities or other assets so distributed (other than excluded securities) applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date).

Such increase shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the securities so distributed (other than excluded securities) applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of securities so distributed (other than excluded securities) such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph 7(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution (other than excluded securities), it must in doing so consider the prices in such market over the same period (the “Reference Period”) used in computing the Current Market Price pursuant to paragraph 7(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interests of the Holder.

For purposes of this paragraph 7(d) and paragraphs 7(a), 7(b) and 7(c), any dividend or distribution to which this paragraph 7(d) is applicable that also includes shares of Common Stock, a subdivision or combination of Common Stock to which paragraph 7(b) applies, or rights or warrants to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) to which paragraph 7(c) applies (or any combination thereof), shall be deemed instead to be:

- (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which paragraphs 7(a), 7(b) and 7(c) apply, respectively (and any Conversion Rate increase required by this paragraph 7(d) with respect to such dividend or distribution shall then be made), immediately followed by
- (2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by paragraphs 7(a), 7(b) and 7(c) with respect to such dividend or distribution shall then be made), except:
  - (A) the Record Date of such dividend or distribution shall be substituted as (x) “the date fixed for the determination of stockholders entitled to receive such dividend or other distribution”, “Record Date fixed for such determinations” and “Record Date” within the meaning of paragraph 7(a), (y) “the day upon which such subdivision becomes effective” and “the day upon which such combination becomes effective” within the meaning of paragraph 7(b), and (z) as “the date fixed for the determination of stockholders entitled to receive such rights or warrants”, “the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants” and such “Record Date” within the meaning of paragraph 7(c), and
  - (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business on the date fixed for such determination” within the meaning of paragraph 7(a) and any increase or reduction in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.
- (e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock, cash (excluding any cash that is distributed as part of a distribution referred to in paragraph 7(d) hereof), then and in each such case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:
  - (i) The numerator of which shall be equal to the Current Market Price on such Record Date, and

- (ii) the denominator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the aggregate amount of the cash distributed and (y) the number of shares of Common Stock outstanding on the Record Date.

In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (f) In case the Company or any of its Subsidiaries pays holders of the Common Stock in respect of a tender offer or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for shares of Common Stock to the extent that the cash and fair market value of any other consideration included in the payment per share of Common Stock exceeds the Sale Price per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”), then, and in each such case, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction:

- (1) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and
- (2) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time.

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this paragraph 7(f) to any tender offer or exchange offer would result in an increase in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this paragraph 7(f).

- (g) For purposes of this paragraph 7, the following terms shall have the meanings indicated:

“Current Market Price” shall mean the average of the daily Sale Prices per share of Common Stock for the 5 (Five) consecutive Trading Days ending not later than the earlier of the date immediately prior to the date in question and the day before the “ex” date with respect to the issuance, distribution, subdivision or combination requiring such computation. If another issuance, distribution, subdivision or combination to which paragraph 7 applies occurs during the period applicable for calculating “Current Market Price” pursuant to the preceding definition, then “Current Market Price” shall be appropriately adjusted to reflect the impact of such issuance, distribution, subdivision or combination on the Sale Price of the Common Stock during such period. For purposes of this paragraph, the term “ex” date, when used:

- (A) With respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such issuance or distribution;
- (B) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and
- (C) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this paragraph 7, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this paragraph 7 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

- (2) “Fair market value” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.
- (3) “Record Date” shall mean for purposes of this paragraph 7, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

- (h) The Company may make such increases in the Conversion Rate, in addition to those required by paragraph 7(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 (Twenty) days and the increase is irrevocable during the period and the Board of Directors determines in good faith that such increase would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Agent and each Holder at the address of such Holder as it appears in the Register a notice of the increase at least 15 (Fifteen) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

- (i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% (One percent) in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this paragraph 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In the event that, on the date that is five Business Days prior to the maturity of the Notes (whether at Stated Maturity or otherwise), an adjustment has been carried forward pursuant to the preceding sentence but has not yet been taken into account in an adjustment to the Conversion Rate and notwithstanding the first sentence of this paragraph (i), an adjustment to the Conversion Rate will be made on such date in accordance with the relevant paragraph of this paragraph 7. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. No adjustment in the Conversion Rate shall be required if the Holders participate in the transactions that would otherwise lead to an adjustment in the Conversion Rate pursuant to this paragraph 7.
- (j) In any case in which this paragraph 7 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction.

- (k) For purposes of this paragraph 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.
- (l) Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of paragraph 7(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Agent and any Conversion Agent other than the Agent an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail, or cause the Agent to mail, at the Company's expense, such notice to each Holder at the address of such Holder as it appears in the Register within 20 (twenty) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

8. Denominations; Assignment; Transfer; Exchange.

The Notes are in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and whole multiples of US\$1,000. The Registrar may require a Holder, in order to assign, transfer or exchange Notes, among other things, to furnish appropriate endorsements and assignment or transfer documents (in the form of Exhibit B or Exhibit C attached hereto, as applicable) and to pay any taxes and fees required by law. The Registrar need not transfer or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 (Fifteen) days before the mailing of a notice of redemption of Notes to be redeemed.

9. Persons Deemed Owners.

The registered Holder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money or Notes.

The Agent and the Paying Agent shall return to the Company upon written request any money, Notes or shares of Common Stock held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After such return to the Company, Holders entitled to the money or Notes must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

## 11. Amendment; Waiver.

Except as set forth below, (i) this Note may be amended with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. Without the consent of any Holder, the Company and the Agent may amend the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Holder. The foregoing notwithstanding, without the consent of the Holder of this Note, no amendment may be made reducing the principal or the Interest Rate of this Note or extending the Stated Maturity of this Note.

## 12. Defaults and Remedies.

Events of Default include (1) the Company fails to pay when due the principal of any of the Notes at Stated Maturity, upon redemption or otherwise; (2) the Company fails to pay an installment of interest on any of the Notes that continues for 30 (Thirty) days after the date when due; (3) the Company fails to deliver shares of Common Stock, together with cash in lieu of fractional shares, when such Common Stock or cash in lieu of fractional shares is required to be delivered upon conversion of a Note and such failure continues for 10 days after written notice of default is given to the Company by the Agent or to the Company and the Agent by the Holder of such Note; (4) the Company fails to perform or observe any other term, covenant or agreement contained in the Notes for a period of 60 (Sixty) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Agent or to the Company and the Agent by the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes then outstanding (a "Notice of Default"); (5) in the event of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary and (6) the Company's filing of, or any Significant Subsidiaries' filing of, a voluntary petition seeking liquidation, reorganization arrangement, readjustment of debts or for any other relief under the federal bankruptcy code. If an Event of Default (other than an Event of Default specified in clause (5) or (6) of this paragraph 12) occurs and is continuing, the Agent, or the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes at the time outstanding, may declare all the Notes to be due and payable immediately. An Event of Default under clause (5) or (6) of this paragraph 12 will result in the Notes becoming due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce this Note, except with the approval of Holders of a majority in aggregate principal amount of the Notes. The Agent may refuse to enforce the Notes unless it receives reasonable indemnity or security.

