

COMMON STOCK PURCHASE AGREEMENT

THIS COMMON STOCK PURCHASE AGREEMENT (this “Agreement”) is entered into effective as of _____ (the “Effective Date”) by and among **AUTOAP, INC.**, an Oregon corporation (the “Company”), and the investor listed in Schedule 1 (the “Investor”).

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. **Purchase and Sale.**

1.1 **Sale of Common Stock.** Subject to the terms and conditions of this Agreement, the Investor agrees to purchase at Closing and the Company agrees to sell and issue to the Investor at Closing that number of shares of common stock set forth on the Investor’s signature page, at a purchase price of \$1.75 per share. The shares of common stock issued to the Investor pursuant to this Agreement shall be referred to in this Agreement as the “Shares.”

1.2 **Closing and Delivery.**

(a) **Rolling Close.** The purchase and sale of the Shares shall take place remotely via the exchange of documents, signatures and funds on or after the date of this Agreement (such exchange of documents, signatures and funds shall be referred to in this Agreement as the “Closing”).

(b) **Closing Deliveries.** Upon the Closing, the Company shall deliver to the Investor (i) a certificate representing the Investor’s Shares being purchased pursuant to this Agreement against payment of the purchase price for the Shares by check payable to the Company, cancellation of indebtedness of the Company, or by wire transfer to a bank account designated by the Company (some of which funds have already been received and will be released to the Company upon execution of this Agreement), and (ii) a Common Stock Purchase Warrant (“Warrant”) in the form attached to this Agreement as Exhibit A to purchase that number of shares of the Company’s common stock equal to the number of the Shares purchased by the Investor under this Agreement. For example, if an Investor purchases 10,000 of the Shares for \$17,500, the Investor shall also receive a Warrant to purchase an additional 10,000 shares for \$12,500 (\$1.25 each).

1.3 **Defined Terms.** In addition to the terms defined above, the following terms used in this Agreement shall be construed to have the meanings set forth or referenced below.

(a) “Knowledge,” including the phrase “to the Company’s Knowledge,” or “to its Knowledge” shall mean the actual knowledge of Mark O. Paul.

(d) “Material Adverse Effect” means a material adverse effect on the business, assets (including intangible assets), liabilities, financial condition, property, or results of operations of the Company.

(f) “Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

(g) “Shares” means the aggregate shares of common stock of the Company to be issued to the Investor pursuant to this Agreement.

2. **Representations and Warranties of the Company.** The Company hereby represents and warrants to the Investor that as of the Effective Date of this Agreement, which exceptions shall be deemed to be part of the representations and warranties made in this Agreement, the following representations are true and complete as of the Effective Date of this Agreement, except as otherwise indicated in the Exhibit B: Disclosure Schedule. The Disclosure Schedule shall be arranged in Sections corresponding to the numbered and lettered Sections and subsections contained in this Section 2, and the disclosures in any Section or subsection of the Disclosure Schedule shall qualify other Sections and subsections in this Section 2.

2.1 **Organization, Corporate Power and Qualification.** The Company is a corporation duly organized and validly existing under the laws of the State of Oregon and has all requisite corporate power and authority to carry on its business as presently conducted and as proposed to be conducted. The organizational documents of the Company are set forth in the corporate records and upon request, the Investor shall be entitled to receive a copy of the Articles of Incorporation and Bylaws of the Company.

2.2 **Capitalization.** As of the Effective Date of this Agreement, the authorized capital of the Company consists of:

(a) 12,500,000 shares of common stock, 4,254,000 shares of which are issued and outstanding, and 7,500,000 shares of preferred stock, none of which have been designated as a class or series and none of which are issued and outstanding upon the Effective Date. All of the outstanding shares of common stock have been duly and validly authorized and issued, are fully paid and nonassessable and were issued in compliance with all applicable federal and state securities laws.

