

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 27, 2021

RED CAT HOLDINGS, INC.  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other  
jurisdiction of incorporation)

814-00175  
(Commission  
File Number)

86-0490034  
(I.R.S. Employer  
Identification No.)

370 Harbour Drive  
Palmas del Mar  
Humacao, PR  
(Address of principal executive offices)

00791  
(Zip Code)

Registrant's telephone number, including area code: (833) 373-3228

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Section 3 – Securities and Trading Markets**  
**Item 3.02 Unregistered Sales of Equity Securities**

On January 27, 2021, our Board of Directors approved the closing of a private offering to accredited investors of Units consisting of convertible notes and warrants to a total of six (6) investors for total offering proceeds of \$500,000. Each Unit consists of: (1) a Convertible Note, and (2) a Warrant to purchase a number of shares of common stock equal to 135% of the dollar amount of the Note.

The Convertible Notes (the “Notes”) included in the Units accrue interest at a rate of 12% per annum, with all principal and interest due two (2) years from the date of issuance. The Notes are convertible to shares of our common stock at a price equal to the lower of: (a) \$1.00, if the conversion occurs prior a Qualified Offering, or (b) a 25% discount of the price per share of common stock offered in the Qualified Offering, if the conversion occurs simultaneous with the Qualified Offering. A “Qualified Offering” is defined as an offering of our common stock resulting in the listing for trading of our common stock on the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange. The Notes may be converted at any time in the discretion of the holder prior to a Qualified Offering, but will be automatically converted to common stock simultaneously with the consummation of a Qualified Offering. Conversions of the Notes are limited such that a holder shall not have the right to convert any portion of the Note, or receive shares of common

stock as payment of interest thereunder, to the extent that after giving effect to such conversion or receipt of such interest payment, the holder, together with any affiliate thereof, would beneficially own (as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder) in excess of 9.99% of the number of shares of our common stock outstanding immediately after giving effect to such conversion.

In the event of our default under the Notes, conversion price shall be reduced to the lower of (i) thirty (30) day volume weighted average of the closing price per share of our common stock, if the conversion herein occurs prior a Qualified Offering, or (ii) 65% of the lowest closing price for our common stock during the twenty (20) consecutive trading day period immediately preceding the date of the conversion.

The Notes also include certain protections for investors, including the following:

(1) So long as the Notes are outstanding, upon our issuance of any security, or an amendment to a security that was issued before the date Note, with any term that the holder reasonably believes is more favorable to the holder of such security or with a term in favor of the holder of such security that the Holder reasonably believes was not similarly provided to the holder of the Note, such term, at the holder's option, shall become a part of the Note.

(2) If, at any time while the Notes are outstanding, we issue any common stock or other securities convertible into, exercisable for, or that otherwise entitle any person or entity the right to acquire, shares of our common stock, at an effective price per share that is lower than the then Conversion Price for the Note (such lower price, the "Base Conversion Price" and such issuances, collectively, a "Dilutive Issuance") then the Conversion Price shall be reduced, at the option of the holder, to a price equal to the Base Conversion Price. If we enter into a variable rate transaction, we shall be deemed to have issued common stock pursuant to this provision at the lowest possible price per share at which such securities could be issued in connection with such variable rate transaction. Such adjustment shall be made whenever such common stock or other securities are issued.

The two provisions enumerated above do not apply with regard to issuances to officers, directors, or employees under a stock option plan, to issuances pursuant to convertible securities outstanding prior to the date of the Notes, or to issuances pursuant to acquisitions or other strategic transactions.

The Warrants included in the Units are exercisable for a period of five (5) years and entitle the holder to purchase shares of our common stock at a price equal to the lower of (i) \$1.50, or (ii) a 25% discount to the price per share of common stock offered in the Qualified Offering. The Warrants may be exercised by cash payment or, if there is no effective registration statement registering, or no current prospectus available for the resale of, all of the shares that may be acquired pursuant to the Warrant by the holder, the holder may elect cashless exercise of the Warrant.

The foregoing is a summary of the material terms of the Notes and the Warrants, each of which are filed hereto as Exhibits and should be reviewed in their entirety for additional information. Our offer and sale of the Notes and the Warrants was exempt from registration pursuant to Rule 506(b) under Regulation D, as the Units were offered exclusively to accredited investors and we engaged in no general solicitation or advertising regarding the private offering.

## **Item 9.01 Financial Statements and Exhibits.**

### **(d) Exhibits.**

<u>Exhibit No.</u>	<u>Description</u>
10.1	Form of Securities Purchase Agreement
10.2	Form of Convertible Note
10.3	Form of Warrant

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: January 27, 2021

**RED CAT HOLDINGS, INC.**

By: /s/ Jeffrey M. Thompson  
Name: Jeffrey M. Thompson  
Title: President and Chief Executive Officer

## SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (this “Agreement”) dated as of [ ], 202[ ], by and between **Red Cat Holdings, Inc.**, a Nevada corporation, with offices at 1607 Ponce De Leon Avenue, Suite 407, San Juan, Puerto Rico 00909 (the “Company”), and [ ] (the “Buyer”) with offices at \_\_\_\_\_.

### WHEREAS:

A. The Company and the Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “Securities Act”); and

B. Buyer desires to purchase and the Company desires to issue and sell, upon the terms and conditions set forth in this Agreement, (i) a 12% convertible note (the “Note”) of the Company, in the form attached hereto as Exhibit A in the principal amount of \$[ ].00, convertible into shares of common stock, \$0.001 par value per share, of the Company (the “Common Stock”), and (ii) a Common Stock Purchase Warrant (the “Warrant”), in the form attached hereto as Exhibit B, with an exercise price of \$1.50 per share, upon the terms and subject to the limitations and conditions set forth in such Note and Warrant; and

C. The Buyer wishes to purchase, upon the terms and conditions stated in this Agreement, the Note and the Warrant as set forth immediately below its name on the signature pages hereto.

**NOW THEREFORE**, in consideration of the mutual covenants and other agreements contained in this Agreement, the Company and the Buyer hereby agree as follows:

#### 1. Purchase and Sale of Note and Warrant.

a. Purchase of Note and Warrant. On the Closing Date (as defined below), the Company shall issue and sell to the Buyer and the Buyer agrees to purchase from the Company the Note and Warrant.

b. Form of Payment. On the Closing Date, (i) the Buyer shall fund the principal amount for the Note and Warrant to be issued and sold to it at the Closing (as defined below) by wire transfer of immediately available funds to the Company, in accordance with the Company’s written wiring instructions, against delivery of the Note and Warrant, and (ii) the Company shall deliver such duly executed Note and Warrant on behalf of the Company, to the Buyer, against delivery of the purchase price thereof.

c. Closing Date. The date and time of the issuance and sale of the Note and Warrant pursuant to this Agreement (the “Closing Date”) shall be on or about simultaneous with the execution and delivery of this Agreement, or such other mutually agreed upon time. The closing of the transactions contemplated by this Agreement (the “Closing”) shall occur on the Closing Date at such location as may be agreed to by the parties.

d. Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, the Company agrees to sell, and the Buyer agrees to purchase, the Note and Warrant as set forth on each Buyer’s signature page hereto. At any closing hereunder, the Company shall deliver to each Buyer its respective Note and Warrant.