13. Subordination.

The payment of principal of and interest on the Notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents (or otherwise to the extent Holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents) of all Senior Indebtedness whether outstanding on the date of this Note or thereafter incurred.

14. Agent Dealings with the Company.

The Agent, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Agent.

15. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. GOVERNING LAW.

THIS NOTE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

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**Exhibit A**

**CONVERSION NOTICE**

To convert this Note into Common Stock of the Company, check the box:

To convert only part of this Note, state the principal amount to be converted (which must be US\$1,000 or an integral multiple of US\$1,000):

US\$\_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

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(Insert other person's social sec. or tax ID no.)

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(Print or type other person's name, address and zip code)

- If you want the stock certificate made out in another person's name, you are required to complete and deliver to the Conversion Agent a duly completed Transfer Certificate which is in the form of Exhibit B to this Note.

**EXHIBIT B**  
**ASSIGNMENT FORM**

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with the transfer of this Note, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of this Note presented or surrendered on the date hereof (the "Surrendered Note") for registration of transfer, or for exchange where the Notes issuable upon such transfer or exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Note for the reason checked below:

- A transfer of the Surrendered Note is made to the Company; or
- The transfer of the Surrendered Note complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Note is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Note is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, the Surrendered Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Notes registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit C**

**Transfer Certificate**

In connection with any transfer (or exchange or conversion as provided below) of any of the Notes, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of the above-captioned Notes presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange or conversion where the Notes or Common Stock issuable upon such exchange or conversion, as the case may be, are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Notes for the reason checked below:

- A transfer of the Surrendered Notes is made to the Company or any Subsidiaries; or
- The transfer of the Surrendered Notes complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Notes is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Notes is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Notes are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

## **Exhibit D**

### **Definitions**

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means the Company until a successor replaces it as agent with respect to the Notes and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of such board.

“Board Resolution” means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Agent.

“Business Day” means each day of the year other than a Saturday or a Sunday on which banking institutions are not required or authorized to close in The City of New York.

“Capital Stock” of any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock or other equity issued by that corporation.

“Common Stock” means the Common Stock, par value US\$0.00001 per share, of the Company as it exists on the date of this Note. Shares issuable on conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“Common stock” means any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer.

“Company” means the party named as the “Company” in the first paragraph of this Note until a successor replaces it pursuant to the applicable provisions of this Note, and, thereafter,

“Company” shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Conversion Agent” means any person authorized by the Company to convert Notes in accordance with Article 10 hereof. On the date of this Note, the Company hereby appoints the Agent as the Conversion Agent.

“Conversion Price” means US\$1,000 divided by the applicable Conversion Rate.

“Conversion Value” for the Notes is equal to the product of (i) the Sale Price per share of the Common Stock on a given day and (ii) the then current Conversion Rate.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Dollar” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Holder” means a person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means, with respect to any person, without duplication:

- (1) all obligations and other liabilities, contingent or otherwise, of such person for borrowed money (including overdrafts) to the extent such obligations and other liabilities would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;
- (2) all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments to the extent such obligations would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP;
- (3) indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

- (4) All obligations and liabilities, contingent or otherwise, in respect of leases of the person required, in conformity with GAAP, to be accounted for as capitalized lease obligations on the consolidated balance sheet of the person;
- (5) all net obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreements, hedge agreements, forward contracts or similar instruments or agreements or foreign currency, hedge, exchange or purchase or similar instruments or agreements;
- (6) all indebtedness referred to in (but not excluded from) the preceding clauses (1) through (5) of other persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on or with respect to property (including, without limitation, accounts and contract rights) owned by the referent person, even though such person has not assumed or become liable for the payment of such indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);
- (7) All guarantees by such person of indebtedness referred to in this definition or of any other person;
- (8) All Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed purchase price plus accrued and unpaid dividends;
- (9) the present value of the obligation of such person as lessee for net rental payments (excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments) during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; and
- (10) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (9) above.

“Interest Payment Date” means the date specified in the Notes as the fixed date on which an installment of interest on the Notes is due and payable.

“Interest Rate” means 5% (Five percent) per annum.

“Issue Date” of any Note means the date on which the Note was originally issued or deemed issued as set forth on the face of the Note.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

“Notes” mean the Company’s convertible Notes due May 3, 2011.

“Officer” means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

“Officers’ Certificate” means a written certificate signed in the name of the Company by any one Officer, and delivered to the Agent

“person” or “Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof, including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business.

“Principal” of a Note means the principal amount due on the Stated Maturity as set forth on the face of the Note.

“Redeemable Capital Stock” means any class of the Company’s Capital Stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed (whether by sinking fund or otherwise) prior to the date that is 91 days after the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such date. Securities at any time prior to such date (unless it is convertible or exchangeable solely at the Company’s option).

“Redemption Date” or “redemption date” means the date specified for redemption of the Notes in accordance with the terms of this Note.

“Redemption Price” or “redemption price” shall have the meaning set forth in paragraph 5 of this Note.

“Regular Record Date” means, with respect to the interest payable on any Interest Payment Date, the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“Rule 144” means Rule 144 under the Securities Act (or any successor provision), as it may be amended from time to time.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Sale Price” as of any date means the closing per share sale price (or if no closing sale price is reported, the average bid price and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date on the Nasdaq National Market or such other principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, the Company will determine the sale price on the basis of such quotations as the Company considers appropriate.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933 (or any successor statute), as amended from time to time.

“Senior Indebtedness” means any Indebtedness of the Company, unless by the terms of the instrument creating or evidencing such Indebtedness, such Indebtedness is expressly designated equal or junior in right of payment to the Notes.

Notwithstanding the foregoing, “Senior Indebtedness” shall not include:

- (a) Indebtedness evidenced by the Notes;
- (b) Indebtedness of the Company that by operation of law is subordinate to any general unsecured obligations of the Company;
- (c) any liability for federal, state or local taxes or other taxes, owed by the Company.
- (d) accounts payable or other liabilities owed or owing by the Company to trade creditors (including guarantees thereof or instruments evidencing such liabilities);
- (e) amounts owed by the Company for compensation to employees or for services rendered to the Company;
- (f) Indebtedness of the Company to any Subsidiary or any other Affiliate of the Company or any of such Affiliate’s Subsidiaries;

- (g) Capital Stock of the Company, including Redeemable Capital Stock; and
- (h) Indebtedness of the Company which, when incurred and without regard to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to the Company.