(b) The Company has reserved 1,807,500 shares of common stock for issuance to officers, directors, employees and consultants of the Company pursuant to the 2012 Stock Incentive Plan (the “Stock Plan”) duly adopted by the Board and approved by the Company’s shareholders. Of such reserved shares of common stock, 807,500 shares have been issued. In addition, the Company has granted warrants to purchase up to 90,000 shares of common stock to certain holders of the Company’s common stock.

(c) Other than stated in Exhibit C (Pre and Post-Financing Capitalization), there are no other outstanding warrants, options, rights (including conversion or preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, to purchase or acquire from the Company any shares of common stock, or any securities convertible into or exchangeable for shares of common stock in excess of amounts stated above.

2.3 **Authorization.** All corporate action required to be taken by the Board and shareholders in order to authorize the Company to enter into this Agreement, and to issue the Shares at the Closing, has been taken or will be taken prior to the Effective Date of this Agreement. All action on the part of the officers of the Company necessary for the execution and delivery of this Agreement, the performance of all obligations of the Company under this Agreement to be performed as of a Closing, and the issuance and delivery of the Shares has been

taken or will be taken prior to the Effective Date of this Agreement. This Agreement, when executed and delivered by the Company, shall constitute a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other laws of general application relating to or affecting the enforcement of creditors' rights generally, or (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

2.4 **Valid Issuance of Shares.** The Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and nonassessable. Assuming the accuracy of the representations of the Investor in Section 3 of this Agreement; and subject to the filings described in Section 2.5 below, the Shares will be issued in compliance with all applicable federal and state securities laws.

2.5 **Governmental Consents and Filings.** Assuming the accuracy of the representations made by the Investor in Section 3 of this Agreement, no consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority is required on the part of the Company in connection with the consummation of the transactions contemplated by this Agreement, except for filings pursuant to Regulation D of the Securities Act, and applicable state securities laws, which have been made or will be made in a timely manner.

2.6 **Compliance with Other Instruments.** The Company is not in violation or default (a) of any provisions of its Articles of Incorporation or Bylaws, (b) to its Knowledge, of any instrument, judgment, order, writ or decree, (c) to its Knowledge, under any note, indenture or mortgage, or (d) to its Knowledge, under any lease, agreement, contract or purchase order to which it is a party or by which it is bound that is required to be listed on the Disclosure Schedule the violation of which would have a Material Adverse Effect, or, to its knowledge, of any provision of federal or state statute, rule or regulation applicable to the Company. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement will not result in any such violation or be in conflict with or constitute, with or without the passage of time and giving of notice, either (i) a default under any such provision, instrument, judgment, order, writ, decree, contract or agreement or (ii) an event which results in the creation of any lien, charge or encumbrance upon any assets of the Company or the suspension, revocation, forfeiture, or nonrenewal of any material permit or license applicable to the Company.

2.7 **Rights of Registration and Voting Rights.** The Company is not under any obligation to register under the Securities Act any of its currently outstanding securities or any securities issuable upon exercise or conversion of its currently outstanding securities. To the Company's Knowledge, no shareholder of the Company has entered into any agreements with respect to the voting of capital shares of the Company.

2.8 **Absence of Liens.** The Company's property and assets are free and clear of all mortgages, deeds of trust, liens, loans and encumbrances, except for statutory liens for the payment of current taxes that are not yet delinquent and encumbrances and liens that arise in the ordinary course of business and do not materially impair the Company's ownership or use of such property or assets. With respect to the property and assets it leases, the Company is in

compliance with such leases and, to its knowledge, holds a valid leasehold interest free of any liens, claims or encumbrances other than those of the lessors of such property or assets.

2.9 **Permits.** The Company has all franchises, permits, licenses and any similar authority necessary for the conduct of its business, the lack of which could reasonably be expected to have a Material Adverse Effect. The Company is not in default in any material respect under any of such franchises, permits, licenses or other similar authority.

2.10 **Corporate Documents.** The minute books of the Company shall contain minutes of all meetings of directors and shareholders and all actions by written consent without a meeting by the directors and shareholders since the date of incorporation and accurately reflects in all material respects all actions by the directors (and any committee of directors) and shareholders with respect to all transactions referred to in such minutes.

