CONVERTIBLE DEBENTURE

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This Convertible Debenture (the “Agreement”) takes effect on [DATE],

**BETWEEN: [YOUR COMPANY NAME]** (the "Company”), a company organised and existing under the laws of the [State/Province] of [STATE/PROVINCE], with its head office located at:

 [YOUR COMPLETE ADDRESS]

**AND: [DEBENTURE HOLDER NAME]** (the "Debenture Holder"), a company organised and existing under the laws of the [State/Province] of [STATE/PROVINCE], with its head office located at:

 [COMPLETE ADDRESS]

[PERCENTAGE %] Convertible Debenture

No. [IDENTIFYING NUMBER]

1. **PROMISE TO PAY**
	1. [YOUR COMPANY NAME] (hereinafter called the “Company”), for value received, promises to pay upon presentation of this Debenture to the registered holder hereof or his / her registered assigns, at [FULL ADDRESS], [STATE/PROVINCE], or at any other address in [COUNTRY] indicated by the registered holder hereof:
		1. The principal sum of [AMOUNT] in lawful money of [COUNTRY] (the “Principal”);
		2. Interest thereon from the date of this Debenture, both before and after default, in like money, at the rate of [PERCENTAGE %] per cent per month, calculated and compounded monthly and not in advance, and payable quarterly in advance by the delivery of [NUMBER] post-dated checks at the beginning of each fiscal year of the Company, with interest on all overdue amounts of Principal or interest, calculated and compounded daily at the same rate, from the date that the such amount of Principal or interest becomes due to the actual date of payment;
		3. A royalty equal to [PERCENTAGE %] percent of the Company’s annual sales, calculated on the basis of its audited annual financial statements, and payable on the [NUMBER] day following the date of issuance of the said audited financial statements to the Company by its auditors, a copy of which shall be provided to the debenture holder.
		4. Such royalty shall be adjusted to take into account any partial conversion of the present Debenture pursuant to Article 3 hereof. Any amount not paid when due under this subsection 1.1.3 shall bear interest at the rate set out in subsection 1.1.2 hereof, which shall apply *mutatis mutandis*.
	2. The first royalty payment pursuant to subsection 1.1.3 shall become due and payable by the Company on [DATE] and shall be pro-rated to the number of days between [DATE] and [DATE]. The last such royalty payment shall become due and payable on [DATE], unless the present Debenture has been fully redeemed or converted pursuant to Article 2 or Article 3 hereof (as the case may be). The royalty shall continue to be due and payable so long as the Company has not fully reimbursed the Principal and all interest due and owing hereunder or the present Debenture has been fully converted.
2. **REDEMPTION OF THE DEBENTURE**
	1. The Company may redeem the Debenture at any time after the [NUMBER] anniversary of the date of its issuance upon the following terms and conditions:
		1. The Company must advise the debenture holder in writing not less than [NUMBER] days prior to the date of redemption of its intention to exercise its redemption rights;
		2. The redemption may be effected only for an amount at least equal to the Principal plus a compounded annual rate of return of [PERCENTAGE] per cent calculated over the said [NUMBER] year period, which compounded rate of return shall take into account all interest pursuant to subsection 1.1.2 and all royalties pursuant to subsection 1.1.3 then already paid hereunder;
		3. This Debenture may not be redeemed unless and until the Company shall have paid to the debenture holder in full all amounts of accrued interest and royalties due hereunder but unpaid, in addition to the redemption price contemplated in subsection 2.1.2.
	2. The debenture holder shall have the right to demand the redemption or conversion of the present Debenture at any time in the event of a default pursuant to Section 6 hereof, in which event the redemption price shall be equal to the sum of all accrued but unpaid interest and royalties hereunder plus an amount equal to the amount set out at subsection 2.1.2 hereof.
3. **CONVERSION OF THE DEBENTURE**
	1. At any time during the period between the date of issuance hereof and the [NUMBER] anniversary of such date the debenture holder shall have the option to convert the Principal pursuant to the present Debenture or any part thereof (including all accrued interest and royalties due hereunder and any accrued and unpaid interest on the unpaid interest and/or royalties) into such number of [SPECIFY CLASS] common shares in the capital stock of the Company (or any class of shares issued as a result of the redesignation of reclassification of the [SPECIFY CLASS] common shares, hereinafter the “Shares”) calculated as follows, by tendering at any time during normal business hours the Debenture together with a duly completed conversion notice in the form annexed hereto.
	2. The Conversion Price shall be calculated per share on a fully diluted basis and on the assumption that the fair market value of the Company, immediately prior to the exercise by the debenture holder of its conversion rights, is [AMOUNT].
	3. For purposes of this Debenture, the phrase “fully diluted” or “on a fully diluted basis” shall mean, when determining the issued and outstanding Common Shares of the Company, the aggregate of all issued and outstanding Common Shares and the number of Common Shares that would be issued on the full exercise of all options, warrants and other rights of any kind and whether or not contingent, to acquire or be issued from treasury Common Shares.
	4. Once the debenture holder shall have complied with the provisions of Section 3.1, the number of Shares to be issued upon the exercise of the conversion right *in re*spect of this Debenture shall be deemed to have been issued and the debenture holder shall be deemed to be registered holder of such Shares as of and from the Conversion Date.