“Significant Subsidiary” means any Subsidiary that would be, as of the date of the applicable action set forth in this Note, a “significant subsidiary” of the Company within the meaning of Rule 1-02(w) of Regulation S-X promulgated by the SEC.

“Stated Maturity”, when used with respect to any Note, means the date specified in such Note as the fixed date on which the principal of such Note is due and payable.

“Subsidiary” means, with respect to any Person, (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership in which such Person or a Subsidiary of such Person holds a majority interest in the equity capital or profits of such partnership, or (iii) any other entity (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such entity.

“Trading Day” means a day during which trading in securities generally occurs on the Nasdaq National Market or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System, or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (its “possessions” including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

**Exhibit C (14 of 15)**

**Form of Convertible Note**

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF GNCC CAPITAL, INC. (THE "COMPANY") THAT THIS NOTE MAY NOT BE RESOLD, PLEDGED OR OTHERWISE, OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) TO AN INSTITUTIONAL ACCREDITED INVESTOR" AS DEFINED IN RULE 501 (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE AGENT), (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES PRIOR TO A TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (6) ABOVE), THE HOLDER OF THIS NOTE MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AND THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AND LEGAL OPINIONS AS THEY MAY REASONABLY REQUIRE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS NOTE OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE EXCEPT AS PERMITTED BY THE SECURITIES ACT.

**GNCC CAPITAL, INC.**

**5% Convertible Notes due 2011**

Issue Date: SEPTEMBER 2, 2010

GNCC CAPITAL, INC., a Delaware Corporation promises to pay to DIAMOND PEAK RESOURCE CORPORATION or its registered assigns, the principal sum of US\$297,036 (Two hundred and ninety seven thousand and thirty six dollars) on September 2, 2011.

This Note shall bear interest as specified in paragraph 1 of this Note. This Note is convertible into shares of common stock as specified in paragraph 7 of this Note at the Conversion Rate.

Additional provisions of this Note are set forth on the following pages of this Note.

**Dated: SEPTEMBER 2, 2010**

**GNCC CAPITAL, INC.**

**By**



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**Name: RONALD Y LOWENTHAL**  
**Title: PRESIDENT**

Capitalized terms used herein but not defined shall have the meanings assigned to them in Exhibit D attached hereto and incorporated by reference herein unless otherwise indicated.

1. Cash Interest.

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an “Interest Payment Date”), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a “Regular Record Date”), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

2. Method of Payment.

The Company will make payments in respect of the principal of, and cash interest on this Note and in respect of Redemption Prices, if any, to Holders who surrender Notes to a Paying Agent to collect such payments in respect of the Notes. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check or wire transfer payable in such money. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day.

3. Paying Agent, Conversion Agent and Registrar.

Initially, the Agent will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar without notice, other than notice to the Agent, which shall initially be an office or agency of the Agent. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

4. The Notes

The Notes are general unsecured subordinated obligations of the Company limited to US\$2,000,000 (Seven million one hundred and eighty four thousand dollars) aggregate principal amount plus any additional accrued interest on these Notes. The Company may incur other Indebtedness, secured or unsecured.

## 5. Optional Redemption.

This Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

## 6. Conversion.

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to US\$1,000 or any integral multiple of US\$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by US\$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

## 7. Adjustment of Conversion Rate

The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

- (a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction:
  - (1) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the total number of shares constituting such dividend or other distribution, and
  - (2) The denominator of which shall be the sum of such number of shares.

Such increase shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this paragraph 7(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock (commonly referred to as a “forward split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock (commonly referred to as a “reverse split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be reduced, in each such case, by multiplying such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination. Such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

- (c) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period of not more than 60 days) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a Conversion Price per share) less than the Current Market Price on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect at the opening of business on the date after such Record Date by a fraction:
- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible), and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate Conversion Price of the convertible securities so offered) would purchase at such Current Market Price.

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors.

- (d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which paragraph 7(a) applies) or evidences of its indebtedness or other assets, including securities, but excluding (1) any rights or warrants referred to in paragraph 7(c) and (3) dividends and distributions paid exclusively in cash referred to in paragraph 7(e) (the securities described in foregoing clauses (1) and (2) hereinafter in this paragraph 7(d) called the “excluded securities”), then, in each such case, subject to the second succeeding paragraph of this paragraph 7(d), the Conversion Rate shall be adjusted so that the same shall be equal to the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction:
- (1) The numerator of which shall be such Current Market Price, and
  - (2) The denominator of which shall be the Current Market Price on such date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) on

Such date of the portion of the securities or other assets so distributed (other than excluded securities) applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date).

Such increase shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the securities so distributed (other than excluded securities) applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of securities so distributed (other than excluded securities) such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph 7(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution (other than excluded securities), it must in doing so consider the prices in such market over the same period (the “Reference Period”) used in computing the Current Market Price pursuant to paragraph 7(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interests of the Holder.

For purposes of this paragraph 7(d) and paragraphs 7(a), 7(b) and 7(c), any dividend or distribution to which this paragraph 7(d) is applicable that also includes shares of Common Stock, a subdivision or combination of Common Stock to which paragraph 7(b) applies, or rights or warrants to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) to which paragraph 7(c) applies (or any combination thereof), shall be deemed instead to be:

- (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which paragraphs 7(a), 7(b) and 7(c) apply, respectively (and any Conversion Rate increase required by this paragraph 7(d) with respect to such dividend or distribution shall then be made), immediately followed by
- (2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by paragraphs 7(a), 7(b) and 7(c) with respect to such dividend or distribution shall then be made), except:
  - (A) the Record Date of such dividend or distribution shall be substituted as (x) “the date fixed for the determination of stockholders entitled to receive such dividend or other distribution”, “Record Date fixed for such determinations” and “Record Date” within the meaning of paragraph 7(a), (y) “the day upon which such subdivision becomes effective” and “the day upon which such combination becomes effective” within the meaning of paragraph 7(b), and (z) as “the date fixed for the determination of stockholders entitled to receive such rights or warrants”, “the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants” and such “Record Date” within the meaning of paragraph 7(c), and
  - (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business on the date fixed for such determination” within the meaning of paragraph 7(a) and any increase or reduction in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.
- (e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock, cash (excluding any cash that is distributed as part of a distribution referred to in paragraph 7(d) hereof), then and in each such case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:
  - (i) The numerator of which shall be equal to the Current Market Price on such Record Date, and

- (ii) the denominator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the aggregate amount of the cash distributed and (y) the number of shares of Common Stock outstanding on the Record Date.