#### 2. Buyer’s Representations and Warranties. The Buyer represents and warrants to the Company that:

a. Investment Purpose. As of the date hereof, the Buyer is purchasing the Note and the Warrant, and the shares of Common Stock issuable upon conversion of the Note pursuant to the terms thereof and exercise of the Warrant pursuant to the terms thereof (such shares of Common Stock being collectively referred to herein as the “Conversion Shares” and, collectively with the Note and Warrant, the “Securities”) for its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the Securities Act.

b. Accredited Investor Status. The Buyer is, as of the date hereof, and on each date on which it exercises the Warrants or converts the Note, an “accredited investor” as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act.

c. Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer’s compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

d. Information. The Buyer and the Buyer’s attorney, accountant, purchaser representative and/or tax advisor, if any (collectively, the “Advisors”), as the case may be, if any, have been, and for so long as the Note remain outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, afforded the opportunity to ask questions of the Company. Notwithstanding the foregoing, the Company has not disclosed to the Buyer any material nonpublic information and will not disclose such information unless such information is

disclosed to the public prior to or promptly following such disclosure to the Buyer. Neither such inquiries nor any other due diligence investigation conducted by Buyer or any of its advisors or representatives shall modify, amend or affect Buyer's right to rely on the Company's representations and warranties contained in Section 3 below. The Buyer understands that its investment in the Securities involves a significant degree of risk. The Buyer is not aware of any facts that may constitute a breach of any of the Company's representations and warranties made herein.

e. Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

f. Transfer or Re-sale. The Buyer understands that (i) the sale or re-sale of the Securities has not been and is not being registered under the Securities Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the Securities Act, (b) the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration, which opinion shall be accepted by the Company, (c) the Securities are sold or transferred to an "affiliate" (as defined in Rule 144 promulgated under the Securities Act (or a successor rule) ("Rule 144")) of the Buyer who agrees to sell or otherwise transfer the Securities only in accordance with this Section 2(f) and who is an Accredited Investor, (d) the Securities are sold pursuant to Rule 144, or the Securities are sold pursuant to Regulation S under the Securities Act (or a successor rule) ("Regulation S"), and the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in corporate transactions, which opinion shall be accepted by the Company; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the Securities Act) may require compliance with some other exemption under the Securities Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the Securities Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

g. Legends. The Buyer understands that the Note and Warrant, and, until such time as the Conversion Shares have been registered under the Securities Act or may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Conversion Shares may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such Securities):

**"NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES."**

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any shares upon which it is stamped, if, unless otherwise required by applicable state securities laws, (a) such Security is registered for sale under an effective registration statement filed under the Securities Act without any restriction as to the number of securities as of a particular date that can then be immediately sold, or (b) such holder provides the Company with an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Security may be made without registration under the Securities Act, which opinion shall be accepted by the Company so that the sale or transfer is effected. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any.

h. Residency. The Buyer is a resident of the jurisdiction set forth immediately below the Buyer's name on the signature pages hereto.

i. No Solicitation. The Buyer is unaware of, is in no way relying on, and did not become aware of the offering of the Securities through or as a result of, any form of general solicitation or general advertising including, without limitation, any article, notice, advertisement or other communication published in any newspaper, magazine or similar media or broadcast over television or radio, in connection with the offering and sale of the Securities and is not subscribing for the Securities and did not become aware of the offering of the Securities through or as a result of any seminar or meeting to which the Buyer was invited by, or any solicitation of a subscription by, a person not previously known to the Buyer in connection with investments in securities generally.

j. Brokerage Fees. The Buyer has taken no action that would give rise to any claim by any person for brokerage commissions, finders' fees or the like relating to this Agreement or the transaction contemplated hereby.

k. Buyer's Advisors. The Buyer and its Advisors, as the case may be, have such knowledge and experience in financial, tax, and business matters, and, in particular, investments in securities, so as to enable it to utilize the information made available to it in

connection with the Notes to evaluate the merits and risks of an investment in the Notes and the Company and to make an informed investment decision with respect thereto.

l. Buyer Liquidity. The Buyer has adequate means of providing for Buyer's current financial needs and foreseeable contingencies and has no need for liquidity of its investment in the Securities for an indefinite period of time, and after purchasing the Securities the Buyer will be able to provide for any foreseeable current needs and possible personal contingencies. The Buyer must bear and acknowledges the substantial economic risks of the investment in the Securities including the risk of illiquidity and the risk of a complete loss of this investment.

m. No Other Representations or Information. In evaluating the suitability of an investment in the Securities, the Buyer has not relied upon any representation or information (oral or written) with respect to the Company or its subsidiaries, or otherwise, other than as stated in this Agreement. No oral or written representations have been made, or oral or written information furnished, to the Buyer or its Advisors, if any, in connection with the offering of the Notes.

n. Authorization; Enforcement. The Buyer has the requisite power and authority to enter into and perform this Agreement and to purchase the Securities. The execution, delivery and performance of this Agreement and the Securities by the Buyer and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate or partnership action, and no further consent or authorization of the Buyer or its Board of Directors, stockholders, partners, members, as the case may be, is required. This Agreement has been duly authorized, executed and delivered by the Buyer and upon execution of this Agreement by the Company, constitute, or shall constitute when executed and delivered, a valid and binding obligation of the Buyer enforceable against the Buyer in accordance with the terms hereof and thereof, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

o. No Conflicts. The execution, delivery and performance of this Agreement and the consummation by the Buyer of the transactions contemplated hereby and thereby or relating hereto do not and will not (i) if the Buyer is not an individual, result in a violation of the Buyer's charter documents or bylaws or other organizational documents or (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of any agreement, indenture or instrument or obligation to which the Buyer is a party or by which its properties or assets are bound, or result in a violation of any law, rule, or regulation, or any order, judgment or decree of any court or governmental agency applicable to the Buyer or its properties (except for such conflicts, defaults and violations as would not, individually or in the aggregate, have a material adverse effect on the Buyer). The Buyer is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under this Agreement or to purchase the Securities in accordance with the terms hereof.

p. SEC Filings. The Buyer has reviewed, or had an opportunity to review, all of the SEC Filings and "Forward Looking Statements" disclaimers contained therein. In addition, the Buyer has reviewed and acknowledges it has such knowledge, sophistication, and experience in securities matters, and understands the risks related to the Company, including without limitation to, the "Risk Factors" in the 10K form filed on April 30, 2020, which the Company has made available through the EDGAR system.

q. Restricted Securities. Buyer understands that the Securities have not been registered under the 1933 Act and such Buyer will not sell, offer to sell, assign, pledge, hypothecate or otherwise transfer any of the Securities unless pursuant to an effective registration statement under the 1933 Act, or unless an exemption from registration is available. Notwithstanding anything to the contrary contained in this Agreement, such Buyer may transfer (with an opinion of counsel satisfactory to the Company and its counsel) the Securities to its Affiliates (as defined below), provided that each such Affiliate is an "accredited investor" under Regulation D and such Affiliate agrees to be bound by the terms and conditions of this Agreement. For the purposes of this Agreement, an "Affiliate" of any person or entity means any other person or entity directly or indirectly controlling, controlled by or under direct or indirect common control with such person or entity. Affiliate includes each subsidiary of the Company. For purposes of this definition, "control" means the power to direct the management and policies of such person or firm, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

3. Representations and Warranties of the Company. The Company represents and warrants to the Buyer that, except as otherwise disclosed in the Company's public filings and reports with the SEC:

a. Organization and Qualification. The Company and each of its subsidiaries, if any, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business, such that the failure to so qualify would not have a material adverse effect on the assets or business of the Company, its subsidiaries, or the ability of the Company to perform its obligations hereunder.

b. Authorization; Enforcement. (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, and to consummate the transactions contemplated hereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, by the Company and the consummation by it of the transactions contemplated hereby (including without limitation, the issuance of the Note and the Warrant and the issuance and reservation for issuance of the Conversion Shares issuable upon conversion or exercise thereof) have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required, (iii) this Agreement has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement and the other documents executed in connection herewith and bind the Company accordingly, and (iv) this Agreement constitutes, and upon execution and delivery by the Buyer, will constitute, a legal, valid and binding

obligation of the Company enforceable against the Company in accordance with its terms except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

c. Issuance of Shares. The Conversion Shares are duly authorized and reserved for issuance and, upon conversion of the Note and the Warrant in accordance with its respective terms, will be validly issued, fully paid and non-assessable, and free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Company and will not impose personal liability upon the holder thereof.

d. Acknowledgment of Dilution. The Company understands and acknowledges the potentially dilutive effect to the Common Stock upon the issuance of the Conversion Shares upon conversion of the Note and exercise of the Warrant. The Company further acknowledges that its obligation to issue Conversion Shares upon conversion of the Note and exercise of the Warrant in accordance with the respective terms thereof, is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other shareholders of the Company.

e. No Conflicts. The execution, delivery and performance of this Agreement, the Note and the Warrant by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance of the Conversion Shares) will not (i) conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws, or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument to which the Company or any of its subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities are subject) applicable to the Company or any of its subsidiaries or by which any property or asset of the Company or any of its subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a material adverse effect). All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof.

f. Absence of Litigation. There is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its subsidiaries, threatened against or affecting the Company or any of its subsidiaries, or their officers or directors in their capacity as such, that could have a material adverse effect.

g. Acknowledgment Regarding Buyer' Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of arm's length purchasers with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer' purchase of the Securities. The Company further represents to the Buyer that the Company's decision to enter into this Agreement has been based solely on the independent evaluation by the Company and its representatives.

h. No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the Securities Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.

