# Subscription Agreement

**COMPANY NAME, INC.**

### SUBSCRIPTION AGREEMENT

## **Accredited Investors Only**

1. Subscription. The undersigned Subscriber hereby agrees to purchase  Shares

of Common Stock (the “Shares”) **of Company name, Inc.** (the “Company”), whose address is **11080 E. Artesia Blvd., Cerritos, California 90703.**

Name of Purchaser:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Purchase Price. The total purchase price is 0 dollars and five cents (**$ .05)** per share

payable upon the execution hereof. Accordingly, the undersigned delivers herewith the purchase price required to purchase the Shares subscribed for by delivery of a check in the amount of **$** made payable to the order of Company name, Inc.

1. Representation and Warranties of Subscriber. The Subscriber hereby represents and warrants as

follows:

Subscriber and, if Subscriber is and Entity, each of its officers, directors, partners, trustees, beneficial owners, principals and/or agents, hereby represent, warrant and covenant as follows: Each investor is admonished to carefully read each and every representation and warranty. Each investor will be considered, with respect to each representation and warranty, and the Company will be entitled to rely upon such representation and warranty in accepting the investor’s subscription. If an investor does not believe he or she or it meets a representation or warranty, the investor should not execute and deliver this Agreement to the Company without first requesting the Company, in writing, to waive such representation and warranty.

1. Opportunity to Ask Questions and to Review Agreement, Books and Records. During the

course of this transaction and before purchasing the Subscribed Securities, Subscriber has been provided with financial and other written information about the Company. Subscriber has had the opportunity to ask questions and receive answers concerning the terms and conditions of the offering, the Subscribed Securities, this investment and the business of the Company and its finances; and that Subscriber has had the opportunity to review all documents, books and records of the Company to the extent Subscriber availed himself or herself of this opportunity.

1. Independent Review of Investment Merits; Due Diligence. During the course of the

transaction contemplated by this Agreement, and before purchasing the Subscribed Securities, Subscriber has had the opportunity to engage such investment professionals including, without limitation, independent accountants, appraisers, investments, tax and legal advisors, to (i) conduct such due diligence review as Subscriber an/or such investment professionals deem necessary or advisable, and (ii) to provide such opinions as to the merits of an investment in the Subscriber Securities given Subscriber’s personal circumstances as Subscriber may deem advisable and, to the extent Subscriber has availed himself or herself of this opportunity, Subscriber has received satisfactory information and answers from such advisors.

1. Investment Risks. Subscriber has been informed and understands and agrees as follows:

(i) An investment in the Subscribed Securities is a speculative investment with a high degree of risk of loss and Subscriber must, therefore, presently be able to afford a complete loss of this investment; (ii) Subscriber must be able to hold the Subscribed Securities indefinitely due to, among other factors, substantial restrictions on the transferability of the Subscribed Securities and there being no public market for resale of the Subscribed Securities; (iii) it may not be possible to liquidate the Subscribed Securities in the case of emergency and/or other need and Subscriber must, therefore, have adequate means of providing for Subscriber’s current and future needs and personal contingencies and have no need for liquidity in this investment, and (iv) Subscriber has evaluated Subscriber’s financial resources and investment position in view of the foregoing, and is able to bear the economic risk of loss of this investment.

1

1. Experienced Investor. That the Subscriber has had experience in the business of

investments in one or more or the following: (i) investment experience with securities, such as stock and bonds, (ii) ownership of interests in partnerships, new ventures and startup companies, (iii) experience in business and financial dealings and that the Undersigned can protect his own interest in an investment of this nature and does not have an “Investor Representative”, as that term is defined in Regulation D of the Securities Act of 1933 (the “Act”) and does not need such a Representative.

1. No General Solicitation or Advertising. The offer and sale of the Subscribed Securities

was not accomplished by the publication of any advertisement, article, notice or other communication published in any newspaper, magazine, or similar media or broadcast over television or radio, nor was the offer and sale of the Subscribed Securities accomplished through any seminar or meeting to which Subscriber was invited by any such publication or advertisement.

1. Securities Purchased For Subscriber’s Own Account. The Subscribed Securities are

being purchased by Subscriber as principal and not by any other person, with subscriber’s own funds and not with the funds of any other person. Subscriber is purchasing the subscribed securities for investment for an indefinite period and not with a view to the sale or distribution. No person other than Subscriber will have any interest, beneficial or otherwise, in the Subscribed Securities, and Subscriber is not obligated to transfer the Subscribed Securities to any other person nor does Subscriber have any agreement or understanding to do so. Subscriber understands that the Company is relying in material part upon Subscriber’s representation as set forth herein for purposes of claiming certain securities exemptions and that the basis for such exemptions may not be reserved if, notwithstanding Subscriber’s representations, subscriber has in mind merely acquiring the Subscribed Securities for resale on the occurrence or nonoccurrence of some predetermined event: Subscriber has no such intention.

