
**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): December 1, 2011

LEXARIA CORP.

(Exact name of registrant as specified in its charter)

Nevada
*(State or other jurisdiction of
incorporation)*

000-52138
(Commission File Number)

20-2000871
(IRS Employer Identification No.)

#950 – 1130 West Pender Street, Vancouver, British Columbia, Canada V6E 4A4

Registrant's telephone number, including area code: (604) 602-1675

(Former name or former address, if changed since last report.)

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:

- 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 Exchange Act (17 CFR 240.13e -4(c))
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Item 1.01 Entry into a Material Definitive Agreement

Item 2.03 Creation of Direct Financial Obligation

Item 3.02 Unregistered Sales of Equity Securities

On December 1, we closed a private placement offering of convertible debentures in the aggregate amount of US\$200,000. The convertible debentures mature on December 1, 2012, subject to forced conversion as set out in the convertible debenture certificate. The convertible debentures pay an interest rate of 12% per annum (on a simple basis) and are convertible at US\$0.35 per unit. Each unit is comprised of one share of our common stock and one share purchase warrant. Each warrant entitles the holder thereof to purchase one share at a price of US\$0.40 per share from the earlier of the maturity date of the convertible debenture or one year from conversion of the convertible debenture.

We also entered into a general security agreement with the subscribers, whereby the obligations to repay the convertible debenture are secured by certain of our assets.

The convertible debentures were issued to one (1) US person, Mr. David DeMartini an insider of our company, pursuant to the exemption from registration provided for under Rule 506 Regulation D, promulgated under the United States Securities Act 1933, as amended.

The Company issued the units to one (1) non-US persons, CAB Financial Services Ltd. an insider of our company, in an off-shore transaction pursuant to the exemption from registration provided for under Regulation S, promulgated under the United States Securities Act of 1933, as amended.

The Debentures have not been registered under the Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States without registration or an applicable exemption from registration requirements.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

Exhibit No.	Description
20.1	Convertible Debenture Subscription
20.2	Convertible Debenture
20.3	Security Agreement
99.1	Press Release dated December 1, 2011

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.

Dated: December 2, 2011

(Signature) Lexaria Corp.
By: “/s/ Chris Bunka”
Chris Bunka
President & CEO

SUBSCRIPTION FOR DEBENTURES

TO: LEXARIA CORP. (the "Corporation")
C/O W.L. MacDonald Law Corporation, Suite 400 – 570 Granville Street
Vancouver, BC V6C 3P1 Fax: (604) 681-4760

(for Canadian, U.S. and Non-U.S. Investors)

The undersigned (hereinafter referred to as the "Subscriber") hereby subscribes for and agrees to purchase one or more secured convertible debentures (each, a "Debenture" and collectively the "Debentures") of the Corporation, in the form attached hereto as Schedule "D", for the aggregate subscription price set forth below upon and subject to the terms and conditions set forth in Schedule "D" and in the "Terms and Conditions of Subscription for Debentures of Lexaria Corp." attached hereto (together with this page and the attached Schedules, the "Subscription" or "Subscription Agreement").

The Debenture is due one year from the date of issuance (the "Maturity Date") and is repayable in full with accrued interest at 12% per annum on maturity. The Holder may at any time during the term of the Debenture convert all or part into equity at a conversion price of US\$0.35 per unit (each, a "Unit"), subject to forced conversion as set out in the Debenture. Each Unit consists of one Common Share ("Share") and one non-transferable share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one additional Share (each, a "Warrant Share") at an exercise price of US\$0.40 per Warrant (the "Exercise Price") from the earlier of (i) the Maturity Date or (ii) one year after the conversion of the Debenture. The Debenture, the Units, the Shares, the Warrants and the Warrant Shares are collectively referred to as the "Securities".

The Debentures are secured by the Corporation's working interest and production in the PP F-12-7 well to be drilled in the field known as and located at Belmont Lake, Mississippi. The Notes are secured secondarily by the Issuer's working interest and production in the PP F-12-4 and PP F-12-5 wells, subordinate to all other debt claims existing against the PP F-12-4 and PP F-12-5 wells as of December 1, 2011. No other assets of the Corporation are secured by the Debentures.