4. Expenses. Each of the parties hereto shall pay its own fees and expenses (including the fees of any attorneys, accountants, appraisers or others engaged by such party) in connection with this Agreement and the transactions contemplated hereby whether or not the transactions contemplated hereby are consummated.

## 5. Miscellaneous.

a. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Nevada without regard to the principles of conflict of laws. The parties further agree that any action between them shall be heard exclusively in federal or state court sitting in Clark County, Nevada, and expressly consent to the jurisdiction and venue of the Supreme Court of Nevada, sitting in Douglas County and the United States District Court for the District of Nevada for the adjudication of any civil action asserted pursuant to this paragraph. The Company and Buyer waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

b. Counterparts; Signatures by Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party

hereto by facsimile or other electronic transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

c. Headings. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

e. Entire Agreement; Amendments. This Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the majority in interest of the Buyer and by the Company.

f. Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in this Agreement, whenever Buyer exercises a right, election, demand or option under this Agreement and the Company does not timely perform its related obligations within the periods therein provided, then Buyer may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights; provided, however, that, in the case of a rescission of a conversion of a Note or exercise of a Warrant, the applicable Buyer shall be required to return any shares of Common Stock subject to any such rescinded conversion or exercise notice concurrently with the return to such Buyer of the aggregate exercise price paid to the Company for such shares and the restoration of such Buyer's right to acquire such shares pursuant to such Buyer's Warrant (including, issuance of a replacement warrant certificate evidencing such restored right).

g. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company, to:

Red Cat Holdings, Inc.  
1607 Ponce De Leon Avenue  
Suite 407  
San Juan, Puerto Rico 00909  
Attn: Jeffrey M. Thompson, Chief Executive Officer

With a copy to (which copy should not constitute a notice hereunder):

The Crone Law Group P.C.  
500 Fifth Avenue  
Suite 938  
New York, NY 10110  
Attn: Mark Crone

If to the Buyer:

[ ]

\_\_\_\_\_

Attn: [ ]

Each party shall provide notice to the other party of any change in address.

h. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor the Buyer shall assign this Agreement or any rights or obligations hereunder without the prior

written consent of the other.

i. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

j. Survival. The representations and warranties of the Company and the agreements and covenants set forth in this Agreement shall survive the closing hereunder notwithstanding any due diligence investigation conducted by or on behalf of the Buyer. Each party agrees to indemnify and hold harmless the other party and all their officers, directors, employees and agents for loss or damage arising as a result of or related to any breach or alleged breach by such party of any of its representations, warranties and covenants set forth in this Agreement.

k. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

l. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

**[Remainder of Page Intentionally Omitted; Signature Page to Follow]**

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

**RED CAT HOLDINGS, INC.**

By: \_\_\_\_\_  
Jeffrey M. Thompson  
President and Chief Executive Officer

[ ]

By: \_\_\_\_\_  
Name:  
Title:

SUBSCRIPTION AMOUNT:

Aggregate Principal Amount of Note: \$[ ] .00

**RED CAT HOLDINGS, INC.**

**ACCREDITED INVESTOR CERTIFICATION**

**For Individual Investors Only  
(all Individual Investors must CHECK one)**

( ) (A) a natural person whose individual net worth, or joint net worth with that person's spouse (not counting the primary residence), at the time of his purchase exceeds \$1,000,000;

( ) (B) a natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;



( ) (C) a natural person who is a director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of the issuer;

( ) (D) a natural person who holds a Series 7, 65 or 82 license in good standing or who holds certain other educational or professional certifications designated or approved by the SEC;

( ) (E) a natural person who qualifies as a “knowledgeable employee,” as defined in 17 CFR § 270.3c-5, of a particular private fund solely with respect to an investment in such private fund;

( ) (F) a bank as defined in Section 3(a)(2) of the Securities Act or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; an insurance Partnership as defined in Section 2(13) of the Securities Act; an investment Partnership registered under the Investment Partnership Act of 1940 or a business development Partnership as defined in Section 2(a)(48) of that Act; a Small Business Investment Partnership licensed by the U.S. Small Business Administration under Section 301 (c) or (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees if such plan has total assets in excess of \$5,000,000; or an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 (“ERISA”), if the investment decision is made by a plan fiduciary, as defined in Section 3 (21) of ERISA, which fiduciary is either a bank, savings and loan association, insurance Partnership or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are Accredited Investors (as listed in categories (A)-(G)),

( ) (G) a private business development partnership as defined in Section 202(a)(22) of the Investment Advisors Act of 1940;

( ) (H) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, Massachusetts or similar business trust, or a partnership, with total assets in excess of \$5,000,000, and which was not formed for the specific purpose of acquiring the Interests;

( ) (I) a trust, with total assets in excess of \$5,000,000 not formed for the specific purpose of acquiring the Interests whose purchase is directed by a person who has knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of an investment in Interests;

( ) (J) any entity registered as an investment adviser pursuant to Section 203 of the Investment Advisors Act of 1940 or applicable state laws;

( ) (K) any entity qualifying as “Rural Business Investment Company” as defined in Section 384(A)(14) of the Consolidated Farm and Rural Development Act;

( ) (L) any entity, including Native American tribes, labor unions, government bodies, funds, limited liability companies, etc., owning “investments” as defined in 17 CFR § 270.2a51-1(b) in excess of \$5,000,000 which is not formed for the purpose of acquiring the Interests offered herein;

( ) (M) any “family office” or “family client” each as defined in 17 CFR § 275.202(a)(11)(G)-1: (a) having at least \$5,000,000 in assets under management; (b) which was not formed for the purpose of acquiring the Interest offered herein; (c) whose prospective investments are managed by “a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risk of the prospective investment.”

( ) (N) an entity in which all of the equity owners are "accredited investors" (as listed in categories (A)-(L)).

## **RED CAT HOLDINGS, INC.**

### **For Non-U.S. Person Investors (all Investors who are not a U.S. Person must *INITIAL* this section):**

**Initial** \_\_\_\_\_

The investor is not a “U.S. Person” as defined in Regulation S; and specifically, the investor is not:

- A. a natural person resident in the United States of America, including its territories and possessions (“United States”);
- B. a partnership or corporation organized or incorporated under the laws of the United States;
- C. an estate of which any executor or administrator is a U.S. Person;

- D. a trust of which any trustee is a U.S. Person;
- E. an agency or branch of a foreign entity located in the United States;
- F. a non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person;
- G. a discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; or
- H. a partnership or corporation: (i) organized or incorporated under the laws of any foreign jurisdiction; and (ii) formed by a U.S. Person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the Securities Act) who are not natural persons, estates or trusts.