In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (f) In case the Company or any of its Subsidiaries pays holders of the Common Stock in respect of a tender offer or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for shares of Common Stock to the extent that the cash and fair market value of any other consideration included in the payment per share of Common Stock exceeds the Sale Price per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”), then, and in each such case, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction:

- (1) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and
- (2) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time.

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this paragraph 7(f) to any tender offer or exchange offer would result in an increase in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this paragraph 7(f).

- (g) For purposes of this paragraph 7, the following terms shall have the meanings indicated:

“Current Market Price” shall mean the average of the daily Sale Prices per share of Common Stock for the 5 (Five) consecutive Trading Days ending not later than the earlier of the date immediately prior to the date in question and the day before the “ex” date with respect to the issuance, distribution, subdivision or combination requiring such computation. If another issuance, distribution, subdivision or combination to which paragraph 7 applies occurs during the period applicable for calculating “Current Market Price” pursuant to the preceding definition, then “Current Market Price” shall be appropriately adjusted to reflect the impact of such issuance, distribution, subdivision or combination on the Sale Price of the Common Stock during such period. For purposes of this paragraph, the term “ex” date, when used:

- (A) With respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such issuance or distribution;
- (B) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and
- (C) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this paragraph 7, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this paragraph 7 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

- (2) “Fair market value” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.
- (3) “Record Date” shall mean for purposes of this paragraph 7, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

- (h) The Company may make such increases in the Conversion Rate, in addition to those required by paragraph 7(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 (Twenty) days and the increase is irrevocable during the period and the Board of Directors determines in good faith that such increase would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Agent and each Holder at the address of such Holder as it appears in the Register a notice of the increase at least 15 (Fifteen) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

- (i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% (One percent) in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this paragraph 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In the event that, on the date that is five Business Days prior to the maturity of the Notes (whether at Stated Maturity or otherwise), an adjustment has been carried forward pursuant to the preceding sentence but has not yet been taken into account in an adjustment to the Conversion Rate and notwithstanding the first sentence of this paragraph (i), an adjustment to the Conversion Rate will be made on such date in accordance with the relevant paragraph of this paragraph 7. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. No adjustment in the Conversion Rate shall be required if the Holders participate in the transactions that would otherwise lead to an adjustment in the Conversion Rate pursuant to this paragraph 7.
- (j) In any case in which this paragraph 7 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction.

- (k) For purposes of this paragraph 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.
- (l) Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of paragraph 7(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Agent and any Conversion Agent other than the Agent an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail, or cause the Agent to mail, at the Company's expense, such notice to each Holder at the address of such Holder as it appears in the Register within 20 (twenty) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

8. Denominations; Assignment; Transfer; Exchange.

The Notes are in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and whole multiples of US\$1,000. The Registrar may require a Holder, in order to assign, transfer or exchange Notes, among other things, to furnish appropriate endorsements and assignment or transfer documents (in the form of Exhibit B or Exhibit C attached hereto, as applicable) and to pay any taxes and fees required by law. The Registrar need not transfer or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 (Fifteen) days before the mailing of a notice of redemption of Notes to be redeemed.

9. Persons Deemed Owners.

The registered Holder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money or Notes.

The Agent and the Paying Agent shall return to the Company upon written request any money, Notes or shares of Common Stock held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After such return to the Company, Holders entitled to the money or Notes must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

## 11. Amendment; Waiver.

Except as set forth below, (i) this Note may be amended with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. Without the consent of any Holder, the Company and the Agent may amend the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Holder. The foregoing notwithstanding, without the consent of the Holder of this Note, no amendment may be made reducing the principal or the Interest Rate of this Note or extending the Stated Maturity of this Note.

## 12. Defaults and Remedies.

Events of Default include (1) the Company fails to pay when due the principal of any of the Notes at Stated Maturity, upon redemption or otherwise; (2) the Company fails to pay an installment of interest on any of the Notes that continues for 30 (Thirty) days after the date when due; (3) the Company fails to deliver shares of Common Stock, together with cash in lieu of fractional shares, when such Common Stock or cash in lieu of fractional shares is required to be delivered upon conversion of a Note and such failure continues for 10 days after written notice of default is given to the Company by the Agent or to the Company and the Agent by the Holder of such Note; (4) the Company fails to perform or observe any other term, covenant or agreement contained in the Notes for a period of 60 (Sixty) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Agent or to the Company and the Agent by the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes then outstanding (a "Notice of Default"); (5) in the event of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary and (6) the Company's filing of, or any Significant Subsidiaries' filing of, a voluntary petition seeking liquidation, reorganization arrangement, readjustment of debts or for any other relief under the federal bankruptcy code. If an Event of Default (other than an Event of Default specified in clause (5) or (6) of this paragraph 12) occurs and is continuing, the Agent, or the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes at the time outstanding, may declare all the Notes to be due and payable immediately. An Event of Default under clause (5) or (6) of this paragraph 12 will result in the Notes becoming due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce this Note, except with the approval of Holders of a majority in aggregate principal amount of the Notes. The Agent may refuse to enforce the Notes unless it receives reasonable indemnity or security.

13. Subordination.

The payment of principal of and interest on the Notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents (or otherwise to the extent Holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents) of all Senior Indebtedness whether outstanding on the date of this Note or thereafter incurred.

14. Agent Dealings with the Company.

The Agent, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Agent.

15. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. GOVERNING LAW.

THIS NOTE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

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**Exhibit A**

**CONVERSION NOTICE**

To convert this Note into Common Stock of the Company, check the box:

To convert only part of this Note, state the principal amount to be converted (which must be US\$1,000 or an integral multiple of US\$1,000):

US\$\_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

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(Insert other person's social sec. or tax ID no.)

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(Print or type other person's name, address and zip code)

- If you want the stock certificate made out in another person's name, you are required to complete and deliver to the Conversion Agent a duly completed Transfer Certificate which is in the form of Exhibit B to this Note.

**EXHIBIT B**  
**ASSIGNMENT FORM**

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with the transfer of this Note, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of this Note presented or surrendered on the date hereof (the "Surrendered Note") for registration of transfer, or for exchange where the Notes issuable upon such transfer or exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Note for the reason checked below:

- A transfer of the Surrendered Note is made to the Company; or
- The transfer of the Surrendered Note complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Note is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Note is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, the Surrendered Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Notes registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit C**

**Transfer Certificate**

In connection with any transfer (or exchange or conversion as provided below) of any of the Notes, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of the above-captioned Notes presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange or conversion where the Notes or Common Stock issuable upon such exchange or conversion, as the case may be, are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Notes for the reason checked below:

- A transfer of the Surrendered Notes is made to the Company or any Subsidiaries; or
- The transfer of the Surrendered Notes complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Notes is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Notes is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Notes are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

## **Exhibit D**

### **Definitions**

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means the Company until a successor replaces it as agent with respect to the Notes and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of such board.