	5. The Company shall immediately after the Conversion Date deliver to the debenture holder following the exercise of its conversion right a certificate for the Shares registered in the name of the debenture holder for the number of Shares to which the debenture holder is entitled.
	6. Should the debenture holder opt to convert the entire amount contemplated in Section 3.1, the delivery pursuant to subsection 3.4 of the certificate for the appropriate number of Shares registered in the debenture holder’s name shall constitute the performance of all the obligations of the Company pursuant to this Debenture, such that all amounts due and payable pursuant to this Debenture shall be deemed to have been paid.
	7. Should the debenture holder opt to convert less than the entire amount contemplated in Section 3.1, then upon the conversion of the present Debenture, the debenture holder shall be entitled to receive a new debenture upon the terms and conditions herein contained for the balance of the Principal not converted.
	8. In the event that at any time prior to the conversion of this Debenture there shall occur:
		1. an amalgamation, consolidation or other reorganisation of the Company, or
		2. any change in the rights, privileges, conditions and restrictions attaching to the Shares of the Company then issued and outstanding, (collectively, a “Change”) while this Debenture remains issued and outstanding than in whole or in part then such Change shall be effected in such manner that the shareholders of the Company may receive shares or rights-bearing the same privileges, characteristics and rights as the Shares
		3. and the debenture holder shall retain its right to convert the Debenture into shares or rights of the same nature and for the same amounts as if the debenture holder had exercised its conversion rights immediately prior to such Change becoming effective.
		4. In the event that the Company should amalgamate with another entity while the Debenture remains issued and outstanding in whole or in part, the Debenture shall be deemed to be the convertible debenture of the resulting entity
		5. and any conversion pursuant to this Article 3 shall be a conversion into such number of shares of the resulting entity determined by calculating the Conversion Price as set out above immediately prior to the effective date of such amalgamation.
	9. The Company shall assume and pay all expenses in connection with the issuance of the Shares and any legal fees resulting from the conversion of this Debenture.
	10. The Company undertakes in favour of the debenture holder so long as any conversion right *in re*spect of this Debenture may be exercised to ensure that any and all Shares issued upon the conversion of this Debenture shall be duly and validly issued and allotted and shall be fully paid and non-assessable, free of any prior subscription or other rights.
	11. No fraction of a Share shall be issued upon the conversion of this Debenture and the number of Shares to be issued upon such conversion shall be rounded to the nearest full number of Shares, with [NUMBER] of a Share being rounded up.
	12. In the event of a default pursuant to Section 6 hereof, the debenture holder shall be entitled to convert the Debenture upon the terms and conditions of Sections 3.3 to 3.10 hereof, which shall apply *mutatis mutandis*, provided however that in such case the Conversion Price shall be the book value (without giving effect to such conversion) per share of the Shares, on a fully diluted basis, based on the last audited annual financial statements of the Company for the fiscal year end immediately preceding the conversion date.
	13. For purposes of this Debenture, “book value” shall mean the unadjusted book value of the Shares of the Company, as determined in the last annual balance sheet of the Company, without deferring R&D or other expenses and without further adjustments other than the following: such Book Value of the Shares shall be adjusted, as required, by the Auditors of the Company, at the expense of the Company, according to the sole valuation of said Auditors, to take into account the purchases or redemptions of Shares and dividends declared or accumulated, as the case may be, of the Company, from the date of its last annual balance sheet;
	14. no adjustment shall be made for the purpose of taking into account any profits, losses or extraordinary items from the date of the last fiscal period up to the date of the event by reason of which the Auditors are required to act hereunder; moreover, no revaluation of the book value of the assets of the Company, from the date of the last balance sheet shall affect the book value of the Shares; such valuation for the purposes of adjustments shall be made by the Auditors and their decision is final and binding upon all interested parties.
4. **ISSUANCE OF A REPLACEMENT DEBENTURE IN THE EVENT OF LOSS**
	1. In the event of the deterioration, loss, destruction or theft of this Debenture, the Company shall, subject to Section 4.2, issue, sign and deliver a new Debenture bearing the same date, the same Principal amount and the same terms and conditions as the debenture so deteriorated, lost, destroyed or stolen, in exchange for and *in re*placement of such deteriorated debenture or in cancellation of such lost, destroyed or stolen debenture.
	2. The debenture holder shall assume the cost of issuance of the replacement debenture and shall also, as a condition to its issuance, provide to the Company proof of the deterioration, loss, destruction or theft of the original debenture which is reasonably acceptable to the Company and the debenture holder may further be required to deliver to the Company, at its option, an indemnity in an amount and a form satisfactory to the Company and to pay the reasonable fees incurred by the Company with respect to such replacement.
5. **GENERAL UNDERTAKINGS OF THE COMPANY**