And, in addition:

- I. the investor was not offered the securities in the United States;
- J. at the time the buy-order for the securities was originated, the investor was outside the United States; and
- K. the investor is purchasing the securities for its own account and not on behalf of any U.S. Person (as defined in Regulation S) and a sale of the securities has not been pre-arranged with a purchaser in the United States.

**RED CAT HOLDINGS, INC.**

**Investor Profile**  
*(Must be completed by Investor)*

**Section A - Personal Investor Information**

Investor Name(s): \_\_\_\_\_

Individual executing Profile or Trustee: \_\_\_\_\_

Social Security Numbers / Federal I.D. Number: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Marital Status: \_\_\_\_\_

Joint Party Date of Birth: \_\_\_\_\_ Investment Experience (Years): \_\_\_\_\_

Annual Income: \_\_\_\_\_ Liquid Net Worth: \_\_\_\_\_

Net Worth\*: \_\_\_\_\_

Tax Bracket:      \_\_\_ 15% or below      \_\_\_ 25% - 27.5%      \_\_\_ Over 27.5%

Home Street Address: \_\_\_\_\_

Home City, State & Zip Code: \_\_\_\_\_

Home Phone: \_\_\_\_\_ Home Fax: \_\_\_\_\_ Home Email: \_\_\_\_\_

Employer: \_\_\_\_\_

Employer Street Address: \_\_\_\_\_

Employer City, State & Zip Code: \_\_\_\_\_

Bus. Phone: \_\_\_\_\_ Bus. Fax: \_\_\_\_\_ Bus. Email: \_\_\_\_\_

Type of Business: \_\_\_\_\_

Outside Broker/Dealer: \_\_\_\_\_

**Section B – Certificate Delivery Instructions**

\_\_\_ Please deliver Note to the Employer Address listed in Section A.

\_\_\_ Please deliver Note to the Home Address listed in Section A.

\_\_\_ Please deliver Note to the following address: \_\_\_\_\_

Please check if you are a FINRA member or affiliate of a FINRA member firm: \_\_\_

\_\_\_\_\_  
**Investor Signature**

\_\_\_\_\_  
**Date**

\* For purposes of calculating your net worth in this form, (a) **your primary residence shall not be included as an asset**; (b) indebtedness secured by your primary residence, up to the estimated fair market value of your primary residence at the time of your purchase of the securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of your purchase of the securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of your primary residence, the amount of such excess shall be included as a liability); and (c) indebtedness that is secured by your primary residence in excess of the estimated fair market value of your primary residence at the time of your purchase of the securities shall be included as a liability

**ANTI MONEY LAUNDERING REQUIREMENTS**

**The USA PATRIOT Act**

The USA PATRIOT Act is designed to detect, deter, and punish terrorists in the United States and abroad. The Act imposes new anti-money laundering requirements on brokerage firms and financial institutions. Since April 24, 2002 all brokerage firms have been required to have new, comprehensive anti-money laundering programs.

To help you understand these efforts, we want to provide you with some information about money laundering and our steps to implement the USA PATRIOT Act.

**What is money laundering?**

Money laundering is the process of disguising illegally obtained money so that the funds appear to come from legitimate sources or activities. Money laundering occurs in connection with a wide variety of crimes, including illegal arms sales, drug trafficking, robbery, fraud, racketeering, and terrorism.

**How big is the problem and why is it important?**

The use of the U.S. financial system by criminals to facilitate terrorism or other crimes could well taint our financial markets. According to the U.S. State Department, one recent estimate puts the amount of worldwide money laundering activity at \$1 trillion a year.

**What are we required to do to eliminate money laundering?**

Under rules required by the USA PATRIOT Act, our anti-money laundering program must designate a special compliance officer, set up employee training, conduct independent audits, and establish policies and procedures to detect and report suspicious transaction and ensure compliance with such laws. As part of our required program, we may ask you to provide various identification documents or other information. We will ask you for your name, address, date of birth and other information that will allow us to identify you. We will ask to see a non-expired valid issued government identification, such as your driver’s license or other identifying documents. Until you provide the information or documents we need, we may not be able to effect any transactions for you.

**ANTI-MONEY LAUNDERING INFORMATION FORM**

**The following is required in accordance with the AML provision of the USA PATRIOT ACT.**

*(Please fill out and return with requested documentation.)*

**INVESTOR NAME:** \_\_\_\_\_

**LEGAL ADDRESS:** \_\_\_\_\_

\_\_\_\_\_

**SSN# or TAX ID#**

**OF INVESTOR:** \_\_\_\_\_

**FOR INVESTORS WHO ARE INDIVIDUALS:**

**YEARLY INCOME:** \_\_\_\_\_ **AGE:** \_\_\_\_\_

**NET WORTH (excluding value of primary residence):** \_\_\_\_\_

**OCCUPATION:** \_\_\_\_\_

**ADDRESS OF EMPLOYER:** \_\_\_\_\_

\_\_\_\_\_

**INVESTMENT OBJECTIVE(S):** \_\_\_\_\_

**IDENTIFICATION & DOCUMENTATION AND SOURCE OF FUNDS:**

- 1. Please submit a copy of non-expired identification for the authorized signatory(ies) on the investment documents, showing name, date of birth, address and signature. **The address shown on the identification document MUST match the Investor’s address shown on the Investor Signature Page.**

Current Driver’s License or Valid Passport or Identity Card  
*(Circle one or more)*

2. If the Investor is a corporation, limited liability company, trust or other type of entity, please submit the following requisite documents: (i) Articles of Incorporation, By-Laws, Certificate of Incorporation, Bylaws, Trust or other similar documents for the type of entity; and (ii) Corporate Resolution or power of attorney or other similar document granting authority to signatory(ies) and designating that they are permitted to make the proposed investment.

3. Please advise where the funds were derived from to make the proposed investment:

Investments                      Savings                      Proceeds of Sale                      Other \_\_\_\_\_  
*(Circle one or more)*

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title (if applicable): \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT A**

**Convertible Note**

**EXHIBIT B**

**Common Stock Purchase Warrant**

NEITHER THIS NOTE NOR THE SECURITIES INTO WHICH THIS NOTE IS CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE. THESE SECURITIES HAVE BEEN SOLD IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

RED CAT HOLDINGS, INC.

CONVERTIBLE NOTE

Issuance Date: [ ]

Original Principal Amount: \$[ ] .00

**FOR VALUE RECEIVED, RED CAT HOLDINGS, INC.**, a Nevada corporation (the "Company"), hereby promises to pay to [ ] or his registered assign (the "Holder"), the amount set out above as the Original Principal Amount when due, whether upon the Maturity Date (as defined below), acceleration or otherwise (in each case in accordance with the terms hereof) and to pay interest ("Interest") on the outstanding Principal Amount at the Interest Rate (as defined below) from the date set out above as the Issuance Date (the "Issuance Date") until the same becomes due and payable, upon the Maturity Date, acceleration or conversion (in each case in accordance with the terms hereof).

(1) GENERAL TERMS

(a) Payment of Principal. The "Maturity Date" shall be two years from the Issuance Date, unless an Event of Default (as defined below) shall have occurred and be continuing.

(b) Interest. Interest shall accrue at a rate of 12% ("Interest Rate") per annum and shall be applied to the outstanding Original Principal Amount. Interest hereunder shall be paid on the Maturity Date (or sooner as provided herein) to the Holder or its assignee in whose name this Note is registered on the records of the Company regarding registration and transfers of Notes in cash, or in shares of common stock of the Company (the "Common Stock") at the Conversion Price (as defined below).

(c) Security. This Note shall not be secured by any collateral or any assets pledged to the Holder.

(i) Prepayment. Notwithstanding anything contained herein to the contrary, the Company shall have the right to prepay all or any portion of the outstanding Principal Amount and accrued interest thereon, without penalty or premium, upon no less than ten business days' prior notice to the Holder *provided* that (i) such amount must be paid in cash on the next business day following such 10 business day notice period, and (ii) the Holder may still convert this Note pursuant to the terms hereof at all times until such prepayment amount has been received in full.