2.11 **Disclosure.** The Company has made available to the Investor all the information reasonably available to the Company that the Investor has requested for deciding whether to acquire the Shares. No representation or warranty of the Company contained in this Agreement, as qualified by the Disclosure Schedule, and no certificate furnished or to be furnished to the Investors at a Closing contains any untrue statement of a material fact or, to the Company's knowledge, omits to state a material fact necessary in order to make the statements contained in this Agreement or in such certificate not misleading in light of the circumstances under which they were made. If the Investors received an executive summary or business plan for the Company, it was prepared in good faith; however, the Company does not represent or warrant that it will achieve any results that may be projected in such plans.

2.12 **Risk Factors.** The Investor has received a copy of the document Risks located at www.autoap.com/risks.html and has reviewed and understands the risks associated with investment in a start-up, technology company including the risk that the Investor may lose the Investor's entire investment.

3. **Representations and Warranties of the Investor.** The Investor hereby represents and warrants to the Company that:

3.1 **Authorization.** The Investor has full power and authority to enter into this Agreement. This Agreement, to which the Investor is a party, when executed and delivered by the Investor, will constitute valid and legally binding obligations of the Investor, enforceable in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and any other laws of general application affecting enforcement of creditors' rights generally, and as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

3.2 **Purchased Entirely for Own Account.** This Agreement is made with the Investor in reliance upon the Investor's representation to the Company, which by the Investor's execution of this Agreement, the Investor hereby confirms, that the Investor's investment in the Company is for the Investor's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part of the same, and that the Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, the Investor further represents that the Investor does not presently have any contract,

undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to the Investor's investment in the Company.

3.3 **Disclosure of Information.** The Investor has had an opportunity to discuss the Company's business, management, financial affairs and the terms and conditions of the offering of the Shares with the Company's management.

3.4 **Restricted Securities.** The Investor understands that the Shares have not been, and will not be, registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Investor's representations as expressed in this Agreement. The Investor understands that the Shares are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, the Investor must hold the Shares indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. The Investor acknowledges that the Company has no obligation to register or qualify the Shares for resale. The Investor further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Shares, and on requirements relating to the Company which are outside of the Investor's control, and which the Company is under no obligation and may not be able to satisfy.

3.5 **No Public Market.** The Investor understands that no public market now exists for the Shares, and that the Company has made no assurances that a public market will ever exist for the Shares.

3.6 **Legends.** The Investor understands that the Shares and any securities issued in respect of or exchange for the Shares, may bear one or all of the following legends:

(a) "THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH TRANSFER MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933."

(b) Any legend required by the securities laws of any state to the extent such laws are applicable to the Shares represented by the certificate so legended.

4. **Information Rights.**

4.1 **Delivery of Financial Statements.** The Company shall deliver to the Investor, provided that the Board has not reasonably determined that the Investor is a competitor of the Company, as soon as practicable after the end of each fiscal year of the Company (a) a balance sheet as of the end of such year, (b) statements of income and of cash flows for such

year, and (c) such other documents as the Board and the Company reasonably determine will update the Investor on the Company's progress from time to time.

4.2 **Confidentiality.** The Investor agrees that the Investor will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company pursuant to the terms of this Agreement unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this Section 4.2 by the Investor), (b) is or has been independently developed or conceived by the Investor without use of the Company's confidential information, or (c) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company; provided, however, that an Investor may disclose confidential information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company; (ii) to any prospective Investor of any Registrable Securities from the Investor, if such prospective Investor agrees to be bound by the provisions of this Section 4.2; (iii) to any Affiliate, partner, member, shareholder, or wholly owned subsidiary of the Investor in the ordinary course of business, provided that the Investor informs such Person that such information is confidential and directs such Person to maintain the confidentiality of such information; or (iv) as may otherwise be required by law, provided that the Investor promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any such required disclosure.

5. **Conditions to Investor's Obligations.** The obligation of the Investor to purchase Shares at a Closing is subject to the fulfillment, on or before the Closing, of each of the following conditions, unless otherwise waived:

5.1 **Representations and Warranties.** The representations and warranties of the Company contained in Section 2 shall be true and correct in all respects as of the Closing.