The Company undertakes in favour of the debenture holder:

5.1 To pay or cause to be paid the Principal when due hereunder;

5.2 To pay or cause to be paid all accrued interest promptly when due hereunder (including in the event of default to do so, all interest on any accrued but unpaid interest) on the date, at the place and in the tender and manner mentioned herein;

5.3 To pay or cause to be paid the annual royalty promptly when due hereunder, including in the event of default to do so, all interest on any accrued but unpaid royalties on the date, at the place and in the tender and manner mentioned herein;

5.4 To maintain its corporate existence at all times while this Debenture remains outstanding in whole or in part; furthermore, throughout such period, the Company shall not move its assets or operations outside the [SPECIFY] area;

5.5 To maintain books of account in conformity with generally accepted accounting principles, but in any case for the purpose of calculating book value for the debenture conversion in case of default without deferring R&D expenses, and to provide to the debenture holder within [NUMBER] days following each fiscal year end of the Company its audited annual financial statements and within [NUMBER] days after the end of each month of its fiscal year its monthly financial statements; and

5.6 Not to do any of the things and not to take any of the decisions mentioned in Schedule A hereto without obtaining the prior written consent of the debenture holder; the debenture holder shall be entitled to exercise its *veto* rights conferred hereunder within [NUMBER] business days of written notice from the Company to such effect or within [NUMBER] business days of written notice from the Company should same state that the matter is urgent; should the debenture holder fail to respond in writing within the applicable delay, the board of directors may adopt the resolution contemplated by the notice given to the debenture holder pursuant to this Section 5.6.