(2) TERMS OF FUTURE FINANCINGS.

(a) So long as this Note is outstanding, upon any issuance by the Company of any security, or an amendment to a security that was issued before the date hereof, with any term that the Holder reasonably believes is more favorable to the holder of such security or with a term in favor of the holder of such security that the Holder reasonably believes was not similarly provided to the Holder, (I) the Company shall notify the Holder of such additional or more favorable term within one (1) business day of the issuance and/or amendment (as applicable) of the respective security, and (ii) such term, at Holder's option, shall become a part of this Note regardless of whether the Company has complied with the notification provision of this section. The types of terms contained in another security that may be more favorable to the holder of such security include, but are not limited to, terms addressing conversion discounts, prepayment rate, conversion lookback periods, interest rates, and original issue discounts. Notwithstanding the foregoing, the issuance of any security which is an Exempt Issuance (as defined below) shall not entitle to the Holder to such more favorable term.

(3) CONVERSION OF NOTE. This Note shall be convertible into shares of the Company's Common Stock, on the terms and conditions set forth in this Section 3.

(i) "Conversion Amount" means the portion of the Original Principal Amount and interest to be converted.

(ii) "Conversion Price" shall be the lower of (a) \$1.00, if the conversion herein occurs prior a Qualified Offering, or (b) a 25% discount of the price per share of Common Stock offered in the Qualified Offering, if the conversion herein occurs simultaneous with the Qualified Offering.

(iii) "Exempt Issuance" shall mean the issuance of (a) shares of Common Stock or options to employees, officers or directors of the Company pursuant to any stock or option plan duly adopted for such purpose, (b) securities upon the exercise or exchange of or conversion of any Shares issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common

Stock issued and outstanding on the date of this Agreement, unless an amendment thereto effects or changes the conversion price thereof or provides the holder thereof with a term which is more favorable than the term on effect as of the date hereof (in which case such amendment would not be considered an Exempt Issuance), and (c) securities issued pursuant to acquisitions or strategic transactions approved by the Board of Directors of the Company.

(iv) "Qualified Offering" shall mean an offering of Common Stock (and other securities potentially) resulting in the listing for trading of the Common Stock on the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange (or any successors to any of the foregoing).

(v) "VWAP" means the thirty (30) day volume weighted average of the closing price of a share of Common Stock as listed or quoted on the market in which the shares of the Company are then traded or listed.

(a) Optional Conversion. The Holder may, in its sole discretion, determine to convert all or part of the outstanding Principal Amount due hereunder and any accrued interest thereon into fully paid and nonassessable shares of Common Stock at the Conversion Price. The number of shares of Common Stock issuable upon conversion of any Conversion Amount pursuant to this Section 3(a) shall be equal to the quotient of dividing the Conversion Amount by the Conversion Price. The Company shall not issue any fraction of a share of Common Stock upon any conversion. If the issuance would result in the issuance of a fraction of a share of Common Stock, the Company shall round such fraction of a share of Common Stock up to the nearest whole share. The Company shall pay any and all transfer agent fees, legal fees, costs and any other fees or costs that may be incurred or charged in connection with the issuance of shares of the Company's Common Stock to the Holder arising out of or relating to the conversion of this Note; provided, however, that the Holder shall pay any transfer taxes.

(b) Mandatory Conversion. Simultaneous with the consummation of a Qualified Offering, the outstanding Principal Amount due hereunder and all accrued interest hereon shall automatically be converted into fully paid and nonassessable shares of Common Stock at the Conversion Price. The number of shares of Common Stock issuable upon conversion of any Conversion Amount pursuant to this Section 3(b) shall be equal to the quotient of dividing the Conversion Amount by the Conversion Price. The Company shall not issue any fraction of a share of Common Stock upon any conversion. If the issuance would result in the issuance of a fraction of a share of Common Stock, the Company shall round such fraction of a share of Common Stock up to the nearest whole share. The Company shall pay any and all transfer agent fees, legal fees, costs and any other fees or costs that may be incurred or charged in connection with the issuance of shares of the Company's Common Stock to the Holder arising out of or relating to the conversion of this Note; provided, however, that the Holder shall pay any transfer taxes.

(c) Conversion Notice.

(i) To convert any portion of this Note into shares of Common Stock on any date (a "Conversion Date") pursuant to Section 3(a), the Holder shall (A) transmit by email, facsimile (or otherwise deliver), for receipt on or prior to 5:30 p.m., Pacific Time, on such date, a copy of an executed notice of conversion in the form attached hereto as Exhibit A (the "Conversion Notice") to the Company. On or before the tenth business day following the date of receipt of a Conversion Notice (the "Share Delivery Date"), the Company shall (A) if legends are not required to be placed on certificates of Common Stock pursuant to the then existing provisions of Rule 144 of the Securities Act of 1933 ("Rule 144") and provided that the transfer agent for the Company is participating in the Depository Trust Company's ("DTC") Fast Automated Securities Transfer Program, credit such aggregate number of shares of Common Stock to which the Holder shall be entitled to the Holder's or its designee's balance account with DTC through its Deposit Withdrawal Agent Commission system or (B) if a restrictive legend is required to be placed on the certificates of Common Stock, issue and deliver to the address as specified in the Conversion Notice, a certificate, registered in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder shall be entitled, with a restrictive legend imposed thereon.

(ii) Book-Entry. Notwithstanding anything to the contrary set forth herein, upon conversion of any portion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Company unless (A) the full Conversion Amount represented by this Note is being converted at the option of the Holder or (B) the Holder has provided the Company with prior written notice (which notice may be included in a Conversion Notice) requesting reissuance of this Note upon physical surrender of this Note. The Holder and the Company shall maintain records showing the Principal and Interest converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Company, so as not to require physical surrender of this Note upon conversion.

(d) Limitations on Conversions or Trading.

(i) Beneficial Ownership. The Company shall not effect any conversions of this Note and the Holder shall not have the right to convert any portion of this Note or receive shares of Common Stock as payment of interest hereunder to the extent that after giving effect to such conversion or receipt of such interest payment, the Holder, together with any affiliate thereof, would beneficially own (as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder) in excess of 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion or receipt of shares as payment of interest. Since the Holder will not be obligated to report to the Company the number of shares of Common Stock it may hold at the time of a conversion hereunder, unless the conversion at issue would result in the issuance of shares of Common Stock in excess of 9.99% of the then outstanding shares of Common Stock without regard to any other shares which may be beneficially owned by the Holder or an affiliate thereof, the Holder shall have the authority and obligation to determine whether the restriction contained in this Section will limit any particular conversion hereunder and to the extent that the Holder determines that the limitation contained in this Section applies, the determination of which portion of the principal amount of this Note is convertible shall be the responsibility and obligation of the Holder. If the Holder has delivered a Conversion Notice for a principal amount of this Note that, without regard to any other shares that the Holder or its affiliates may beneficially own, would result in the issuance in excess of the permitted amount hereunder, the Company shall notify the Holder

of this fact and shall honor the conversion for the maximum principal amount permitted to be converted on such Conversion Date in accordance with Section 3(a) and, any principal amount tendered for conversion in excess of the permitted amount hereunder shall remain outstanding under this Note. The provisions of this Section may be waived by Holder upon written notification to the Company.