5.2 **Performance.** The Company shall have performed and complied with all covenants, agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by the Company on or before such applicable Closing.

5.3 **Proceedings and Documents.** All corporate and other proceedings in connection with the transactions contemplated for the Closing and all documents incident to such transaction shall be reasonably satisfactory in form and substance to the applicable Investor.

5.4 **Common Stock Purchase Warrants.** The Company shall have delivered an executed Warrant to the Investor at the Closing.

6. **Conditions of the Company's Obligations.** The obligation of the Company to sell Shares to the Investor at the Closing is subject to the fulfillment, on or before the Closing, of each of the following conditions, unless otherwise waived:

6.1 **Representations and Warranties.** The representations and warranties of the Investor contained in Section 3 shall be true and correct in all respects as of the Closing.

6.2 **Performance.** The applicable Investor shall have performed and complied with all covenants, agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by them on or before the Closing.

7. **Additional Covenants**

7.1 **Life Insurance.** The Company obtained a life insurance policy on Mark O. Paul in an amount of \$400,000 and names the Company as beneficiary.

7.2 **Board Matters.** Unless otherwise determined by the vote of a majority of the directors then in office, the Board shall meet at least quarterly in accordance with an agreed-upon schedule.

7.3 **Board of Directors.** As of the Closing, the Board shall be comprised of not less than three (3) and not more than five (5) members, including Robert W. Campbell as the designee of the Founder (Mark O. Paul), the person serving as the Company's Chief Executive Officer (currently Mark O. Paul), Robert A. DeKoning as an independent director, and two (2) vacancies to be filled by the Board at such time as the Board determines.

7.4 **Non-Competition Agreements.** The Founder and current employees have entered into Employment Agreements that include a non-competition and non-solicitation agreement in a form acceptable to the Board.

7.5 **Non-Disclosure Agreements.** On or before the Effective Date, each employee, contractor and consultant of the Company will have entered into a non-disclosure and proprietary rights assignment agreement in a form reasonably acceptable to the Board.

8. **Miscellaneous.**

8.1 **Survival of Warranties.** Unless otherwise set forth in this Agreement, the representations and warranties of the Company and the Investor contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing and shall in no way be affected by any investigation or knowledge of the subject matter made by or on behalf of the Investor or the Company.

8.2 **Successors and Assigns.** The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

8.3 **Governing Law.** This Agreement and any controversy arising out of or relating to this Agreement shall be governed by and construed in accordance with the Oregon Revised Statutes as to matters within the scope of such code, and as to all other matters shall be governed by and construed in accordance with the internal laws of Oregon, without regard to conflict of law principles that would result in the application of any law other than the law of the State of Oregon.

8.4 **Counterparts and Facsimile or Portable Document Format.** This Agreement may be executed and delivered by facsimile signature or portable document format (PDF) and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.5 **Titles and Subtitles.** The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

8.6 **Notices.** All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or: (a) personal delivery to the party to be notified, (b) when sent, if sent by facsimile during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next business day, (c) three days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one business day after deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their address as set forth on the signature page or Schedule 1, or to such facsimile number or address as subsequently modified by written notice given in accordance with this Section 8.6. Except to the extent required by tax or securities laws or regulations or otherwise set forth under this Agreement, Investor hereby appoint the Company as agent for all notice requirements under this Agreement. If notice is given to the Company, a copy shall also be sent to Ernest G. Bootsma, Ater Wynne LLP, 1331 NW Lovejoy, Suite 900, Portland, Oregon 97209.

8.7 **Finder's Fees.** The Investor agrees to indemnify and to hold harmless the Company from any liability for any commission or compensation in the nature of a finder's or broker's fee arising out of this transaction (and the costs and expenses of defending against such liability or asserted liability) for which the Investor or any of its officers, employees, or representatives is responsible. The Company agrees to indemnify and hold harmless the Investor from any liability for any commission or compensation in the nature of a finder's or broker's fee arising out of this transaction (and the costs and expenses of defending against such liability or asserted liability) for which the Company or any of its officers, employees or representatives is responsible.