1. **DEFAULT AND EXECUTION**
	1. An event of default shall occur if:
		1. the Company shall fail to pay any amount of Principal when due and payable hereunder;
		2. the Company shall fail to pay any amount of interest when due and payable hereunder and such default shall continue for a period of [NUMBER] days following receipt by the Company of notice of such default;
		3. the Company shall fail to pay the royalty when due and payable hereunder and such default shall continue for a period of [NUMBER] days following receipt by the Company of notice of such default;
		4. if a decree or order of a court having jurisdiction in the premises is entered adjudging the Company as bankrupt or insolvent under the Bankruptcy and Insolvency [ACT/LAW/RULE] of [COUNTRY], as amended from time to time, or any other bankruptcy, insolvency or analogous [YOUR COUNTRY LAW] [ACT/LAW/RULE], or issuing sequestration or process of execution against, or against any substantial part of, the property of the Company or the Shares, or appointing a receiver of, or of any substantial part of, the property of the Company, or ordering the winding-up or liquidation of its affairs, and any such decree or order is not contested or appealed and continues unchanged and in effect for a period of [NUMBER] days;
		5. if a creditor shall take possession of, register a prior notice of hypothecary right or withdraw authorization to collect claims with respect to the property of the Company or any part thereof which is, in the opinion of the debenture holder, a substantial part thereof, or if a creditor shall take or purport to take possession or to assert a prior claim or lien *in re*spect of any property of the Company, or if a distress or execution or any similar process be levied or enforced there against any of the foregoing and remain unsatisfied for such period as would permit such property or such part thereof to be sold thereunder;
		6. if a resolution is passed or a petition filed for the winding-up or liquidation of the Company or if the Company institutes proceedings under the Companies Creditors’ Arrangement Act or any other bankruptcy, insolvency or analogous law or is adjudicated a bankrupt or insolvent, or consents to (or fails to contest in good faith) the institution of bankruptcy or insolvency proceedings against it or makes (or serves notice of intention to make) any proposal under the Bankruptcy and Insolvency [ACT/LAW/RULE] of ([COUNTRY])
		7. or any other bankruptcy, insolvency or analogous [YOUR COUNTRY LAW], or consents (or fails to contest in good faith) to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Company or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any of the aforesaid purposes, or should the Company’s financial situation deteriorate to the point of compromising its survival;
		8. if the Company shall fail to maintain the debt/equity and working capital financial ratios set out in Schedule B hereto *in re*spect of any agreement with any creditor, including without limitation the debenture holder;
		9. in the event of any default by the Company pursuant to one or more of (i) the Subscription Agreement, (ii) the Shareholders Agreement, (iii) any other agreement between, *inter alia*, the Company and the debenture holder or (iv) any agreement between the Company as debtor and any third party as creditor, which default continues for a period of [NUMBER] days or more following receipt by the Company of notice of such default;
		10. if the Company should fail to maintain its assets and operations within the Greater [STATE/PROVINCE] area;
		11. if the debenture holder shall discover any fraud, false declaration in or falsification of the documents submitted to it by the Company in connection with this investment;
		12. should any circumstance occur or come to the attention of the debenture holder which may, in its opinion, substantially affect in a negative manner the state of affairs, the assets or the financial position of the Company;
		13. should there be any change in the control of the Company’s business, the ultimate control of the Company or the nature of its operations, without the prior approval by the debenture holder.
	2. Subject to Section 6.3, should an event of default occur or persist, the debenture holder may, at its option, by written notice to the Company as provided for in Article [NUMBER] hereof:
		1. demand the redemption of the Debenture and the Company shall thereupon pay without delay to the debenture holder the redemption price contemplated in subsection 2.2 hereof or
		2. demand the conversion of the debenture in accordance with Article [NUMBER] hereof or
		3. demand that security satisfactory to the debenture holder be provided *in re*spect of the assets of the Company. Once made, the payment provided for in subsection 6.2.1 shall be deemed to liberate the Company from its obligations pursuant hereto such that all amounts due pursuant to this Debenture shall be deemed to have been paid.
	3. Should an event of default occur, the debenture holder may, at its option, exercise its rights by any act, proceeding, recourse or procedure authorised or permitted by law and may file its proof and any other documents necessary or desirable so that the request of the debenture holder may be considered in any liquidation or other proceeding with respect to the Company.
	4. No recourse by the debenture holder shall be subject to the exercise of any other recourse and all recourses may be exercised independently or together.
	5. The delay or omission of the Company to exercise any recourse mentioned above shall not invalidate any such recourse nor be interpreted as a waiver of any default hereunder.
2. **CHANGE OF CONTROL OF THE COMPANY**
	1. For the purposes hereof, “change of control” shall mean any transaction or group of transactions by one or more shareholders having the effect of permitting, after the date hereof, any person other than the existing shareholders to claim [PERCENTAGE %] percent or more of the issued and outstanding voting shares in the capital stock of the Company at the time of such change of control or of the transaction intended to give effect thereto.
	2. As soon as possible following any offer of sale, purchase, exchange or redemption which would result in a change of control, the Secretary of the Company shall advise in writing the debenture holder that such an offer has been made and shall attach a copy of the offer to such notice together with all such other documents as the Secretary or the Company, in their discretion, may consider necessary or useful in order to permit the debenture holder to exercise its rights hereunder.
	3. Subject to this Article [NUMBER], if an offer of sale, purchase, exchange or redemption which would result in a change of control is made, the debenture holder may, in its absolute discretion, by written notice to the Company in the manner contemplated in Article [NUMBER] hereof, demand the redemption of the Debenture and the Company shall thereupon without delay pay to the debenture holder the redemption price provided for in section 2.2.
3. **RANKING**

The present Debenture shall be subordinate to all secured, guaranteed and preferred indebtedness of the Company.

1. **NOTICE**

Other than in the case of a general disruption of interruption in postal services provided for below, all notices to be given hereunder shall be deemed to be validly given to the holders thereof if sent by telecopier or by ordinary mail, postage prepaid, by letter or circular addressed to such party at its post office address and shall be deemed to have been received at the time effectively received if given by telecopier, and on the [NUMBER] business day of uninterrupted postal service following the day of mailing or at the time of actual delivery, if delivered.