(e) Dilutive Issuance. If the Company, at any time while this Note is outstanding, issues, sells or grants (or has issued, sold or granted as of the issue date, as the case may be) any option to purchase, or sells or grants any right to reprice, or otherwise disposes of, or issues (or has sold or issued, as the case may be, or announces any sale, grant of any option to purchase or other disposition), any Common Stock or other securities convertible into, exercisable for, or that otherwise entitle any person or entity the right to acquire, shares of Common Stock, in each or any case at an effective price per share that is lower than the then Conversion Price (such lower price, the “Base Conversion Price” and such issuances, collectively, a “Dilutive Issuance”) (it being agreed that if the holder of the Common Stock or other securities so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, or exchange prices or otherwise, due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is lower than the Conversion Price, such issuance shall be deemed to have occurred for less than the Conversion Price on such date of the Dilutive Issuance), then the Conversion Price shall be reduced, at the option of the Holder, to a price equal to the Base Conversion Price. If the Company enters into a variable rate transaction the Company shall be deemed to have issued Common Stock pursuant to this provision at the lowest possible price per share at which such securities could be issued in connection with such variable rate transaction. Such adjustment shall be made whenever such Common Stock or other securities are issued. Notwithstanding the foregoing, no adjustment will be made under this Section 3(e) in respect of an Exempt Issuance. In the event of an issuance of securities involving multiple tranches or closings, any adjustment pursuant to this Section 3(e) shall be calculated as if all such securities were issued at the initial closing.

(f) Other Provisions.

(i) The Company shall at all times reserve and keep available out of its authorized Common Stock the full number of shares of Common Stock issuable upon conversion of all outstanding amounts under this Note.

(ii) All calculations under this Section 3 shall be rounded off to the nearest \$0.001.

(iii) Nothing herein shall limit a Holder's right to pursue actual damages or declare an Event of Default pursuant to Section 2 herein for the Company's failure to deliver certificates representing shares of Common Stock upon conversion within the period specified herein and such Holder shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief, in each case without the need to post a bond or provide other security. The exercise of any such rights shall not prohibit the Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

(4) EVENTS OF DEFAULT.

(a) An “Event of Default”, wherever used herein, means any one of the following events (whatever the reason and whether it shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

(i) The Company's failure to pay to the Holder any amount of the then outstanding Original Principal Amount or Interest when and as due under this Note;

(ii) The Company or any subsidiary of the Company shall commence, or there shall be commenced against the Company or any subsidiary of the Company under any applicable bankruptcy or insolvency laws as now or hereafter in effect or any successor thereto, or the Company or any subsidiary of the Company commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Company or any subsidiary of the Company or there is commenced against the Company or any subsidiary of the Company any such bankruptcy, insolvency or other proceeding which remains undismissed for a period of 61 business days; or the Company or any subsidiary of the Company is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Company or any subsidiary of the Company suffers any appointment of any custodian, private or court appointed receiver or the like for it or any substantial part of its property which continues undischarged or unstayed for a period of 61 business days; or the Company or any subsidiary of the Company makes a general assignment for the benefit of creditors; or the Company or any subsidiary of the Company shall fail to pay, or shall state that it is unable to pay, or shall be unable to pay, its debts generally as they become due; or the Company or any subsidiary of the Company shall call a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts; or the Company or any subsidiary of the Company shall by any act or failure to act expressly indicate its consent to, approval of or acquiescence in any of the foregoing; or any corporate or other action is taken by the Company or any subsidiary of the Company for the purpose of effecting any of the foregoing;

(iii) The Company shall default in any of its obligations under this Note;

(iv) That upon any event of default (as defined herein) after the Issue Date, the Conversion Price shall equal the lower of (I) the VWAP, if the conversion herein occurs prior a Qualified Offering, or (ii) sixty percent (65%) multiplied by the lowest closing price of the Common Stock during the twenty (20) consecutive trading day period immediately preceding the date of the respective conversion (the “Alternate Conversion Price”);

(v) The Company (I) fails to issue Conversion Shares to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, (ii) fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form) any certificate for the Conversion

Shares issuable to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, (iii) reserve the reserved amount at all times, or (iii) the Company directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for the Conversion Shares issuable to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any Conversion Shares issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for two (2) Trading Days after the Holder shall have delivered a Notice of Conversion. It is an obligation of the Company to remain current in its obligations to its transfer agent. It shall be an Event of Default of this Note, if a conversion of this Note is delayed, hindered or frustrated due to a balance owed by the Borrower to its transfer agent. If at the option of the Holder, the Holder advances any funds to the Borrower's transfer agent in order to process a conversion, such advanced funds shall be paid by the Company to the Holder within forty-eight (48) hours of a demand from the Holder;

(vi) The Company shall fail to maintain the listing of the Common Stock on at least one of the Over the Counter Bulletin Board, the OTCQB Market, any level of the OTC Markets, or any level of the Nasdaq Stock Market or the New York Stock Exchange (including the NYSE American);

(vii) At any time after the Issue Date, the Borrower shall fail to comply with the reporting requirements of the 1934 Act and/or the Borrower shall cease to be subject to the reporting requirements of the 1934 Act;

(viii) The failure by the Company to maintain any material intellectual property rights, personal, real property or other assets which are necessary to conduct its business (whether now or in the future);

(ix) The restatement of any financial statements filed by the Borrower with the SEC for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement;

(x) In the event that the Company proposes to replace its transfer agent and the Company fails to provide, prior to the effective date of such replacement, a fully executed irrevocable transfer agent letter (including but not limited to a provision to irrevocably reserve shares of Common Stock in the reserved amount) signed by the successor transfer agent and the Company;

(xi) The DTC places a "chill" (i.e. a restriction placed by DTC on one or more of DTC's services, such as limiting a DTC participant's ability to make a deposit or withdrawal of the security at DTC) on any of the Borrower's securities;

(xii) In addition to the Event of Default in this section, the Common Stock is otherwise not eligible for trading through the DTC's Fast Automated Securities Transfer or Deposit/Withdrawal at Custodian programs; and

(xiii) If, at any time on or after the date which is six (6) months after the Issue Date, except due to the Holder's actions or inactions, the Holder is unable to (I) obtain a standard "144 legal opinion letter" from an attorney reasonably acceptable to the Holder, the Holder's brokerage firm (and respective clearing firm), and the Borrower's transfer agent in order to facilitate the Holder's conversion of any portion of the Note into free trading shares of the Borrower's Common Stock pursuant to Rule 144, and/or (ii) thereupon deposit such shares into the Holder's brokerage account.

(b) Upon notice by Holder and during the continuation of any Event of Default specified in this section, this Note shall become immediately due and payable and the Company shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount (the "Default Amount") equal to the principal amount then outstanding plus accrued interest (including any default interest) through the date of full repayment multiplied by 130%. Holder may, in its sole discretion, determine to accept payment part in Common Stock and part in cash. Upon an uncured Event of Default, all amounts payable hereunder shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived by the Company, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity, including, without limitation, those set forth herein.

#### (5) REISSUANCE OF THIS NOTE.

(a) Assignability. This Note will be binding upon the Company and its successors and will inure to the benefit of the Holder and its successors and assigns and may be assigned by the Holder with prior written consent of the Company, which consent shall not be unreasonably withheld.

(b) Lost, Stolen or Mutilated Note. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note representing the outstanding Principal hereunder.

(6) APPLICABLE LAW AND VENUE. This Note shall be governed by and interpreted in accordance with the laws of the State of Nevada without regard to the principles of conflict of laws. The parties further agree that any action between them shall be heard exclusively in federal or state court sitting in the Douglas County, Nevada, and expressly consent to the jurisdiction and venue of the Supreme Court of Nevada, sitting in Douglas County for the adjudication of any civil action asserted pursuant to this paragraph. The Company and the Holder



waive trial by jury. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Note by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

(7) **WAIVER.** Any waiver by the Holder of a breach of any provision of this Note shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Note. The failure of the Holder to insist upon strict adherence to any term of this Note on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Note. Any waiver must be in writing.

**[Remainder of Page Intentionally Omitted; Signature Page Follows]**

**IN WITNESS WHEREOF**, the Company has caused this Convertible Note to be duly executed by a duly authorized officer as of the date set forth above.