1. Material Changes in Representations. Subscriber will notify the Company immediately

of any material change(s) in any statement made herein occurring prior to the Closing for the purchase by Subscriber of the Subscribed Securities.

1. Indemnification. Subscriber hereby agrees to indemnify and defend (with counsel acceptable to

the Company) the Company and its directors, officers and other shareholders and hold them harmless from and against any and all liability, loss, damage, cost or expense, including costs and reasonable attorney’s fees, incurred on account of or arising our of:

1. Any breach of or inaccuracy in Subscriber’s representations, warranties or agreements:
2. Any disposition of any of the Subscribed Securities contrary to any of Subscriber’s

representations, warranties or agreements herein; and

1. Any suit or proceeding based on (i) a claim that any said representations, warranties or

agreements were inaccurate or misleading or otherwise cause for obtaining damages or redress from the Company or any director or officer of the Company under any securities law, or (ii) any disposition of any of the Subscribed Securities.

1. Miscellaneous.
2. Preparation of Agreement; Costs and Express. This Agreement was

prepared by the Company or its legal counsel solely on behalf of the Company. It is acknowledged by Subscriber that such party was not represented by the Company or any of its officers, directors, employees or agents (including the Company’s legal counsel) in connection with the transaction contemplated by this Agreement, and that Subscriber had separate and independent advice of counsel. In light of the foregoing, it is acknowledged by Subscriber that the Company shall not be construed to be solely responsible for the drafting hereof, and that any ambiguity in this Agreement, or the interpretation thereof or hereof, shall not be construed against the Company as the alleged draftsman of this Agreement. Except as expressly set forth in this Agreement, each party shall pay all legal and other costs and expenses incurred by such party in negotiating and preparing this Agreement, in performing any transactions contemplated by this Agreement, and otherwise complying with such party’s representation, warranties, covenants, agreements and conditions contained herein.

2

1. Interpretation.
2. Survival. All representations and warranties made by any party in connection

with any transaction contemplated by this Agreement shall, irrespective of any investigations made by or on behalf of any party hereto, survive the execution and delivery of this Agreement, the performance or consummation of any transaction described in this Agreement, and the termination of this Agreement.

1. Entire Agreement/No Collateral Representation. Each party expressly

acknowledges and agrees that this Agreement including all exhibits attached hereto: (1) is the final, complete and exclusive statement of the agreement of the parties with respect to the subject matter hereof, (2) supersedes any prior or contemporaneous agreements, proposals, commitments, guarantees, assurances, communications, discussions, promises, representations, understanding, conditions, conduct, acts, course of dealing, warranties, interpretations or terms of any kind, oral or written (collectively and severally, the “Prior Agreements”), and that any such prior agreements have no force or effect except as expressly set forth herein and (3) may not varied, supplemented or contradicted by evidence or Prior Agreements, or by evidence of subsequent oral agreements. No prior drafts of this Agreement and no words or phrases from any such prior drafts of this Agreement and no words or phrases from any such prior drafts shall be admissible into evidence in an action or suit involving this Agreement.

1. Amendment: Waiver, Forbearance. Except as expressly otherwise provided

herein, this Agreement and an of its terms, provisions, obligations or rights contained herein may not, be amended, modified, supplemented, augmented, rescinded, discharged or terminated (other than by performance), except by a written instrument or instruments signed by all of the parties of this Agreement. No waiver of any breach of any term, provision or agreement herein contained, or of the performance of any acts or obligations under this Agreement, or of any extension of time for performance of any such acts or obligations, or of any rights granted under this Agreement, shall be effective an binding unless such waiver and each party affected by such waiver. Except to the extent that the party or parties claimed to have given or consented to a waiver may have otherwise agreed in writing, no such waiver shall be deemed a waiver relinquishment, as the case may be, of any other terms, provisions, agreements, acts obligations rights granted under this Agreement, or any preceding or subsequent breach thereof. No forbearance by a party to seek a remedy for any noncompliance or breach by another party hereto shall be deemed to be a waiver by such forbearing party of its rights and remedies with respect to such noncompliance or breach unless such waiver shall be in a written instrument or instruments signed by the forbearing party.