* 1. If to the Company:

[COMPANY NAME]

[FULL ADDRESS]

[STATE/PROVINCE]

Telecopier: [FAX NUMBER]

with a courtesy copy to:

[INDIVIDUAL NAME]

[COMPANY NAME]

[FULL ADDRESS]

[STATE/PROVINCE]

Telecopier: [FAX NUMBER]

* 1. If to the debenture holder:

Telecopier:

with a courtesy copy to:

[INDIVIDUAL NAME]

[FULL ADDRESS]

[STATE/PROVINCE]

Attention: [INDIVIDUAL NAME]

Telecopier: [FAX NUMBER]

The Company or the debenture holder, as the case may be, may from time to time notify the other in accordance with the provisions hereof, of any change of address which thereafter, until changed by like notice, shall be its address for all purposes of this Agreement. In the event of actual or threatened postal interruption, notice shall be made by delivery or telecopy. Receipt of a courtesy copy of any notice or other communication shall not be a condition to the effectiveness thereof.

**10. ASSIGNMENT OF DEBENTURE**

The present Debenture is assignable in accordance with and under the circumstances permitted by the Shareholders Agreement between, *inter alia*, the Company, the debenture holder and the other shareholders of the Company.

**11. INTERPRETATION**

The division of this Debenture into articles and the insertion of titles shall not serve other than for purpose of consultation and shall have no effect on the interpretation hereof.

**12. GOVERNING LAW**

This debenture and all documents ancillary hereto shall be governed by and interpreted in accordance with the Laws of [YOUR COUNTRY LAW] OR of the Province of [STATE/PROVINCE], without regard to any conflicts of [YOUR COUNTRY LAW]’s law principles applicable therein. Each of the parties hereto irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of [STATE/PROVINCE].

IN WITNESS WHEREOF, each party to this agreement has caused it to be executed at [PLACE OF EXECUTION] on the date indicated above.

COMPANY DEBENTURE HOLDER

Authorized Signature Authorized Signature

Print Name and Title Print Name and Title

**FORM OF TRANSFER**

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

(PLEASE PRINT NAME AND ADDRESS OF TRANSFEREE)

The present Debenture (or [AMOUNT] of the aggregate of the Principal thereof and all amounts of interest and royalties thereunder) together with interest thereon and all other amounts payable *in re*spect thereof, and hereby irrevocably constitutes and appoints attorney to transfer the said Debentures on the register for the [PERCENTAGE %] Convertible Debentures of the within mentioned Company, with full power of substitution in the premises.

If less than the aggregate of the Principal thereof and all amounts of interest and royalties thereunder of the present Debenture is to be transferred, indicate in the space provided the amount of the aggregate of the Principal thereof and all amounts of interest and royalties thereunder to be transferred.

Dated:

SIGNATURE OF TRANSFEROR

(The signature of the transferor of the within Debentures authorising this transfer must be guaranteed by a chartered bank, by a trust company or by a member firm of a recognised stock exchange).

**FORM OF CONVERSION NOTICE**

TO: [COMPANY NAME]

The undersigned, registered holder of the within Debentures, hereby irrevocably elects to convert the present Debenture (or [AMOUNT] of the aggregate of the Principal thereof and all amounts of interest and royalties thereunder) for [SPECIFY] common shares of Company in accordance with the terms and conditions of the present Debenture and directs that the [SPECIFY] common shares of Company transferable and to be delivered upon exchange be transferred and delivered to the person indicated below. (If [SPECIFY] common shares of Company are to be transferred to a person other than the holder, all requisite transfer taxes must be tendered by the undersigned).

If less than the aggregate of the Principal of and all amounts of interest and royalties under the present Debenture is to be exchanged, indicate in the space provided the amount of the aggregate of the Principal thereof and all amounts of interest and royalties thereunder to be exchanged.

Dated: [DATE]

SIGNATURE OF REGISTERED HOLDER

(If [SPECIFY] common shares of Company are to be transferred to a person other than the registered holder, a form of transfer substantially in the form of the above Form of Transfer must be completed and the registered holder’s signature must be guaranteed by a chartered bank, by a trust company, or by a member firm of a recognised stock exchange).