8.8 **Attorneys' Fees.** If any action at law or in equity (including arbitration) arising out of any dispute between the parties is necessary to enforce or interpret the terms of any of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

8.9 **Amendments and Waivers.** Any term of this Agreement may be amended, terminated or waived only with the written consent of the Company and the Investor. Any amendment or waiver effected in accordance with this Section 8.9 shall be binding upon the Investor, each transferee of the Shares, and the Company.

8.10 **Severability.** The invalidity or unenforceability of any provision of this Agreement shall in no way affect the validity or enforceability of any other provision.

8.11 **Delays or Omissions.** No delay or omission to exercise any right, power or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

8.12 **Entire Agreement.** This Agreement (including the attached Schedules and Exhibits), constitutes the full and entire understanding and agreement between the parties with respect to the subject matter of this Agreement, and any other written or oral agreement relating to the subject matter of this Agreement existing between the parties are expressly canceled.

8.13 **Aggregation of Stock.** All Shares held or acquired by affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

[Signatures on Following Pages]

IN WITNESS WHEREOF, the Company has executed this Common Stock Purchase Agreement as of the Effective Date of this Agreement.

COMPANY:

AUTOAP, INC.,
an Oregon corporation

By: _____
Mark O. Paul, CEO and President

Schedule 1

IN WITNESS WHEREOF, the undersigned Investor has executed this Common Stock Purchase Agreement as of the date set forth below and agrees to purchase the number of shares set forth below.

INVESTOR:

Person / Organization's Printed Name

Person / Organization's or Authorized
Representative - Signature

Authorized Representative – Printed name

Date: _____

Amount of Investment: _____

Number of Shares: _____

Address of Investor:

Email of Investor:

EXHIBIT A

FORM OF COMMON STOCK PURCHASE WARRANT

NEITHER THIS WARRANT NOR ANY OF THE SECURITIES ISSUABLE HEREUNDER HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND AS SUCH MAY NOT BE OFFERED, SOLD, OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT PURSUANT TO A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO SUCH WARRANT OR SECURITIES, OR UNLESS SOLD IN FULL COMPLIANCE WITH RULE 144 PROMULGATED UNDER THE ACT OR UNLESS THE COMPANY SHALL RECEIVE AN OPINION FROM COUNSEL TO HOLDER, REASONABLY SATISFACTORY TO THE COMPANY, TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED.

Warrant CW- _____

AUTOAP, INC.

COMMON STOCK PURCHASE WARRANT

Issue Date: _____

Expiration Date: 3 Years from Issue Date

For _____ Shares

Price per Share: \$1.25

THIS CERTIFIES THAT, for value received, _____ (the "Investor") is entitled to purchase the above-referenced number of shares (the "Shares") of Common Stock of **AUTOAP, INC.**, an Oregon corporation (the "Company"), at the price per share noted above (such price, as it may be adjusted from time to time as specified below, is referred to in this Warrant as the "Warrant Price"), subject to the provisions and upon the terms and conditions set forth in this Warrant. As used in this Warrant, the term "Common Stock" shall mean the Company's duly authorized common stock, \$ 0.001 par value per share

1. **Term.** Subject to the terms hereof, the purchase right represented by this Warrant is exercisable, in whole or in part, at any time and from time to time, until the Expiration Date noted above, provided that this Warrant will expire and be of no further force and effect upon the closing of (i) the sale of all or substantially all of the assets of the Company, (ii) the sale of all of the issued and outstanding shares of the Company's capital stock, (iii) the effective date of a merger of the Company with another entity in which voting control of the Company changes hands, (any one of which is a "Transaction"), if not exercised within ten (10) days of the Investor's receiving the Company's written notice that a Transaction is pending. Such notice will identify the Transaction price (if determinable) as the fair market value of the Common Stock, for purposes of Net Issue Exercise as described in Section 3.2.