**Red Cat Holdings, Inc.**

By: \_\_\_\_\_  
Jeffrey M. M. Thompson  
President and Chief Executive Officer

**EXHIBIT A  
NOTICE OF CONVERSION**

Red Cat Holdings, Inc.  
1607 Ponce De Leon Avenue  
Suite 407  
San Juan, Puerto Rico 00909  
Attn: Jeffrey M. Thompson, President

The undersigned hereby elects to convert [all] [a portion] of the \$[ ] Convertible Note issued to [ ] on [ ], 202[ ] into shares of Common Stock of Red Cat Holdings, Inc. according to the conditions set forth in such Note as of the date written below.

shares of Common Stock (pursuant to a Cashless Exercise in accordance with Section 1(b)(ii) of the Warrant) (check here if the undersigned desires to deliver an unspecified number of shares equal to the number sufficient to effect a Cashless Exercise [ ]).

By accepting this notice of conversion, you are acknowledging that the number of shares to be delivered represents less than 10% (ten percent) of the common stock outstanding. If the number of shares to be delivered represents more than 9.99% of the common stock outstanding, this conversion notice shall immediately automatically extinguish and the Holder must be immediately notified.

**Date of Conversion:** \_\_\_\_\_  
**Conversion Amount:** \_\_\_\_\_  
**Conversion Price:** \_\_\_\_\_  
**Shares to be Delivered:** \_\_\_\_\_

**EIN:**

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

Name:

Title:

No. \_\_\_\_\_

## RED CAT HOLDINGS, INC.

## COMMON STOCK PURCHASE WARRANT

THE WARRANT REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND IS SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AS SET FORTH IN THIS CERTIFICATE. THIS WARRANT MAY NOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN OPINION OF COUNSEL, REASONABLY ACCEPTABLE TO COUNSEL FOR THE COMPANY, TO THE EFFECT THAT THE PROPOSED SALE, TRANSFER, OR DISPOSITION MAY BE EFFECTUATED WITHOUT REGISTRATION UNDER THE ACT.

## WARRANT CERTIFICATE

THIS WARRANT CERTIFICATE (the "Warrant Certificate") certifies that for value received, [ ] (the "Holder"), is the owner of this warrant (the "Warrant"), which entitles the Holder to purchase at any time on or before the Expiration Date (as defined below) [ ] shares (the "Warrant Shares") of fully paid non-assessable shares of the common stock (the "Common Stock") of RED CAT HOLDINGS, INC., a Nevada corporation (the "Company"), at a purchase price per Warrant Share of One Dollar and Fifty Cents (\$1.50) (the "Purchase Price"), in lawful money of the United States of America by bank or certified check, subject to adjustment as hereinafter provided. This Warrant Certificate is issued in connection with the closing of a financing transaction with the Holder in accordance with, and as required by, the terms of that certain Securities Purchase Agreement dated the date hereof by and between the Company and the Holder.

1. WARRANT; PURCHASE PRICE.

Notwithstanding anything to the contrary in this Agreement, in the event of a Qualified Offering (as defined below), the Purchase Price shall be the lower of (i) \$1.50, or (ii) 25% discount of the price per share of Common Stock offered in the Qualified Offering. A "Qualified Offering" shall mean an offering of Common Stock (and other securities potentially) resulting in the listing for trading of the Common Stock on the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange (or any successors to any of the foregoing).

2. EXERCISE; EXPIRATION DATE.

(a) This Warrant is exercisable, at the option of the Holder, at any time after the date of issuance and on or before the Expiration Date (as defined below) by delivering to the Company written notice of exercise (the "Exercise Notice"), stating the number of Warrant Shares to be purchased thereby, accompanied by bank or certified check payable to the order of the Company for the Warrant Shares being purchased. Within ten (10) business days of the Company's receipt of the Exercise Notice accompanied by the consideration for the Warrant Shares being purchased, the Company shall instruct its transfer agent to issue and deliver to the Holder a certificate representing the Warrant Shares being purchased. In the case of exercise for less than all of the Warrant Shares represented by this Warrant Certificate, the Company shall cancel this Warrant Certificate upon the surrender thereof and shall execute and deliver a new Warrant Certificate for the balance of such Warrant Shares.

(b) Expiration. The term "Expiration Date" shall mean 5:00 p.m., Pacific time, on the fifth (5<sup>th</sup>) anniversary of the date set forth in the signature block of this Warrant or if such date in the State of Nevada shall be a holiday or a day on which banks are authorized to close, then 5:00 p.m., Pacific time, the next following day which in the State of Nevada is not a holiday or a day on which banks are authorized to close.

(c) Cashless Exercise. In addition to the provisions of this Section 2(c), if at any time commencing after the Exercise Date, there is no effective registration statement registering, or no current prospectus available for the resale of all of the Warrant Shares that may be acquired pursuant to this Warrant by the Holder, then this Warrant may also be exercised at the Holder's election, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the VWAP on the Trading Day immediately preceding the date on which Holder elects to exercise this Warrant by means of a "cashless exercise," as set forth in the applicable Notice of Exercise;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

On the Expiration Date, unless the Holder notifies the Company otherwise, if there is no effective registration statement registering, or no current prospectus available for, the resale of the Warrant Shares by the Holder, then this Warrant shall be automatically exercised via cashless exercise pursuant to this Exhibit A.

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a trading market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the trading market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:00 p.m. (New York City time)), or other reliable service or (b) in all other cases, the fair market value of a share of Common Stock as determined by the Board of Directors of the Company.

### 3. RESTRICTIONS ON TRANSFER.

(a) Restrictions. This Warrant and the Warrant Shares issuable upon exercise of this Warrant may not be assigned, transferred, sold, or otherwise disposed of unless (i) there is in effect a registration statement under the Act covering such sale, transfer, or other disposition or (ii) the Holder furnishes to the Company an opinion of counsel, reasonably acceptable to counsel for the Company, to the effect that the proposed sale, transfer, or other disposition may be effected without registration under the Act, as well as such other documentation incident to such sale, transfer, or other disposition as the Company's counsel shall reasonably request.

(b) Legend. Any Warrant Shares issued upon the exercise of this Warrant shall bear substantially the following legend:

“The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended. The shares have been acquired for investment and may not be offered, sold or otherwise transferred in the absence of an effective registration statement and with respect to the shares or an exemption from the registration requirements of said act that is then applicable to the shares, as to which a prior opinion of counsel acceptable to the issuer or transfer agent may be required.”

### 4. RESERVATION OF SHARES.

The Company covenants that it will at all time reserve and keep available out of its authorized Common Stock, solely for the purpose of issuance upon exercise of this Warrant, such number of shares of Common Stock as shall then be issuable upon the exercise of this Warrant. The Company covenants that all shares of Common Stock which shall be issuable upon exercise of this Warrant shall be duly and validly issued and fully paid and non-assessable and free from all taxes, liens, and charges with respect to the issue thereof.

### 5. LOSS OR MUTILATION.

If the Holder loses this Warrant, or if this Warrant is stolen, destroyed or mutilated, the Company shall issue an identical replacement Warrant upon the Holder's delivery to the Company of a customary agreement to indemnify the Company for any losses resulting from the issuance of the replacement Warrant.

### 6. PROVISIONS REGARDING ADJUSTMENTS TO STOCK.

(a) Stock Dividends, Subdivisions, Combinations and Similar Events. The number of shares of Common Stock for which this Warrant is exercisable shall be adjusted to reflect (that is, to provide the same after-conversion percentage ownership as if the following event had not occurred) any (i) forward and reverse stock splits, stock dividends, and similar events which, while they change the number of shares outstanding, do not change the relative ownership of the stockholders; and (ii) capital reorganizations, mergers, and similar events which cause changes in the common stock into which a convertible security may be converted or for which a warrant or option may be exercised.

(b) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Purchase Price, the Company, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to the Holder a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon the written request at any time of the Holder, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Purchase Price at the time in effect for this Warrant and (iii) the number of shares of Common Stock and the amount, if any, or other property which at the time would be received upon the exercise of this Warrant.