“Board Resolution” means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Agent.

“Business Day” means each day of the year other than a Saturday or a Sunday on which banking institutions are not required or authorized to close in The City of New York.

“Capital Stock” of any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock or other equity issued by that corporation.

“Common Stock” means the Common Stock, par value US\$0.00001 per share, of the Company as it exists on the date of this Note. Shares issuable on conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“Common stock” means any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer.

“Company” means the party named as the “Company” in the first paragraph of this Note until a successor replaces it pursuant to the applicable provisions of this Note, and, thereafter,

“Company” shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Conversion Agent” means any person authorized by the Company to convert Notes in accordance with Article 10 hereof. On the date of this Note, the Company hereby appoints the Agent as the Conversion Agent.

“Conversion Price” means US\$1,000 divided by the applicable Conversion Rate.

“Conversion Value” for the Notes is equal to the product of (i) the Sale Price per share of the Common Stock on a given day and (ii) the then current Conversion Rate.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Dollar” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Holder” means a person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means, with respect to any person, without duplication:

- (1) all obligations and other liabilities, contingent or otherwise, of such person for borrowed money (including overdrafts) to the extent such obligations and other liabilities would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;
- (2) all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments to the extent such obligations would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP;
- (3) indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

- (4) All obligations and liabilities, contingent or otherwise, in respect of leases of the person required, in conformity with GAAP, to be accounted for as capitalized lease obligations on the consolidated balance sheet of the person;
- (5) all net obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreements, hedge agreements, forward contracts or similar instruments or agreements or foreign currency, hedge, exchange or purchase or similar instruments or agreements;
- (6) all indebtedness referred to in (but not excluded from) the preceding clauses (1) through (5) of other persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on or with respect to property (including, without limitation, accounts and contract rights) owned by the referent person, even though such person has not assumed or become liable for the payment of such indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);
- (7) All guarantees by such person of indebtedness referred to in this definition or of any other person;
- (8) All Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed purchase price plus accrued and unpaid dividends;
- (9) the present value of the obligation of such person as lessee for net rental payments (excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments) during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; and
- (10) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (9) above.

“Interest Payment Date” means the date specified in the Notes as the fixed date on which an installment of interest on the Notes is due and payable.

“Interest Rate” means 5% (Five percent) per annum.

“Issue Date” of any Note means the date on which the Note was originally issued or deemed issued as set forth on the face of the Note.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

“Notes” mean the Company’s convertible Notes due May 3, 2011.

“Officer” means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

“Officers’ Certificate” means a written certificate signed in the name of the Company by any one Officer, and delivered to the Agent

“person” or “Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof, including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business.

“Principal” of a Note means the principal amount due on the Stated Maturity as set forth on the face of the Note.

“Redeemable Capital Stock” means any class of the Company’s Capital Stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed (whether by sinking fund or otherwise) prior to the date that is 91 days after the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such date. Securities at any time prior to such date (unless it is convertible or exchangeable solely at the Company’s option).

“Redemption Date” or “redemption date” means the date specified for redemption of the Notes in accordance with the terms of this Note.

“Redemption Price” or “redemption price” shall have the meaning set forth in paragraph 5 of this Note.

“Regular Record Date” means, with respect to the interest payable on any Interest Payment Date, the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“Rule 144” means Rule 144 under the Securities Act (or any successor provision), as it may be amended from time to time.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Sale Price” as of any date means the closing per share sale price (or if no closing sale price is reported, the average bid price and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date on the Nasdaq National Market or such other principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, the Company will determine the sale price on the basis of such quotations as the Company considers appropriate.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933 (or any successor statute), as amended from time to time.

“Senior Indebtedness” means any Indebtedness of the Company, unless by the terms of the instrument creating or evidencing such Indebtedness, such Indebtedness is expressly designated equal or junior in right of payment to the Notes.

Notwithstanding the foregoing, “Senior Indebtedness” shall not include:

- (a) Indebtedness evidenced by the Notes;
- (b) Indebtedness of the Company that by operation of law is subordinate to any general unsecured obligations of the Company;
- (c) any liability for federal, state or local taxes or other taxes, owed by the Company.
- (d) accounts payable or other liabilities owed or owing by the Company to trade creditors (including guarantees thereof or instruments evidencing such liabilities);
- (e) amounts owed by the Company for compensation to employees or for services rendered to the Company;
- (f) Indebtedness of the Company to any Subsidiary or any other Affiliate of the Company or any of such Affiliate’s Subsidiaries;

- (g) Capital Stock of the Company, including Redeemable Capital Stock; and
- (h) Indebtedness of the Company which, when incurred and without regard to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to the Company.

“Significant Subsidiary” means any Subsidiary that would be, as of the date of the applicable action set forth in this Note, a “significant subsidiary” of the Company within the meaning of Rule 1-02(w) of Regulation S-X promulgated by the SEC.

“Stated Maturity”, when used with respect to any Note, means the date specified in such Note as the fixed date on which the principal of such Note is due and payable.

“Subsidiary” means, with respect to any Person, (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership in which such Person or a Subsidiary of such Person holds a majority interest in the equity capital or profits of such partnership, or (iii) any other entity (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such entity.

“Trading Day” means a day during which trading in securities generally occurs on the Nasdaq National Market or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System, or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (its “possessions” including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

**Exhibit C (15 of 15)**

**Form of Convertible Note**

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF GNCC CAPITAL, INC. (THE "COMPANY") THAT THIS NOTE MAY NOT BE RESOLD, PLEDGED OR OTHERWISE, OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) TO AN INSTITUTIONAL ACCREDITED INVESTOR" AS DEFINED IN RULE 501 (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT ("INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE NOTE EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE AGENT), (4) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT, (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES PRIOR TO A TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (6) ABOVE), THE HOLDER OF THIS NOTE MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AND THE TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AND LEGAL OPINIONS AS THEY MAY REASONABLY REQUIRE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS AN ACCREDITED INVESTOR OR A QUALIFIED INSTITUTIONAL BUYER AND THAT IT IS HOLDING THIS NOTE FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS NOTE OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE EXCEPT AS PERMITTED BY THE SECURITIES ACT.