2. **Number of Shares.** Subject to the terms and conditions set forth in this Warrant, the Investor is entitled to purchase up to [#] shares of Common Stock of the Company (the "Shares").

3. **Method of Exercise; Net Issue Exercise.**

3.1. **Cash Exercise.** The purchase right represented by this Warrant may be exercised by the Investor, by the surrender of this Warrant (with the notice of exercise form attached hereto as Exhibit A duly executed) at the principal office of the Company and by the

payment to the Company, by cash, check or wire transfer, of an amount equal to the then applicable Warrant Price per share multiplied by the number of Shares then being purchased.

3.2. **Net Issue Exercise.** In lieu of exercising this Warrant under Section 3.1 above, the Investor may elect to receive Shares equal to the value of this Warrant by surrender of this Warrant at the principal office of the Company, together with notice of such election, in which event the Company shall issue to the Investor that number of Shares computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where: X= the number of Shares to be issued to the Investor
Y= the number of Shares then exercisable under this Warrant, if exercised for cash.
A= the fair market value of one share of Common Stock at the time of such exercise.
B= the per share Warrant Price (as adjusted through the date of such exercise.)

For purposes of this Section 3.2, the fair market value of the Common Stock shall be determined as follows:

3.2.1. If the exercise is before the effective date of an initial public offering of the Common Stock, then the fair market value shall conclusively be deemed to be the most recent value set by the Board of Directors of the Company (or appropriate committees of the Board of Directors) as the fair market value for purposes of issuing stock under the Company's then-current Stock Incentive Plan. Notwithstanding the preceding sentence, if the exercise is made within ten days following notice of a Transaction, then the fair market value will be equal to the cash given (or if the consideration is not solely cash then the fair market value of the consideration given) in exchange for the Common Stock in the Transaction. If the Transaction carries its own internal rules for valuing such consideration (e.g., average of previous ten (10) days' trading, or the like) those rules will govern the determination of fair market value under this Section 3.2.

3.2.2. If the exercise is after, and not in connection with, the Company's initial public offering, and:

3.2.2.1 if the Common Stock is traded on a securities exchange, then the fair market value shall be the average of the closing prices over the ten (10) day trading period immediately preceding that day which is three (3) days before the day the fair market value of the Common Stock is being determined; or

3.2.2.2 if the Common Stock is actively traded over-the-counter, then the fair market value shall be deemed to be the average of the closing bid and asked prices quoted on the NASDAQ Stock Market (or similar system) over the ten (10) day trading period immediately preceding that day which is three (3) days before the day the fair market value of the Common Stock is being determined.

The person or persons in whose name(s) any certificate(s) representing Shares shall be issuable upon exercise of this Warrant shall be deemed to have become the holder(s) of record of, and shall be treated for all purposes as the record holder(s) of, the Shares represented thereby (and such Shares shall be deemed to have been issued) immediately prior to the close of business

on the date or dates upon which this Warrant is exercised. In the event of any exercise of this Warrant, certificates for the issuable Shares shall be delivered to the Investor as soon as possible and in any event within fifteen (15) days of receipt of such exercise and, unless this Warrant has been fully exercised or expired, a new Warrant representing the portion of the Shares, if any, with respect to which this Warrant shall not then have been exercised shall also be issued to the Investor as soon as possible and in any event within such fifteen (15)-day period.

4. **Stock Fully Paid; Reservation of Shares.** All of the Shares that may be issued upon the exercise of this Warrant will, upon issuance, be fully paid and non-assessable, and free from all taxes, liens and charges with respect to the issuance thereof. During the period within which this Warrant may be exercised, the Company will at all times have authorized and reserved for the purpose of issuance upon exercise of this Warrant, a sufficient number of Shares to provide for the exercise of this Warrant.