(c) Notices of Record Date. In the event of any fixing by the Company of a record date for the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, any shares of Common Stock or other securities, or any right to subscribe for, purchase or otherwise acquire, or any option for the purchase of, any shares of stock of any class or any other securities or property, or to receive any other right, the Company shall mail to the Holder at least thirty (30) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or rights, and the amount and character of such dividend, distribution or right.

(d) Merger, Consolidation, etc. In case of any capital reorganization or any reclassification of the capital stock of the Company or in case of the consolidation or merger of the Company with another corporation (or in the case of any sale, transfer, or other disposition to another corporation of all or substantially all the property, assets, business, and goodwill of the Company), the Holder of this Warrant shall thereafter be entitled to purchase the kind and amount of shares of capital stock which this Warrant entitled the Holder to purchase immediately prior to such capital reorganization, reclassification of capital stock, consolidation, merger, sale, transfer, or other disposition; and in any such case appropriate adjustments shall be made in the application of the provisions of this Section 6 with respect to rights and interests thereafter of the Holder of this Warrant to the end that the provisions of this Section 6 shall thereafter be applicable, as near as reasonably may be, in relation to any shares or other property thereafter purchasable upon the exercise of this Warrant.

(e) Fractional Shares. No certificate for fractional shares shall be issued upon the exercise of this Warrant, but in lieu thereof the Company shall purchase any such fractional shares calculated to the nearest cent or round up the fraction to the next whole share.

(f) Rights of the Holder. The Holder of this Warrant shall not be entitled to any rights of a shareholder of the Company in respect of any Warrant Shares purchasable upon the exercise hereof until such Warrant Shares have been paid for in full and issued to it. As soon as practicable after such exercise, the Company shall deliver a certificate or certificates for the number of full shares of Common Stock issuable upon such exercise, to the person or persons entitled to receive the same.

#### 7. REPRESENTATIONS AND WARRANTIES.

The Holder, by acceptance of this Warrant, represents and warrants to, and covenants and agrees with, the Company as follows:

(a) The Warrant is being acquired for the Holder's own account for investment and not with a view toward resale or distribution of any part thereof, and the Holder has no present intention of selling, granting any participation in, or otherwise distributing the same.

(b) The Holder is aware that the Warrant is not registered under the Act or any state securities or blue-sky laws and, as a result, substantial restrictions exist with respect to the transferability of the Warrant and the Warrant Shares to be acquired upon exercise of the Warrant.

(c) The Holder is an accredited investor as defined in Rule 501(a) of Regulation D under the Act and is a sophisticated investor familiar with the type of risks inherent in the acquisition of securities such as the Warrant, and its financial position is such that it can afford to retain the Warrant and the Warrant Shares for an indefinite period of time without realizing any direct or indirect cash return on this investment.

#### 8. NO IMPAIRMENT.

The Company shall not by any action including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder against impairment. Without limiting the generality of the foregoing, the Company will (a) not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the amount payable therefore upon such exercise immediately prior to such increase in par value, (b) take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non assessable shares of Common Stock upon the exercise of this Warrant, and (c) use its best efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant. Upon the request of Holder, the Company will at any time during the period this Warrant is outstanding acknowledge in writing, in form satisfactory to Holder, the continuing validity of this Warrant and the obligations of the Company hereunder.

#### 9. REGISTRATION RIGHTS.

If at any time after the date hereof the Company shall determine to prepare and file with the Securities and Exchange Commission (the "Commission") a registration statement relating to an offering for its own account or the account of others under the Securities Act of 1933, as amended, of any of its equity securities (other than a registration statement on Form S-4 or Form S-8), then the Company shall send to the Holder written notice of such determination. Within ten (10) calendar days after receipt of such notice, the Holder shall so request in writing, the Company shall include in such registration statement all or any part of the Warrant Shares such Holder requests to be registered and prepare and file the Registration Statement with the Commission and shall use its commercially reasonable efforts to have the registration statement declared effective by the Commission as soon as reasonably practicable. All expenses incurred by the Company in complying with this provision, including, without limitation, all registration and filing fees, printing expenses (if required), fees and disbursements of counsel and independent public accountants for the Company, fees and expenses (including reasonable counsel fees) incurred in connection with complying with state securities or "blue sky" laws, fees of the NASD, transfer taxes, and fees of transfer agents and registrars, are called "Registration Expenses." All selling commissions applicable to the sale of Warrant Shares pursuant to this provision are called "Selling Expenses." The Company will pay all Registration Expenses in connection with the registration statement under this section. Selling Expenses in connection with each registration statement shall be borne by the Holder and will be apportioned among such Holders in proportion to the number of Warrant Shares included therein for a Holder relative to all the securities included therein for all selling holders, or as all Holders may agree.

#### 10. SUPPLYING INFORMATION.

The Company shall cooperate with Holder and each holder of Warrant Shares in supplying such information pertaining to the Company as may be reasonably necessary for such Holder and each holder of Warrant Shares to complete and file any information reporting forms presently or hereafter required by the Securities and Exchange Commission as a condition to the availability of an exemption from the Act for the sale of Warrant Shares.

#### 11 LIMITATION OF LIABILITY.

No provision hereof, in the absence of affirmative action by Holder to purchase shares of Common Stock, and no enumeration herein of the rights or privileges of Holder hereof, shall give rise to any liability of Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

#### 12 MISCELLANEOUS.

(a) Transfer Taxes; Expenses. The Holder shall pay any and all underwriters' discounts, brokerage fees, and transfer taxes, as may be applicable, incident to the sale of this Warrant or the sale of the underlying shares issuable hereunder, and shall pay the fees and expenses of any special attorneys or accountants retained by it.

(b) Successors and Assigns. Subject to compliance with the provisions of Section 3, this Warrant and the rights evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the successors and assigns of Holder. The provisions of this Warrant are intended to be for the benefit of all Holders from time to time of this Warrant, and shall be enforceable by any such Holder.

(c) Notice. Any notice or other communication required or permitted to be given to the Company shall be in writing and shall be delivered by certified mail with return receipt or delivered in person against receipt, addressed to the Company at 1607 Ponce De Leon Avenue, Suite 407 San Juan, Puerto Rico 00909.

(d) Governing Law. This Warrant Certificate shall be governed by, and construed in accordance with, the internal laws of the State of Nevada, without reference to the conflicts of laws provisions thereof.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be duly executed as of the date set forth below.

Red Cat Holdings, Inc.

By: \_\_\_\_\_  
Jeffrey Thompson  
Chief Executive Officer

Issuance Date: [ ], 202[ ]

EXHIBIT A

RED CAT HOLDINGS, INC.

FORM OF EXERCISE OF WARRANT

No. 2025\_\_

The undersigned hereby irrevocably elects to exercise this Warrant and to purchase thereunder, \_\_\_\_\_ full shares of Red Cat Holdings Inc. Common Stock issuable upon exercise of the Warrant and delivery of:

- (1) \$\_\_\_\_\_ (in cash as provided for in the foregoing Warrant) and any applicable taxes payable by the undersigned pursuant to such Warrant; or
- (2) shares of Common Stock (pursuant to a Cashless Exercise in accordance with Section 1(b)(ii) of the Warrant) (check here if the undersigned desires to deliver an unspecified number of shares equal to the number sufficient to effect a Cashless Exercise [\_\_\_]).

*Delivery of exercise notice requiring a payment by check must be by national courier (Fedex, UPS, etc.) to:*

Red Cat Holdings, Inc.  
1607 Ponce De Leon Avenue, Suite 407  
San Juan, Puerto Rico 00909  
Attn: Jeffrey Thompson

The shares should be sent to me at the address provided below.

Date: \_\_\_\_\_ (Signature)

Name (Printed): \_\_\_\_\_

Address: \_\_\_\_\_

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Social Security Number (*for individual holder*) or Employer Identification Number (Tax ID) (*for entity*):

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