

**WASHINGTON HEIGHTS BAPTIST CHURCH**

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**NOTE PURCHASE AGREEMENT**

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## NOTE PURCHASE AGREEMENT

This Note Purchase Agreement (this “Agreement”) is made and entered into effective as of the [insert] day of [insert], 2011 (the “Effective Date”) by and between Washington Heights Baptist Church, a Utah Non-Profit corporation operated for religious purposes (the “Seller”), and [insert], [a/an] [insert] (the “Purchaser”). The Seller and Purchaser shall each be referred to as a “Party” and collectively as the “Parties.”

1. PURCHASE OF NOTE: The Purchaser hereby irrevocably offers to purchase a total of [insert] Dollars (\$[insert]) (the “Purchase Price”) principal amount Unsecured Promissory Note(s) in accordance with the terms and conditions of this Agreement, in form and substance substantially similar to the form of Note attached hereto as Exhibit B, to pay the Purchase Price on the date hereof, in the following denominations (initial all that apply):

- \_\_\_\_\_ A. One (1) year Note    \$[insert], paying interest at the rate of one and a half percent (1.5%) per annum;
- \_\_\_\_\_ B. Three (3) year Note    \$[insert], paying interest at the rate of two and a half percent (2.5%) per annum; and
- \_\_\_\_\_ C. Five (5) year Note:    \$[insert], paying interest at the rate of three and a half percent (3.5%) per annum.

2. REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY PURCHASER: The Purchaser hereby represents, warrants and agrees as follows:

a) *Purchase for Own Account*. Purchaser represents that he is acquiring the Note solely for his own account and beneficial interest for investment and not for sale or with a view to distribution of the Note or any part thereof, has no present intention of selling (in connection with a distribution or otherwise), granting any participation in, or otherwise distributing the same, and does not presently have reason to anticipate a change in such intention.

b) *Access to Information*. The Purchaser acknowledges that the Purchaser has been furnished with such financial and other information concerning the Seller, the directors and officers of the Seller, and the business operations of the Seller as the Purchaser considers necessary in connection with the Purchaser’s investment in the Note. Purchaser has also had an opportunity to review the Disclosure Sheet attached hereto as Exhibit A. As a result, the Purchaser is thoroughly familiar with the business, operations, properties and financial condition of the Seller and has discussed with officers of the Seller any questions the Purchaser may have had with respect thereto. The Purchaser understands (i) the risks involved in this investment, (ii) the financial hazards involved in this investment, including the risk of losing the Purchaser’s entire investment, (iii) the lack of liquidity and restrictions on transfers of the Note, and (iv) the tax consequences of this investment.

The Purchaser has consulted with the Purchaser's own legal, accounting, tax, investment and other advisers with respect to the tax treatment of an investment by the Purchaser in the Note and the merits and risks of an investment in the Note.

c) *Note Part of Private Placement.* The Purchaser has been advised that the Note has not been registered under the Securities Act of 1933, as amended (the "Act"), or qualified under the securities law of any state, on the ground, among others, that no distribution or public offering of the Note is to be effected and the Note will be issued by the Seller in connection with a transaction that does not involve any public offering within the meaning of section 3(A)(4) of the Act, Section 61-1-14(F) of the Utah Uniform Securities Act, and other exemptions under applicable state laws. The Purchaser understands that the Seller is relying in part on the Purchaser's representations as set forth herein for purposes of claiming such exemptions and that the basis for such exemptions may not be present if, notwithstanding the Purchaser's representations, the Purchaser has in mind merely acquiring the Notes for resale on the occurrence or nonoccurrence of some predetermined event. The Purchaser has no such intention.

d) If the Purchaser is an individual, the Purchaser is over 21 years of age.

e) *Accredited Investor Status (Please check one).* Purchaser

\_\_\_\_\_ is

\_\_\_\_\_ is not

*(Purchaser's status as an accredited investor will not affect his or her ability to purchase the Notes. This information is gathered for required informational purposes only.)*

an "accredited investor" as such term is defined in Rule 501 under the Act because Purchaser either:

(i) has a net worth of at least \$1,000,000 (including personal property, but excluding from the calculation the value of the Subscriber's primary residence and the related amount of any indebtedness on primary residence up to the fair market value of the primary residence (any indebtedness that exceeds the fair market value of the primary residence must be deducted from the person's net worth)), **or**

(ii) had an individual income of more than \$200,000 in each of the two most recent calendar years, and reasonably expects to have an individual income in excess of \$200,000 in the current calendar year; or along with Subscriber's spouse had joint income in excess of \$300,000 in each of the two most recent calendar years, and reasonably expects to have a joint income in excess of \$300,000 in the current calendar year.

For purposes of this Agreement, "individual income" means "adjusted gross income" as reported for Federal income tax purposes, exclusive of any income attributable to a spouse

or to property owned by a spouse: (i) the amount of any interest income received which is tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended, (the “Code”), (ii) the amount of losses claimed as a limited partner in a limited partnership (as reported on Schedule E of form 1040), (iii) any deduction claimed for depletion under Section 611 et seq. of the Code and (iv) any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income pursuant to the provisions of Sections 1202 of the Internal Revenue Code as it was in effect prior to enactment of the Tax Reform Act of 1986.

For purposes of this Agreement, “joint income” means, “adjusted gross income,” as reported for Federal income tax purposes, including any income attributable to a spouse or to property owned by a spouse, and increased by the following amounts: (i) the amount of any interest income received which is tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), (ii) the amount of losses claimed as a limited partner in a limited partnership (as reported on Schedule E of Form 1040), (iii) any deduction claimed for depletion under Section 611 et seq. of the Code and (iv) any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income pursuant to the provisions of Section 1202 of the Internal Revenue Code as it was in effect prior to enactment of the Tax Reform Act of 1986.

For the purposes of this Agreement, “net worth” means (except as otherwise specifically defined) the excess of total assets at fair market value, including personal property, over total liabilities, including mortgages and income taxes on unrealized appreciation of assets, but excluding from the calculation the value of the person’s primary residence and the related amount of any indebtedness on primary residence up to the fair market value of the primary residence (any indebtedness that exceeds the fair market value of the primary residence must be deducted from the person’s net worth).

f) *Purchaser Authorization.* The Purchaser, if not an individual, is empowered and duly authorized to enter into this Agreement under any governing document, partnership agreement, trust instrument, pension plan, charter, certificate of incorporation, bylaw provision or the like; this Agreement constitutes a valid and binding agreement of the Purchaser enforceable against the Purchaser in accordance with its terms; and the person signing this Agreement on behalf of the Purchaser is empowered and duly authorized to do so by the governing document or trust instrument, pension plan, charter, certificate of incorporation, bylaw provision, board of directors or stockholder resolution, or the like.

g) *No Backup Withholding.* The Social Security Number or taxpayer identification shown in this Agreement is correct, and the Purchaser is not subject to backup withholding because (i) the Purchaser has not been notified that he or she is subject to backup withholding as a result of a failure to report all interest and dividends or (ii) the Internal Revenue Service has notified the Purchaser that he or she is no longer subject to backup withholding.

h) *Purchaser's Offer.* The Purchaser hereby acknowledges and agrees that this Agreement is an offer by the Purchaser to purchase the Note, which offer may be accepted or declined by the Seller. The Purchaser hereby further acknowledges that this Agreement does not constitute an offer by the Seller to sell the Note or a solicitation of an offer to buy the Note.

i) *Deposits Not Insured.* The Purchaser hereby acknowledges and agrees that the Notes are not insured by the FDIC or any federal or state governmental agency, and may be subject to investment risks, including the possible loss of principal value or amount invested.

j) *Ten Day Right of Cancellation.* The Purchaser shall have the right, at any time during the ten (10) days following execution of this Agreement, to cancel the Agreement and receive a full refund of the Purchase Price.

3. REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY SELLER: The Seller hereby represents, warrants and agrees as follows:

a) *Corporate Power.* The Seller has all requisite corporate power to execute and deliver this Agreement and to carry out and perform its obligations under the terms of this Agreement.

b) *Authorization.* All corporate action on the part of the Seller and its directors necessary for the authorization, execution, delivery and performance of this Agreement by the Seller and the performance of the Seller's obligations hereunder has been taken or will be taken prior to the issuance of the Note. This Agreement, when executed and delivered by the Seller, shall constitute valid and binding obligations of the Seller enforceable in accordance with their terms, subject to laws of general application relating to bankruptcy, insolvency, the relief of debtors and, with respect to rights to indemnity, subject to federal and state securities laws. The Note will be issued in compliance with all applicable federal and state securities laws, and will be free of any liens or encumbrances, other than any liens or encumbrances created by or imposed upon the Purchaser through no action of the Seller; provided, however, that the Note may be subject to restrictions on transfer under state and/or federal securities laws as set forth herein or as otherwise required by such laws at the time the transfer is proposed.

c) *Governmental Consents.* All consents, approvals, orders, or authorizations of, or registrations, qualifications, designations, declarations, or filings with, any governmental authority required on the part of the Seller in connection with the valid execution and delivery of this Agreement, the offer, sale or issuance of the Note, or the consummation of any other transaction contemplated hereby shall have been obtained, except for notices required or permitted to be filed with certain state and federal securities commissions, which notices will be filed on a timely basis.

4. INDEMNIFICATION: The Purchaser hereby agrees to indemnify and defend the Seller and its directors and officers and hold them harmless from and against any and all liability, damage, cost or expense incurred on account of or arising out of:

(a) Any breach of or inaccuracy in the Purchaser's representations, warranties or agreements herein;

(b) Any disposition of the Note contrary to any of the Purchaser's representations, warranties or agreements herein;

(c) Any action, suit or proceeding based on (i) a claim that any of said representations, warranties or agreements were inaccurate or misleading or otherwise cause for obtaining damages or redress from the Seller or any director or officer of the Seller under the Act, or (ii) any disposition of the Note.

5. MISCELLANEOUS:

a) *Binding Agreement*. 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, expressed or implied, is intended to confer upon any third party any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

b) *Governing Law; Venue; Attorney's Fees*. The Parties consent to the jurisdiction of any court of the State of Utah and of any federal court located in Utah. Venue for any cause of action shall be Salt Lake County, Utah. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Utah applicable to contracts made and to be performed entirely therein, without giving effect to the rules or principles of conflicts of law. Should either Party commence any action, suit or proceeding to enforce this Agreement or any term or provision hereof, then in addition to any other damages or awards that may be granted to the prevailing Party, the prevailing Party shall be entitled to have and recover from the other Party such prevailing Party's reasonable attorneys' fees and costs incurred in connection therewith..

c) *Counterparts*. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

d) *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.

e) *Notices.* All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the Party to be notified, (b) when sent by confirmed facsimile if sent during normal business hours of the recipient, if not, then on the next business day, or (c) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent as follows:

If to the Seller:

Washington Heights Baptist Church  
1770 East 6200 South  
Ogden, Utah 84405  
Attn: Sam Barber  
Facsimile No.: (801) 479-7975

If to Purchaser:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Facsimile No.: \_\_\_\_\_

or at such other address as the Seller or Purchaser may designate by ten (10) days advance written notice to the other Party hereto.

f) *Modification; Waiver.* No modification or waiver of any provision of this Agreement or consent to departure therefrom shall be effective unless in writing and approved by the Seller and the Purchaser.

g) *Entire Agreement; Successors.* This Agreement and the Exhibits hereto constitute the full and entire understanding and agreement between the Parties with regard to the subjects hereof and no Party shall be liable or bound to the other Party in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein. The representations, warranties and agreements contained in this Agreement shall be binding on the Purchaser's successors, assigns, heirs and legal representatives and shall inure to the benefit of the respective successors and assigns of the Seller and its directors and officers.

h) *Expenses.* Each Party shall pay their own expenses in connection with this Agreement.

i) *Currency.* All currency is expressed in U.S. dollars.