**GNCC CAPITAL, INC.**

**5% Convertible Notes due 2011**

Issue Date: SEPTEMBER 2, 2010

GNCC CAPITAL, INC., a Delaware Corporation promises to pay to WESTERN TREASURE HOLDINGS CORP or its registered assigns, the principal sum of US\$297,036 (Two hundred and ninety seven thousand and thirty six dollars) on September 2, 2011.

This Note shall bear interest as specified in paragraph 1 of this Note. This Note is convertible into shares of common stock as specified in paragraph 7 of this Note at the Conversion Rate.

Additional provisions of this Note are set forth on the following pages of this Note.

**Dated: SEPTEMBER 2, 2010**

**GNCC CAPITAL, INC.**

**By**



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**Name: RONALD Y LOWENTHAL**  
**Title: PRESIDENT**

Capitalized terms used herein but not defined shall have the meanings assigned to them in Exhibit D attached hereto and incorporated by reference herein unless otherwise indicated.

1. Cash Interest.

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an “Interest Payment Date”), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a “Regular Record Date”), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

2. Method of Payment.

The Company will make payments in respect of the principal of, and cash interest on this Note and in respect of Redemption Prices, if any, to Holders who surrender Notes to a Paying Agent to collect such payments in respect of the Notes. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check or wire transfer payable in such money. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day.

3. Paying Agent, Conversion Agent and Registrar.

Initially, the Agent will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar without notice, other than notice to the Agent, which shall initially be an office or agency of the Agent. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

4. The Notes

The Notes are general unsecured subordinated obligations of the Company limited to US\$2,000,000 (Seven million one hundred and eighty four thousand dollars) aggregate principal amount plus any additional accrued interest on these Notes. The Company may incur other Indebtedness, secured or unsecured.

## 5. Optional Redemption.

This Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

## 6. Conversion.

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to US\$1,000 or any integral multiple of US\$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by US\$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

## 7. Adjustment of Conversion Rate

The Conversion Rate shall be subject to adjustments, calculated by the Company, from time to time as follows:

- (a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction:
  - (1) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the Record Date fixed for such determination and the total number of shares constituting such dividend or other distribution, and
  - (2) The denominator of which shall be the sum of such number of shares.

Such increase shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this paragraph 7(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock (commonly referred to as a “forward split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock (commonly referred to as a “reverse split”), the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be reduced, in each such case, by multiplying such Conversion Rate by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination. Such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

- (c) In case the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period of not more than 60 days) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a Conversion Price per share) less than the Current Market Price on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect at the opening of business on the date after such Record Date by a fraction:
- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible), and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered for subscription or purchase (or the aggregate Conversion Price of the convertible securities so offered) would purchase at such Current Market Price.

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors.

- (d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which paragraph 7(a) applies) or evidences of its indebtedness or other assets, including securities, but excluding (1) any rights or warrants referred to in paragraph 7(c) and (3) dividends and distributions paid exclusively in cash referred to in paragraph 7(e) (the securities described in foregoing clauses (1) and (2) hereinafter in this paragraph 7(d) called the “excluded securities”), then, in each such case, subject to the second succeeding paragraph of this paragraph 7(d), the Conversion Rate shall be adjusted so that the same shall be equal to the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Record Date with respect to such distribution by a fraction:
- (1) The numerator of which shall be such Current Market Price, and
  - (2) The denominator of which shall be the Current Market Price on such date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) on

Such date of the portion of the securities or other assets so distributed (other than excluded securities) applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date).

Such increase shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the securities so distributed (other than excluded securities) applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of securities so distributed (other than excluded securities) such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this paragraph 7(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution (other than excluded securities), it must in doing so consider the prices in such market over the same period (the “Reference Period”) used in computing the Current Market Price pursuant to paragraph 7(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interests of the Holder.

For purposes of this paragraph 7(d) and paragraphs 7(a), 7(b) and 7(c), any dividend or distribution to which this paragraph 7(d) is applicable that also includes shares of Common Stock, a subdivision or combination of Common Stock to which paragraph 7(b) applies, or rights or warrants to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) to which paragraph 7(c) applies (or any combination thereof), shall be deemed instead to be:

- (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which paragraphs 7(a), 7(b) and 7(c) apply, respectively (and any Conversion Rate increase required by this paragraph 7(d) with respect to such dividend or distribution shall then be made), immediately followed by
- (2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Rate increase required by paragraphs 7(a), 7(b) and 7(c) with respect to such dividend or distribution shall then be made), except:
  - (A) the Record Date of such dividend or distribution shall be substituted as (x) “the date fixed for the determination of stockholders entitled to receive such dividend or other distribution”, “Record Date fixed for such determinations” and “Record Date” within the meaning of paragraph 7(a), (y) “the day upon which such subdivision becomes effective” and “the day upon which such combination becomes effective” within the meaning of paragraph 7(b), and (z) as “the date fixed for the determination of stockholders entitled to receive such rights or warrants”, “the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants” and such “Record Date” within the meaning of paragraph 7(c), and
  - (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding at the close of business on the date fixed for such determination” within the meaning of paragraph 7(a) and any increase or reduction in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.
- (e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock, cash (excluding any cash that is distributed as part of a distribution referred to in paragraph 7(d) hereof), then and in each such case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:
  - (i) The numerator of which shall be equal to the Current Market Price on such Record Date, and

- (ii) the denominator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the aggregate amount of the cash distributed and (y) the number of shares of Common Stock outstanding on the Record Date.

In the event that such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

- (f) In case the Company or any of its Subsidiaries pays holders of the Common Stock in respect of a tender offer or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for shares of Common Stock to the extent that the cash and fair market value of any other consideration included in the payment per share of Common Stock exceeds the Sale Price per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer (the “Expiration Time”), then, and in each such case, the Conversion Rate shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction:
  - (1) the numerator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time, and
  - (2) the denominator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Sale Price of the Common Stock on the Trading Day next succeeding the Expiration Time.

Such increase (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. If the application of this paragraph 7(f) to any tender offer or exchange offer would result in an increase in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this paragraph 7(f).