1. Remedies Cumulative. The remedies of each party under this Agreement are

cumulative and shall not exclude any other remedies to which such party may be lawfully entitled.

(v) Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be determined to be invalid, illegal or unenforceable under present or future laws effective during the term of this Agreement, then and, in that event: (1) the performance of the offending term or provision (but only to the extent its application is invalid, illegal or enforceable) shall be excused as if it had never been incorporated in this Agreement, and, in lieu of such excused provisions as may be possible and be legal, valid and enforceable, and (2) the remaining part of this Agreement (including the application of the offending term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable) shall not be affected thereby and shall continue in full force and effect to the fullest extent provided by law.

1. No Third Party Beneficiary. Notwithstanding anything else herein to the

contrary, the parties specifically disavow any desire or intention to create any third party beneficiary obligations, and specifically declare that no person, other than as set forth in this agreement, shall have any rights or remedies of any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement.

(vii) No Reliance Upon Prior Representation. Each party acknowledges that no other party has made any oral representation or promise which would induce them prior to executing this Agreement to change its position to its detriment, partially perform or part with value in reliance upon such representation or promise; each party acknowledges that it has taken such action at its own risk; and each party represents that it has not so changed its position, performed or parted with value prior to the time of their execution if this Agreement.

3

1. Enforcement
2. Applicable Law. This Agreement and the rights and remedies of each party

arising out of and/or relating to the Agreement (including, without limitation, equitable remedies) shall be solely governed by, interpreted under, and construed and enforced in accordance with the laws (without regard to the conflicts of law principles thereof) of the State of California, as if this Agreement were made, and if its obligations are to be performed, wholly within the State of California.

(ii) Binding Arbitration. In the event that a dispute arises out of or concerning this Agreement or an investment relating to matters contained in the Memorandum or the Subscribed Securities, such dispute shall be handled in accordance with the rules and regulations of the American Arbitration Association. Any aforesaid arbitration shall be in Orange County, California, the results of which shall be binding on all parties. Each part generally and unconditionally accepts the exclusive jurisdiction of such arbitration and to venue therein consents to the services of process in any such action by certified or registered mailing in accordance with the notice provisions of this Agreement, and waives any defense or right to object to venue in said courts based upon the doctrine of “Forum Non Convenient”.

(iii) Waiver of Right to Jury Trial: Punitive Damages. Each party hereby waives such party’s respective right to a jury trial of any claim or cause of action based upon or arising out of this Agreement. Further, Subscriber waives any claim to punitive damages. Each party acknowledges that this waiver is a material inducement to each other party hereto to enter into the transaction contemplated hereby, that each other party has already relied upon this waiver in entering into this Agreement, and that each other party will continue to rely on this party’s legal counsel, and that such party has knowingly and voluntarily waived its jury trial rights and any potential claim to punitive damages following consultation with legal counsel.

6. Transferability. The Subscriber agrees not to transfer this Agreement, or any of the Subscriber’s interest herein and further agrees that the assignment and transferability of the Subscribed Securities (unless subsequently registered) will be made only in accordance with this Agreement. The Company will issue stop transfer instructions to any transfer agent with respect to the Securities and will place the following legend or a legend similar thereto on the certificates such Securities:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED PURSUANT TO A TRANSACTION EFFECTED IN RELIANCE UPON SECTION 4(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, (THE “ACTS”) AND HAVE NOT BEEN THE SUBJECT OF A REGISTRAATION STATEMENT UNDEER THE ACT, THESE SECURITIES MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR APPLICABLE EXEMPTION THEREFROM UNDER THE ACT OR ANY APPLICABLE STATE SECURITIES ACT.

7. Revocation. The undersigned agrees that he cannot cancel, terminate or revoke the Agreement or any agreement of the Undersigned made hereunder.

8. Notices. All notices or other communications given or made hereunder will be in writing and will be delivered or mailed by registered or certified mail, return receipt requested, postage prepaid, to the Subscriber or the Company at their respective addresses set forth at the end of this Agreement.

1. Entire Agreement. This Agreement constitutes the entire agreement among the parties

hereto with respect to the subject mater hereof and may be amended only be a writing executed by all parties.