5. **Adjustment of Warrant Price and Number of Shares.** The number and kind of securities purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time upon the occurrence of certain events as follows:

5.1. **Recapitalization or Conversion.** In case of any recapitalization, reclassification, change or conversion of Common Stock issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), the Company shall execute a new Warrant (in form substantially identical to this Warrant) providing that the Investor shall have the right to exercise such new Warrant and upon such exercise to receive, in lieu of each share of Common Stock theretofore issuable upon exercise of this Warrant, the kind and amount of shares of stock, other securities, money and property receivable upon such recapitalization, reclassification or conversion. Such new Warrant shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 5. The provisions of this Section 5.1 shall similarly apply to successive recapitalizations, reclassifications and conversions.

5.2. **Subdivision or Combination of Shares.** If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its Common Stock, the Warrant Price and the number of shares of Common Stock issuable upon exercise hereof shall be proportionately adjusted such that the aggregate exercise price of this Warrant shall at all times remain the same.

5.3. **Stock Dividends.** If the Company at any time while this Warrant remains outstanding and unexpired shall pay a dividend payable in shares of Common Stock (except any distribution specifically provided for in Sections 5.1 and 5.2), then (i) the Warrant Price shall be adjusted, from and after the date of determination of shareholders entitled to receive such dividend or distribution, to that price determined by multiplying the Warrant Price in effect immediately prior to such date of determination by a fraction (x) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, and (y) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution, and (ii) the number of shares of Common Stock subject to this Warrant shall be proportionately adjusted.

5.4. **No Impairment.** The Company will not, by amendment of its Articles of Incorporation or through any reorganization, recapitalization, transfer of assets, dissolution, issuance or sale of securities or any other voluntary action, avoid or seek to avoid the observance

or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Section 5 and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Investor, as the holder of this Warrant, against impairment.

6. **Notice of Adjustments.** Whenever, while this Warrant remains outstanding and unexpired, the Warrant Price shall be adjusted pursuant to the provisions hereof, the Company shall within thirty (30) days of such adjustment deliver a certificate signed by its chief financial officer to the Investor as the registered holder hereof setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Warrant Price after giving effect to such adjustment.

7. **Fractional Shares.** No fractional shares of Common Stock will be issued in connection with any exercise hereunder, but in lieu of such fractional shares, the Company shall make a cash payment therefor upon the basis of the Warrant Price.

8. **Transfers.** This Warrant, and all rights in this Warrant, are nontransferable except with the consent of the Company, which consent shall not be unreasonably withheld. The Company hereby grants its consent to a transfer of this Warrant to any affiliate of the Investor hereby.

9. **Rights as Shareholder.** The Investor, as the holder of the Warrant, shall not be entitled to vote or receive dividends and shall not be deemed the holder of Common Stock, nor shall anything contained in this Warrant be construed to confer upon the Investor as the holder of this Warrant, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to a vote of shareholders at any meeting thereof, or to receive notice of meetings, until this Warrant shall have been exercised and the shares of Common Stock purchasable upon the exercise hereof shall have become deliverable, as provided in this Warrant.

10. **Modification and Waiver.** This Warrant and any provision hereof may be changed, waived, discharged or terminated only if expressly set forth in an instrument in writing signed by the Company and the Investor.

11. **Notices.** Unless otherwise provided, any notice required or permitted in this Warrant shall be given in writing and shall be deemed effectively given upon personal delivery or fax to the party to be notified or three (3) days after deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed to the party to be notified at the address indicated for such party on the signature page hereof, or such other address as such party may designate by ten (10) days advance written notice to the other party.

12. **Binding Effect on Successors.** This Warrant shall be binding upon any corporation succeeding the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets, and all of the covenants and agreements of the Company contained in this Warrant shall inure to the benefit of the successors and assigns of the holder hereof. The Company will, at the time of the exercise of this Warrant, in whole or in part, upon request of the holder hereof but at the Company's expense, acknowledge in writing its continuing obligation to the holder hereof in respect of any rights to which the holder hereof shall continue to be entitled after such exercise in accordance with this Warrant; provided, that the failure of the holder hereof to make any such request shall not affect the continuing obligation of the Company to the holder hereof in respect of such rights.