- (g) For purposes of this paragraph 7, the following terms shall have the meanings indicated:

“Current Market Price” shall mean the average of the daily Sale Prices per share of Common Stock for the 5 (Five) consecutive Trading Days ending not later than the earlier of the date immediately prior to the date in question and the day before the “ex” date with respect to the issuance, distribution, subdivision or combination requiring such computation. If another issuance, distribution, subdivision or combination to which paragraph 7 applies occurs during the period applicable for calculating “Current Market Price” pursuant to the preceding definition, then “Current Market Price” shall be appropriately adjusted to reflect the impact of such issuance, distribution, subdivision or combination on the Sale Price of the Common Stock during such period. For purposes of this paragraph, the term “ex” date, when used:

- (A) With respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such issuance or distribution;
- (B) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and
- (C) with respect to any tender or exchange offer, means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this paragraph 7, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this paragraph 7 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

- (2) “Fair market value” shall mean the amount which a willing buyer would pay a willing seller in an arm’s length transaction.
- (3) “Record Date” shall mean for purposes of this paragraph 7, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

- (h) The Company may make such increases in the Conversion Rate, in addition to those required by paragraph 7(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 (Twenty) days and the increase is irrevocable during the period and the Board of Directors determines in good faith that such increase would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Agent and each Holder at the address of such Holder as it appears in the Register a notice of the increase at least 15 (Fifteen) days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

- (i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% (One percent) in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this paragraph 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In the event that, on the date that is five Business Days prior to the maturity of the Notes (whether at Stated Maturity or otherwise), an adjustment has been carried forward pursuant to the preceding sentence but has not yet been taken into account in an adjustment to the Conversion Rate and notwithstanding the first sentence of this paragraph (i), an adjustment to the Conversion Rate will be made on such date in accordance with the relevant paragraph of this paragraph 7. All calculations under this Article 10 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. No adjustment in the Conversion Rate shall be required if the Holders participate in the transactions that would otherwise lead to an adjustment in the Conversion Rate pursuant to this paragraph 7.
- (j) In any case in which this paragraph 7 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction.

- (k) For purposes of this paragraph 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.
- (l) Whenever the Conversion Rate is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of paragraph 7(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Agent and any Conversion Agent other than the Agent an Officers' Certificate setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective, and shall mail, or cause the Agent to mail, at the Company's expense, such notice to each Holder at the address of such Holder as it appears in the Register within 20 (twenty) days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

8. Denominations; Assignment; Transfer; Exchange.

The Notes are in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and whole multiples of US\$1,000. The Registrar may require a Holder, in order to assign, transfer or exchange Notes, among other things, to furnish appropriate endorsements and assignment or transfer documents (in the form of Exhibit B or Exhibit C attached hereto, as applicable) and to pay any taxes and fees required by law. The Registrar need not transfer or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 (Fifteen) days before the mailing of a notice of redemption of Notes to be redeemed.

9. Persons Deemed Owners.

The registered Holder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money or Notes.

The Agent and the Paying Agent shall return to the Company upon written request any money, Notes or shares of Common Stock held by them for the payment of any amount with respect to the Notes that remains unclaimed for two years, subject to applicable unclaimed property law. After such return to the Company, Holders entitled to the money or Notes must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

## 11. Amendment; Waiver.

Except as set forth below, (i) this Note may be amended with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. Without the consent of any Holder, the Company and the Agent may amend the Notes to, among other things, cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes or to make any change that does not adversely affect the rights of any Holder. The foregoing notwithstanding, without the consent of the Holder of this Note, no amendment may be made reducing the principal or the Interest Rate of this Note or extending the Stated Maturity of this Note.

## 12. Defaults and Remedies.

Events of Default include (1) the Company fails to pay when due the principal of any of the Notes at Stated Maturity, upon redemption or otherwise; (2) the Company fails to pay an installment of interest on any of the Notes that continues for 30 (Thirty) days after the date when due; (3) the Company fails to deliver shares of Common Stock, together with cash in lieu of fractional shares, when such Common Stock or cash in lieu of fractional shares is required to be delivered upon conversion of a Note and such failure continues for 10 days after written notice of default is given to the Company by the Agent or to the Company and the Agent by the Holder of such Note; (4) the Company fails to perform or observe any other term, covenant or agreement contained in the Notes for a period of 60 (Sixty) days after written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Agent or to the Company and the Agent by the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes then outstanding (a "Notice of Default"); (5) in the event of bankruptcy, insolvency or reorganization with respect to the Company or any Significant Subsidiary and (6) the Company's filing of, or any Significant Subsidiaries' filing of, a voluntary petition seeking liquidation, reorganization arrangement, readjustment of debts or for any other relief under the federal bankruptcy code. If an Event of Default (other than an Event of Default specified in clause (5) or (6) of this paragraph 12) occurs and is continuing, the Agent, or the Holders of at least 50% (Fifty percent) in aggregate principal amount of the Notes at the time outstanding, may declare all the Notes to be due and payable immediately. An Event of Default under clause (5) or (6) of this paragraph 12 will result in the Notes becoming due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce this Note, except with the approval of Holders of a majority in aggregate principal amount of the Notes. The Agent may refuse to enforce the Notes unless it receives reasonable indemnity or security.

13. Subordination.

The payment of principal of and interest on the Notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents (or otherwise to the extent Holders accept satisfaction of amounts due by settlement in other than cash or cash equivalents) of all Senior Indebtedness whether outstanding on the date of this Note or thereafter incurred.

14. Agent Dealings with the Company.

The Agent, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Agent.

15. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

17. GOVERNING LAW.

THIS NOTE WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA.

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**Exhibit A**

**CONVERSION NOTICE**

To convert this Note into Common Stock of the Company, check the box:

To convert only part of this Note, state the principal amount to be converted (which must be US\$1,000 or an integral multiple of US\$1,000):

US\$\_\_\_\_\_

If you want the stock certificate made out in another person's name, fill in the form below:

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(Insert other person's social sec. or tax ID no.)

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(Print or type other person's name, address and zip code)

- If you want the stock certificate made out in another person's name, you are required to complete and deliver to the Conversion Agent a duly completed Transfer Certificate which is in the form of Exhibit B to this Note.

**EXHIBIT B**  
**ASSIGNMENT FORM**

For value received \_\_\_\_\_ hereby sell(s), assign(s), and transfer(s) unto \_\_\_\_\_ (Please insert social security or other Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with the transfer of this Note, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of this Note presented or surrendered on the date hereof (the "Surrendered Note") for registration of transfer, or for exchange where the Notes issuable upon such transfer or exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Note for the reason checked below:

- A transfer of the Surrendered Note is made to the Company; or
- The transfer of the Surrendered Note complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Note is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Note is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, the Surrendered Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Notes registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**Exhibit C**

**Transfer Certificate**

In connection with any transfer (or exchange or conversion as provided below) of any of the Notes, the undersigned registered owner of this Note hereby certifies with respect to US\$\_\_\_\_\_ principal amount of the above-captioned Notes presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange or conversion where the Notes or Common Stock issuable upon such exchange or conversion, as the case may be, are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Notes for the reason checked below:

- A transfer of the Surrendered Notes is made to the Company or any Subsidiaries; or
- The transfer of the Surrendered Notes complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- The transfer of the Surrendered Note complies with Rule 501(a)(1), (2), (3) or (7) of Rule 501 under the Securities Act; or
- The transfer of the Surrendered Notes is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Notes is pursuant to another available exemption from the registration requirement of the Securities Act,

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Notes are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

## **Exhibit D**

### **Definitions**

“Affiliate” of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For purposes of this definition, “control” when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means the Company until a successor replaces it as agent with respect to the Notes and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Board of Directors” means either the board of directors of the Company or any duly authorized committee of such board.