10. Investor Suitability. **(You must complete Items A, B and C)**

A. Accredited Investor. Subscriber is an “accredited investor” as that term is defined under Rule 501 of Regulation D promulgated under the Securities Act, as follows **(Please initial one or more of the following provisions which describe Subscriber’s accredited status as may be applicable)**

\_\_\_\_ (1) Individuals. Subscriber is an “accredited investor” as that term is defined under Rule 501 (a)(5) and (6) of Regulation D promulgated under the Securities Act, i.e.:

\_\_\_\_\_ (a) Subscriber’s individual net worth or combined net worth with his or her spouse exceeds $1,000,000 (for purposes of this Subparagraph “net worth” means the excess of total assets at fair market value [including principal residence, home furnishings and automobiles] over total liabilities),

4

(i) My net worth (total assets minus total liabilities) without regard to this investment, is in excess of: (check one)

\_\_\_\_\_ $1,000,000, \_\_\_\_\_ $1,5000,000, \_\_\_\_\_ $2,000,000, \_\_\_\_\_ $5,000,000, inclusive of home, home furnishings and automobiles

\_\_\_\_\_ (b) Subscriber’s individual income, exclusive of any income attributable to his or her spouse, was in excess of $200,000 for the two most recent calendar years preceding the calendar year of this Agreement, and he or she reasonably expects an income in excess of $200,000 in the current year, and/or

1. My gross income from all sources, without regard to

this investment, is in excess of: (check one)

1999 (actual) \_\_\_\_\_ $200,000 \_\_\_\_\_ $300,000 \_\_\_\_\_ $500,000

2000 (actual) \_\_\_\_\_ $200,000 \_\_\_\_\_ $300,000 \_\_\_\_\_ $500,000

2001 (estimated) \_\_\_\_\_ $200,000 \_\_\_\_\_ $300,000 \_\_\_\_\_ $500,000

\_\_\_\_\_ (c) Subscriber’s combined income with his or her spouse was in excess of $300,000 for the two most recent calendar years preceding the calendar year of the Agreement and Subscriber and his or her spouse reasonable expect a combined income in excess of $300,000 in the current calendar year.

\_\_\_\_\_ (2) Entity with Value Exceeding $5 Million. Subscriber is a corporation, partnership (general or limited), limited liability Company/Partnership, or (Massachusetts) business trust, which was not form for the specific purpose of acquiring the Subscribed Securities and Subscriber has total assets in excess of $5,000,000.00.

\_\_\_\_\_ (3) Entity Comprised of Accredited Investors. Subscriber is a corporation, partnership (general or limited), limited liability company/Partnership, or (Massachusetts) business trust, and all of Subscriber’s equity owners are accredited investors as defined above.

\_\_\_\_\_ (4) Revocable Trust. Subscriber is a revocable trust (also commonly known as a family or living trust) established to facilitate the distribution of the estate of a settlors (grantors) individually; and all of the settlors (grantors) individually are accredited investors as defined above.

\_\_\_\_\_ (5) Trust Whose Assets Exceed $5 Million. Subscriber is a trust with total assets in excess of $5,000,000 and the person making the investment decision on behalf of the trust has such knowledge and experience in financial and business matters and that such person is capable of evaluating the matters that such person is capable of evaluating the merits and risks of an investment in the Subscribed Securities.

\_\_\_\_\_ (6) Financial Institution as Trustees. Subscriber is a financial institution which is (a) a bank, savings, and loan association, or other regulated financial institution; (b) acting in its fiduciary capacity as trustee; and (c) subscribing for the purchase of the Subscribed Securities on behalf of the subscribing trust.

5

\_\_\_\_ (7) Employee Benefit Plan (including Koegh Plan) With Self-Directed Investments and Segregated Accounts. Subscriber has an employee benefit plan within the meaning of ERISA; the plan itself is self directed and provides for segregated accounts; the investment decision is being made by a plan participant who is an accredited investor as defined above, and the investments are begin made solely on behalf of each accredit investor.

\_\_\_\_\_ (8) Employee Benefit Plain (including Koeth Plan) with Financial Institution as Trustee. Subscriber is an employee benefit plan within the meaning of ERISA; and the decision to invest in the Subscribed Securities was made by a plan fiduciary (as defined in Section 3 (21) or ERISA), which is either a bank, savings and loan association, insurance Company, or registered investment advisor.

\_\_\_\_\_ (9) Employee Benefit Plan (including Keoph Plan) with Assets Exceeding $5 Million. Subscriber is an employee benefit plan within the meaning of ERISA and has total assets in excess of $5,000,000.