13. **Lost Warrants or Stock Certificates.** The Company covenants to the holder hereof that upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant or any stock certificate and in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the case of any such mutilation upon surrender and cancellation of such Warrant or stock certificate, the Company will make and deliver a new Warrant or stock certificate, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant or stock certificate.

14. **Descriptive Headings.** The descriptive headings of the several sections of this Warrant are inserted for convenience only and do not constitute a part of this Warrant.

15. **Governing Law.** This Warrant shall be governed by, and construed under, the laws of the State of Oregon as applied to agreements among Oregon residents entered into and to be performed entirely within the State of Oregon.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed effective as of the date first above written.

AUTOAP, INC.

By: _____
Mark O. Paul, President

NOTE: THIS NOTICE SHOULD BE DELIVERED PERSONALLY OR SENT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED. Checks should be made payable to the Company.

EXHIBIT A

**NOTICE OF EXERCISE
WARRANT #CW-_____**

To: AutoAp, Inc.

Attn: President

Re: ATTACHED WARRANT

CHECK ONE:

1. Cash Exercise. **The undersigned hereby elects to purchase _____ shares of Common Stock of AutoAp, Inc., pursuant to the terms of Section 3.1 of this Warrant, and tenders herewith payment of the purchase price of such shares in full; or**

2. Net Issuance Exercise. **The undersigned hereby elects to exercise _____ shares of Common Stock of AutoAp, Inc., pursuant to the terms of Section 3.2 of this Warrant, and to receive so many shares as a result as are properly calculated under that Section.**

The undersigned tenders the Warrant for exercise, and, if the stated number of shares is less than the total number of shares represented by the Warrant, requests return of a replacement warrant representing the balance of the shares.

Please issue a certificate or certificates representing the resulting shares in the name of the undersigned or in such other name or names as are specified below.

Name: _____

Signature: _____

Address: _____

Social Security #
or Tax ID: _____

Exhibit B

DISCLOSURE SCHEDULE

- 1) Mark O. Paul has and will, from time to time, loan the Company capital. As of the Effective Date of this Agreement, \$3,000 is outstanding which was not reimbursed from the proceeds of the Seed Round. Mr. Paul has converted this loan into 120 shares of the company's common stock plus a warrant to purchase an additional 120 shares of common stock as part of this capital round.

Exhibit C

Pre and Post-Financing Capitalization

(Example: \$1,000,000 investment)

Pre and Post-Financing Capitalization (w/o reserves)			
Pre-Money	\$9,015,125	Share Price	\$1.75
Post-Money	\$10,015,125		

Prior to Issuance of "Reserved" Options / Warrants			
	<u>Shares</u>	<u>Ownership</u>	
Common Stock, Pre-Money			
Options / Warrants	5,151,500	81.84%	
Round 2 Investment	1,142,857	18.16%	
	<u>6,294,357</u>	<u>100.00%</u>	

Round 2 Cap Table			
	<u>Investment</u>	<u>Shares</u>	<u>Ownership</u>
Round 2 Investment	\$1,000,000	571,429	7.83%
Warrant coverage		571,429	7.83%
Total Seed	\$1,000,000	1,142,857	15.67%
Common Stock & Pre-Money Options / Warrants		5,151,500	70.62%
Post-Money Options Reserves*		1,000,000	13.71%
Total	\$1,000,000	7,294,357	100.00%

Summary: Fully Diluted Basis			
	<u>Pre-Money</u>	<u>Post-Money</u>	<u>Share Value</u>
Founder/Seed Investors	82.58%	58.32%	\$7,444,500
Round 2 Investment		15.67%	\$2,000,000
All Options/Warrants	11.60%	26.01%	\$3,320,625
Total	94.18%	100.00%	\$12,765,125

Notes: Table is subject to change, due to options/equity being issued to accomplish the plan.

Total issued pre-round Common Stock (4,254,000), plus options (807,500), plus warrants (90,000)

** Reserve: Employee reserve, Consultants/contractors & Board of Directors / Advisors, etc.*

These options are reserved and not incorporated in the pre-money valuation.