Name:

(Print name in which [SPECIFY] common shares of Company transferable upon conversion are to be transferred, delivered and registered)

(ADDRESS)

(CITY, PROVINCE AND POSTAL CODE)

# SCHEDULE A

DECISIONS REQUIRING CONSENT OF DEBENTURE HOLDER

1. Filing articles of amendment or of continuance into another jurisdiction *in re*spect of, or repealing or amending the by-laws of, the Company or any Subsidiary.

2. Making any change to the rights, restrictions, conditions or privileges attaching to the shares of, or to the authorised or issued share capital of, or to any stock option plan of, the Company or any Subsidiary, or issuing or redeeming Shares, warrants, options, conversion rights or any other equity securities of the Company or any Subsidiary.

3. Approving the operating budgets, capital expenditures budgets and research and development budgets of the Company and its Subsidiaries; or changing the auditors of the Company or any Subsidiary.

4. Creating any Subsidiary of the Company or of its Subsidiary, whether wholly or partially owned, or selling, transferring, redeeming or converting Shares, warrants, options, conversion rights or any other equity securities of any Subsidiary of the Company, or agreeing to purchase or acquire Shares in the capital of any body corporate or all or any substantial part of the assets of another person, firm, Company or partnership.

5. Declaring dividends on Shares of any class of the Company or any Subsidiary.

6. Taking any action to wind-up, dissolve or terminate the corporate existence of the Company or any Subsidiary or taking any action which may lead to or result in a material change in the business of the Company or any Subsidiary.

7. Entering into any agreement for the purchase or sale of any asset other than in the ordinary course of the business of the Company or if provided for in the annual budgets of the Company or any Subsidiary, once approved by the Debenture Holder.

8. The sale, lease, exchange or disposition by the Company or any Subsidiary of its entire undertaking, property or assets or any substantial part thereof.

9. Entering into an amalgamation, merger or consolidation, joint venture or partnership with any other Person.

10. Except in the ordinary course of its business to arm’s length third parties, directly or indirectly making loans or advances to or investments in, or giving security for or guaranteeing the debts and obligations of, any other Person; or, entering into any transaction or contract between the Company or any Subsidiary and any Person with whom the Company does not deal at arm’s length or the control (as such term is defined in the [COUNTRY] Business Companys [ACT/LAW/RULE]) of which is held, directly or indirectly, by an officer or employee of the Company or any Subsidiary.

11. Any purchase or disposition of fixed assets or any loan, borrowing or other financial undertaking of or by the Company or any Subsidiary in excess, in each case, of [AMOUNT] per event or per fiscal year, except if provided for in the annual budgets of the Company once approved by the Debenture Holder.

12. Any public offering of any of the securities of the Company or any Subsidiary.

13. Any purchase, sale, encumbering or licencing by the Company or any Subsidiary of any technology, patents, know-how, trademarks or industrial designs.

14. Settling any legal proceeding instituted by or against the Company or any Subsidiary.

15. Increasing the base remuneration of any director or officer of the Company or its Subsidiary who, directly or indirectly, owns and controls Shares in the capital stock of the Company or any Subsidiary, by more than the latest annual increase of the consumer price index.

16. Approving the hiring or dismissal of any member of the Key Management Personnel of the Company (“Key Management Personnel” means any individual occupying any position with the Company which is higher than or at the same level as department manager or business unit manager).

17. Approving or granting bonuses or similar incentives to employees and advances to shareholders.

18. Permitting an employee of the Company or any consultant hired by the Company to publish any scientific article related to the activities of the Company or to participate in any interview having as its subject any proprietary technology developed by the Company.

19. Any change in the bankers of the Company or the signing authority *in re*spect of such bankers.

20. Any relocation of the Company’s operations or assets outside the [STATE/PROVINCE] area.

21. Any change in the project for which the present investment was made, as described in the financing letter dated [DATE] addressed by [SPECIFY] to the Company and accepted by it on [DATE] and as amended by [SPECIFY] letter dated [DATE] to the Company, including without limitation any abandonment in whole or in part thereof.

# SCHEDULE B

DEBT / EQUITY RATIOS

The Company shall maintain the following ratios:

1. A working capital ratio equal to or greater than [SPECIFY];

2. A ratio of total debt to net worth (net worth being defined as total shareholders’ equity and advances subordinated to the Bank less advances to directors and affiliated companies less intangible assets) (including grants and the debentures issued to the Investors) of less than [SPECIFY]; and

3. A ratio of deferred expenses with respect to retained earnings equal to or less than [SPECIFY].