\_\_\_\_\_ (10) Tax Exempt 501(c) (3) Organization. Subscriber is an organization described in section 501 (c) (3) of the Internal Revenue Code of 1986, as amended, not formed for the specific purpose of acquiring the Subscribed Securities, with total assets in excess of $5,000,000.

\_\_\_\_\_ (11) Bank. Subscriber is a bank as defined in Section 3 (a)(2) of the Act.

\_\_\_\_\_ (12) Savings and Loan Association. Subscriber is a savings and loan association or other institution as defined by Section 3(a)(5)(a) of the Act.

\_\_\_\_\_ (13) Insurance Company. Subscriber is an insurance Company as defined in Section 2(14) of the Act.

\_\_\_\_\_ (14) Investment Company. Subscriber is an investment Company registered under the Investment Company Act of 1940.

\_\_\_\_\_ (15) Business Development Company. Subscriber is a business development Company as defined in Section 2(a)(48) of the Investment Company Act of 1940.

\_\_\_\_\_ (16) Small Business Investment Company. Subscriber is a Small Business Investment Company licensed by the U.S. Small Business Investment Act of 1958.

\_\_\_\_\_ (17) Private Business Development Company. Subscriber is a Private Business Development Company as defined in Section 202(a) (22) of the Investment Advisors Act of 1940.

\_\_\_\_\_ (18) Registered Broker or Dealer. Subscriber is a broker or dealer registered pursuant to Section 15 of the Securities and Exchange Act of 1934.

1. Pre-existing Relationship and/or Sophistication (Blue Sky). Subscriber represents that Subscriber satisfies at least one of the two following tests (Please initial one or more of the following provisions describing Subscriber’s status as may be applicable):

\_\_\_\_\_ (1) Sophistication. By reason of Subscriber’s business or financial experience, Subscriber can be reasonably assumed to have the capacity to protect Subscriber’s own investment in connection with the transaction contemplated by this Agreement; or

6

\_\_\_\_\_ (2) Pre-Existing Relationship. 1 Subscriber has a pre-existing personal or business relationship with the Company or the following officers, directors or controlling persons of the Company **(Please describe relationship or interest name of person)**

1. Prior Investment Experience. **(Please complete)**
2. Investments in stocks and bonds:

Yes \_\_\_\_\_\_\_\_\_\_ No \_\_\_\_\_\_\_\_\_\_

1. Investments in new ventures and start-up companies:

Yes \_\_\_\_\_\_\_\_\_\_ No \_\_\_\_\_\_\_\_\_\_

1. \_\_\_\_\_\_\_\_\_\_\_ % of my net worth, exclusive of home, home furnishings and automobiles, is in investments which are not liquid, such as the Shares of the Company.
2. \_\_\_\_\_\_\_\_\_\_\_ % of my net worth, exclusive of home, home furnishings and automobiles constitutes liquid assets (cash or assets readily convertible to cash).
3. Please indicate the frequency of your investment in marketable securities:

( ) often; ( ) occasionally; ( ) seldom; ( ) never

1. Please indicate the frequency of your investment in unmarketable securities:

( ) often; ( ) occasionally; ( ) seldom; ( ) never

1. Please indicate the cumulative amount of your investment in nonmarketable securities:

Securities such as Stock up to $50,000

$50,000 to $150,000

over $150,000

New Venture Investments up to $50,000

$50,000 to $150,000

over $150,000

Other up to $50,000

$50,000 to $150,000

over $150,000

1. The term pre-existing personal or business relationship includes a relationship consisting of personal or business contracts

of a nature and duration such as would enable a reasonable prudent purchaser to be aware of the character, business acumen, and general business and financial circumstances of the person with whom the relationship exists.

7

**REPRESENTATIONS**

The undersigned represents that:

1. The information contained herein is complete and accurate and may be relied upon by Company in

determining my/our qualification as purchaser of the Subscribed Securities; and

1. The undersigned will notify the Company immediately of any adverse material change in any such information occurring prior to acceptance of such investor’s subscription by the Company.

**INDIVIDUALS:**

PLEASE PRINT

Name:

Address:

Occupation:

Business Address:

Home Tel.: ( ) Work Tel.: ( )

SSN or Tax I.D. Number:

Date: Signature 1)

Signature 2)

**ENTITY:**

Print Name of Entity

By:

Title: Date: , 20??

The above information supplied by me is true and correct in all respects and I recognize that the Company is materially relaying on the truth and accuracy of such information.

IN WITNESS WHEREOF, I have executed this Subscription Agreement this \_\_\_\_\_ day of , 20??.

8