“Board Resolution” means a resolution duly adopted by the Board of Directors, a copy of which, certified by the Secretary or an Assistant Secretary of the Company to be in full force and effect on the date of such certification, shall have been delivered to the Agent.

“Business Day” means each day of the year other than a Saturday or a Sunday on which banking institutions are not required or authorized to close in The City of New York.

“Capital Stock” of any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock or other equity issued by that corporation.

“Common Stock” means the Common Stock, par value US\$0.00001 per share, of the Company as it exists on the date of this Note. Shares issuable on conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; provided, however, that if at any time there shall be more than one such of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“Common stock” means any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer.

“Company” means the party named as the “Company” in the first paragraph of this Note until a successor replaces it pursuant to the applicable provisions of this Note, and, thereafter,

“Company” shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Conversion Agent” means any person authorized by the Company to convert Notes in accordance with Article 10 hereof. On the date of this Note, the Company hereby appoints the Agent as the Conversion Agent.

“Conversion Price” means US\$1,000 divided by the applicable Conversion Rate.

“Conversion Value” for the Notes is equal to the product of (i) the Sale Price per share of the Common Stock on a given day and (ii) the then current Conversion Rate.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Dollar” or “U.S.\$” means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Holder” means a person in whose name a Note is registered on the Registrar’s books.

“Indebtedness” means, with respect to any person, without duplication:

- (1) all obligations and other liabilities, contingent or otherwise, of such person for borrowed money (including overdrafts) to the extent such obligations and other liabilities would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;
- (2) all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments to the extent such obligations would appear as a liability upon the consolidated balance sheet of such a person in accordance with GAAP;
- (3) indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

- (4) All obligations and liabilities, contingent or otherwise, in respect of leases of the person required, in conformity with GAAP, to be accounted for as capitalized lease obligations on the consolidated balance sheet of the person;
- (5) all net obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreements, hedge agreements, forward contracts or similar instruments or agreements or foreign currency, hedge, exchange or purchase or similar instruments or agreements;
- (6) all indebtedness referred to in (but not excluded from) the preceding clauses (1) through (5) of other persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on or with respect to property (including, without limitation, accounts and contract rights) owned by the referent person, even though such person has not assumed or become liable for the payment of such indebtedness (the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured);
- (7) All guarantees by such person of indebtedness referred to in this definition or of any other person;
- (8) All Redeemable Capital Stock of such person valued at the greater of its voluntary or involuntary maximum fixed purchase price plus accrued and unpaid dividends;
- (9) the present value of the obligation of such person as lessee for net rental payments (excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments) during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; and
- (10) any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of the kind described in clauses (1) through (9) above.

“Interest Payment Date” means the date specified in the Notes as the fixed date on which an installment of interest on the Notes is due and payable.

“Interest Rate” means 5% (Five percent) per annum.

“Issue Date” of any Note means the date on which the Note was originally issued or deemed issued as set forth on the face of the Note.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset given to secure Indebtedness, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction with respect to any such lien, pledge, charge or security interest).

“Notes” mean the Company’s convertible Notes due May 3, 2011.

“Officer” means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

“Officers’ Certificate” means a written certificate signed in the name of the Company by any one Officer, and delivered to the Agent

“person” or “Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof, including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business.

“Principal” of a Note means the principal amount due on the Stated Maturity as set forth on the face of the Note.

“Redeemable Capital Stock” means any class of the Company’s Capital Stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed (whether by sinking fund or otherwise) prior to the date that is 91 days after the Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such date. Securities at any time prior to such date (unless it is convertible or exchangeable solely at the Company’s option).

“Redemption Date” or “redemption date” means the date specified for redemption of the Notes in accordance with the terms of this Note.

“Redemption Price” or “redemption price” shall have the meaning set forth in paragraph 5 of this Note.

“Regular Record Date” means, with respect to the interest payable on any Interest Payment Date, the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“Rule 144” means Rule 144 under the Securities Act (or any successor provision), as it may be amended from time to time.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Sale Price” as of any date means the closing per share sale price (or if no closing sale price is reported, the average bid price and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date on the Nasdaq National Market or such other principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or by the National Quotation Bureau Incorporated. In the absence of a quotation, the Company will determine the sale price on the basis of such quotations as the Company considers appropriate.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933 (or any successor statute), as amended from time to time.

“Senior Indebtedness” means any Indebtedness of the Company, unless by the terms of the instrument creating or evidencing such Indebtedness, such Indebtedness is expressly designated equal or junior in right of payment to the Notes.

Notwithstanding the foregoing, “Senior Indebtedness” shall not include:

- (a) Indebtedness evidenced by the Notes;
- (b) Indebtedness of the Company that by operation of law is subordinate to any general unsecured obligations of the Company;
- (c) any liability for federal, state or local taxes or other taxes, owed by the Company.
- (d) accounts payable or other liabilities owed or owing by the Company to trade creditors (including guarantees thereof or instruments evidencing such liabilities);
- (e) amounts owed by the Company for compensation to employees or for services rendered to the Company;
- (f) Indebtedness of the Company to any Subsidiary or any other Affiliate of the Company or any of such Affiliate’s Subsidiaries;

- (g) Capital Stock of the Company, including Redeemable Capital Stock; and
- (h) Indebtedness of the Company which, when incurred and without regard to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to the Company.

“Significant Subsidiary” means any Subsidiary that would be, as of the date of the applicable action set forth in this Note, a “significant subsidiary” of the Company within the meaning of Rule 1-02(w) of Regulation S-X promulgated by the SEC.

“Stated Maturity”, when used with respect to any Note, means the date specified in such Note as the fixed date on which the principal of such Note is due and payable.

“Subsidiary” means, with respect to any Person, (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, (ii) a partnership in which such Person or a Subsidiary of such Person holds a majority interest in the equity capital or profits of such partnership, or (iii) any other entity (other than a corporation) in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such entity.

“Trading Day” means a day during which trading in securities generally occurs on the Nasdaq National Market or, if the Common Stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System, or, if the Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Common Stock is then traded.

“United States” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (its “possessions” including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).