[remainder of page intentionally left blank; signature page to follow]

IN WITNESS WHEREOF, the Parties have executed this Note Purchase Agreement as of the date first written above.

**“Seller”**

Washington Heights Baptist Church,  
a Utah Non-Profit corporation

\_\_\_\_\_  
By: Sam Barber  
Its: Church Administrator

**“Purchaser”**

\_\_\_\_\_

\_\_\_\_\_  
By:  
Its:

To be completed by each Purchaser:

Email: \_\_\_\_\_ SSN: \_\_\_\_\_

Home Phone: \_\_\_\_\_ Work Phone: \_\_\_\_\_

State of Residence: \_\_\_\_\_

For how long? \_\_\_\_\_

Do you maintain a residence in any other state? \_\_\_\_\_

In which state(s) do you

File state income tax returns: \_\_\_\_\_

Vote: \_\_\_\_\_

Hold current driver’s license: \_\_\_\_\_

Maintain a house or apartment: \_\_\_\_\_

## Exhibit A

### Disclosure Sheet

- Seller:** Washington Heights Baptist Church,  
a Utah Non-Profit corporation
- Date of Formation:** May 2, 1956
- Offering:**
- Up to \$2,000,000 in Unsecured Promissory Notes
  - Minimum Investment - \$10,000 per maturity
  - Maximum Investment - \$200,000 per Purchaser
- Purchaser Qualifications:**
- Offered only to registered members of the Washington Heights Baptist Church
- Use of Proceeds:** The proceeds from this offering will be used for our multi-campus expansion
- Offering Period:** The offering of the Notes will continue until the full \$2,000,000 is sold, or until September 30, 2012, whichever shall come first.

### Summary Financial Information Attached as Exhibit C

**Exhibit B**

**Note**

Exhibit C

WASHINGTON HEIGHTS BAPTIST CHURCH  
BALANCE SHEET  
March 31, 2011

ASSETS

Current Assets

Checking/ Savings

Bank of Utah SWEEP	\$	200,842	
Bank of Utah PR	\$	1,745	
AFCU Savings Accounts	\$	119,058	
Petty Cash	\$	100	
Bulk Mail Trust	\$	442	
			\$
Total Checking / Savings			322,187

Other Current Assets

Utah State Sales Tax Recvbl	\$	994	
Undeposited Funds	\$	1,270	
Prepaid Expenses	\$	1,000	
Total Other Current Assets			3,264

Total Current Assets

\$  
325,451

Fixed Assets

Washington Heights Campus	\$	5,700,000	
Bountiful Heights Campus	\$	1,290,000	
New Heights Campus	\$	840,000	
Furnishings	\$	129,872	
Depreciation	\$	(103,897)	
Inventories	\$	4,500	
			\$
Total Fixed Assets			7,860,475

TOTAL ASSETS

\$  
8,185,926

LIABILITIES EQUITY AND FUNDS

Liabilities

Current Liabilities	\$3,320	
Encumbered Property	\$766,887	
		\$
Total Liabilities		770,207

<b>Equity</b>		
Property Equity		\$ 7,093,588
Fund Balances		
Balance at 1.1.11	\$ 393,914	
	\$	
Net Income	<u>(71,783)</u>	
Fund Balances at 3.31.11		<u>\$ 322,131</u>
Total Equity		<u>7,415,719</u>
		\$
<b>TOTAL LIABILITIES and EQUITY</b>		<u><u>8,185,926</u></u>