

# CONVERTIBLE DEBENTURE

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# CONVERTIBLE DEBENTURE

**CONVERTIBLE DEBENTURE Number** ....., entered into in the City of .....,  
Province of ....., Canada.

**BETWEEN:** ..... (*corporate name*), a legal person duly incorporated under the  
..... *Act (name of statute under which the corporation was incorporated)*,  
having its principal place of business at ..... (*civic number and street name*), in  
the City of ..... (*name of city*), Province of ..... (*name of*  
*province*), ....., (*postal code*), and duly registered under the designating  
number ..... in accordance with the ..... *Act (name of the applicable*  
*statute governing the legal registration of the corporation)*;

**HEREINAFTER REFERRED TO AS THE “ISSUER”;**

**AND:** ..... (*name of individual*), ..... (*occupation*), domiciled and  
residing at ..... (*civic number and street name*), in the City of .....  
(*name of city*), Province of ..... (*name of province*), ..... (*postal*  
*code*), doing business as ..... (*business name*);

**OR**

..... (*corporate name*), a legal person duly incorporated under the  
..... *Act (name of statute under which the corporation was incorporated)*,  
having its principal place of business at ..... (*civic number and street name*), in  
the City of ..... (*name of city*), Province of ..... (*name of*  
*province*), ....., (*postal code*), and duly registered under the designating  
number ..... in accordance with the ..... *Act (name of the applicable*  
*statute governing the legal registration of the corporation)*;

**HEREINAFTER REFERRED TO AS THE “HOLDER”;**

**HEREINAFTER COLLECTIVELY REFERRED TO AS THE “PARTIES”;**

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## RECITALS

THE PARTIES DECLARE AS FOLLOWS:

(A) The ISSUER is engaged in the business of ..... (*identify business sector*);

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ISSUER	HOLDER

# CONVERTIBLE DEBENTURE

- (B) The HOLDER is engaged in the business of ..... (*identify business sector*);
- (C) The HOLDER agrees to lend the ISSUER a sum of money as consideration for the issuance of the debenture, as defined below, in accordance with the terms and conditions provided hereunder;
- (D) The PARTIES wish to record the terms of their agreement regarding such purpose in a private instrument;

ACCORDINGLY, THE PARTIES AGREE AS FOLLOWS:

## 0.00 INTERPRETATION

### 0.01 Definitions

Unless otherwise indicated herein or inconsistent with the context, capitalized words and expressions appearing in this debenture and in any ancillary or subordinate documentation will be interpreted as follows:

#### 0.01.01 Activities

means, regarding the ISSUER, ..... (*describe its principal business activities*) [and, regarding the HOLDER, ..... (*if a legal person, describe its principal business activities*)];

#### 0.01.02 Breach

means:

- a) any misrepresentation, inaccuracy, error, or failure to disclose;
- b) any non-compliant performance or failure to perform an obligation; or
- c) any order is made or resolution passed regarding the regarding the liquidation of the ISSUER, or the ISSUER offers a proposal to its creditors or assigns its property to its creditors, or a petition for bankruptcy is filed against the ISSUER or a trustee is appointed under the *Canada Bankruptcy and Insolvency Act*, RSC 1985 c B-3 or any other law regarding insolvency, or if a judgment for seizure or any other judgment is enforced on all or a significant part of the ISSUER's property;

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ISSUER	HOLDER

# CONVERTIBLE DEBENTURE

- d) the ISSUER makes significant changes to its business without the written consent of the HOLDER;
- e) an event of default, as defined under any agreement or undertaking of the ISSUER, arises, which may significantly and adversely affect the property of the ISSUER, its Activities or its financial position; or
- f) any non-compliance, infringement, default or failure to satisfy any other provision including the representations and warranties;

**0.01.03 Debenture**

means this debenture including its recitals and schedules, any related or ancillary documentation identified therein, as well as any amendments thereto that the PARTIES may make from time to time in accordance with Section 12.04 herein;

**0.01.04 Dispute**

means any problem, difficulty, dispute or litigation between the PARTIES arising from the interpretation, application, execution or cancellation of their agreement or related to their legal or business relationship;

**0.01.05 Encumber / Encumbrance**

Encumber means to create or grant an Encumbrance, and Encumbrance means, whether created by agreement or by operation of Law, a legal cause of preference, a dismemberment of ownership rights, an ownership interest, a restriction on the right to sell or convey any security interest of any kind, including any right capable of becoming any of the foregoing;

**0.01.06 Force Majeure**

means any event beyond the control of a PARTY that could not have been reasonably foreseen and against which it could not have protected itself such as any natural disaster, epidemic, fire, accident, act of war (whether declared or not), insurrection, riot, act of terrorism, wildcat strike, spontaneous work stoppage or slowdown, lock-out, change in market conditions, power or communication breakdown, intervention by civil or military authorities, or non-compliance with any order issued by any governmental authority, court, tribunal or public authority [**OR** ..... (*identify any other event that is relevant in the context of the debenture*)];

**0.01.07 Hazardous Materials**

means any material which, in its liquid, solid or gaseous state, has an adverse impact on the environment or on the health of individuals exposed to it and includes any “pollutant” or

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ISSUER	HOLDER