The Debentures are part of a non-brokered offering for minimum gross proceeds of US \$200,000 and maximum gross proceeds of US \$250,000.

Subject to the terms hereof, the Subscription will be effective upon its acceptance by the Corporation.

The Debentures are secured by the Corporation's working interest and production in and only in the PP F-12-4 and PP F-12-5 wells located at Belmont Lake, Mississippi. No other assets of the Corporation are secured by the Debentures.

The Debentures are part of a non-brokered offering for minimum gross proceeds of US \$300,000 and maximum gross proceeds of US \$1,500,000.

Subject to the terms hereof, the Subscription will be effective upon its acceptance by the Corporation.

Details of Subscriber:					
(Name of Subscriber - please print)					
By:					
(Authorized Signature)					Principal Amount of Debentures: \$100,000 (the "Subscription Price")
					Details of Beneficial Purchaser (if not the same as
					Subscriber):
(Official Capacity or Title - please print)					(Name of Beneficial Purchaser)
(Please print name of individual whose signature appears above if different than the name of the Subscriber printed above.)					(Beneficial Purchaser's Address)
(Subscriber's Address)					(Beneficial Purchaser's Telephone Number)
(Subscriber's Address)					
(Telephone Number)					SIN/Tax ID No.
(E-Mail Address)					
SIN/Tax ID No.					

<u>Register the Debentures as set forth below:</u>				<u>Deliver the Debentures as set forth below:</u>			
(Name)				(Name)			
(Account reference, if applicable)				(Account reference, if applicable)			
(Address)				(Contact Name)			
(Address)				(Address)			
				(Address)			

Present Ownership of Securities

The Subscriber either *[check appropriate box]*:

- does not own directly or indirectly, or exercise control or direction over, any common shares of the Corporation (“**Shares**”) or securities convertible into Shares; or
- owns directly or indirectly, or exercises control or direction over, Shares and convertible securities entitling the holder thereof to acquire an additional Shares.

Insider Status

The Subscriber either *[check appropriate box]*:

- is an “Insider” of the Corporation, namely: “Insider” means:
 - (a) a director or senior officer of the Corporation;
 - (b) a director or senior officer of a person that is itself an insider or subsidiary of the Corporation;
 - (c) a person that has
 - (i) direct or indirect beneficial ownership of;
 - (ii) control or direction over; or
 - (iii) a combination of direct or indirect beneficial ownership of and of control or direction over securities of the Corporation carrying more than 10% of the voting rights attached to all the Corporation’s outstanding voting securities, excluding, for the purpose of the calculation of the percentage held, any securities held by the person as underwriter in the course of a distribution; or
 - (d) the Corporation itself, if it has purchased, redeemed or otherwise acquired any securities of its own issue, for so long as it continues to hold those securities; or
- is not an Insider of the Corporation.

Member of “Pro Group”

The Subscriber either *[check appropriate box]*:

- is a Member of the “Pro Group” as defined in the Rules of the Exchange,
- is not a member of the Pro Group.

THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK

ACCEPTANCE: The Corporation hereby accepts the subscription as set forth above on the terms and conditions contained in this Subscription Agreement and the Corporation represents and warrants to the Subscriber that the representations and warranties made by the Corporation are true and correct in all material respects as of the Closing Date (as defined herein) and that the Subscriber is entitled to rely thereon, and on the terms, conditions and covenants contained in this Subscription Agreement.

_____, 2011

LEXARIA CORP.	
By: _____	

The Securities will be subject to a hold period under the applicable Securities Laws of the Selling Jurisdictions in Canada of four month and a day from the Closing Date and the certificates evidencing the Securities will bear a legend to that effect, as applicable. Consequently, the Securities may only be resold during such period in accordance with appropriate statutory exemptions from the prospectus requirements of the applicable Securities Laws of the Selling Jurisdictions in Canada or if appropriate consents or discretionary orders have been obtained. The Subscriber is advised to consult its own legal advisors in this regard.

The Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and are being offered and sold within the United States only to Accredited Investors (as defined in Rule 501(a) of Regulation D under the U.S. Securities Act). Prospective subscribers of the Securities in the United States are hereby notified that the seller of the Securities is relying upon the exemption from the provisions of Section 5 of the U.S. Securities Act provided in Section 4(2) of the U.S. Securities Act and Rule 506 of Regulation D under the U.S. Securities Act for non-public offerings. The Securities offered hereby are not transferable except in accordance with the restrictions described herein.

**TERMS & CONDITIONS OF THE SUBSCRIPTION FOR
DEBENTURES IN LEXARIA CORP.**

1. **Defined Terms**

In addition to the terms defined throughout this Subscription Agreement, the following capitalized terms used in this Subscription Agreement have the following meanings:

“**Accredited Investor Status Certificate**” means the Accredited Investor Status Certificate attached hereto as Schedule “A”;

“**Business Day**” means any day except Saturday, Sunday or a statutory holiday in Vancouver, British Columbia;

“**Closing**” refers to the completion of the purchase and sale of the Debentures, and if the purchase and sale occurs in two or more tranches, the completion of each shall be a “Closing” and although the Corporation reserves the right to add additional closings if it deems it to be in the Corporation’s best interests, the “Closing” is scheduled for December 1, 2011;

“**Closing Date**” means that day that the Closing occurs;

“**Closing Time**” means 9:00 a.m. (Vancouver time) or such other time as the Corporation may determine; “**Debentures**” has the meaning set out on the face page hereof;

“**Exchange**” means the Canadian National Stock Exchange; “**NI 45-106**” means National Instrument 45-106 – *Prospectus and Registration Exemptions*;

“**Offering**” means the offering by the Corporation of a minimum of US \$200,000 and a maximum of US \$250,000 in the principal amount of Debentures;

“**OTCBB**” means the Over the Counter Bulletin Board;

“**SEC**” means the United States Securities and Exchange Commission;

“**Securities**” where used in this Subscription Agreement means the Debenture, the Units, the Shares, the Warrants and the Warrant Shares;

“**Securities Laws**” means, collectively, the securities laws, regulations, rules and forms, and the blanket orders, rulings, notices and policies and written interpretations of, and multilateral or national instruments adopted by, the Securities Regulators of each Selling Jurisdiction or, as the context may require, any one or more of the Selling Jurisdictions;

“**Securities Regulators**” means the securities commissions or other securities regulatory authorities of each Selling Jurisdiction or the relevant Selling Jurisdiction as the context so requires;

“**Selling Jurisdictions**” means each of the Provinces of British Columbia, Alberta and Ontario, the United States and such other jurisdictions which are determined by the Corporation; and “**Selling Jurisdiction**” means, in the case of any subscriber, the jurisdiction in which such subscriber is resident;

“**Shares**” means the common shares issuable by the Corporation to the Subscribers of the Debentures upon conversion of the Debentures;

“**Subscription Agreement**” means this subscription agreement and the Schedules attached hereto;

“**Units**” means units of the Corporation consisting of one Share and one non-transferable Warrant issuable by the Corporation to the Subscribers of the Debentures upon conversion of the Debentures;

“**United States**” means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

“**U.S. Accredited Investor Certificate**” means the U.S. accredited investor certificate required to be completed by U.S. Subscribers, in the form attached hereto as Schedule “B”;

“**U.S. Person**” means a “U.S. person”, as defined in Rule 902 of Regulation S promulgated under the U.S. Securities Act, which definition includes, but is not limited to, any individual resident in the United States, any partnership or corporation organized or incorporated under the laws of the United States, and any estate or trust of which any executor, administrator or trustee, respectively, is a U.S. person.

“**U.S. Subscriber**” means (a) any U.S. Person or person purchasing the Debentures in the United States, (b) any person purchasing the Debentures on behalf of any U.S. Person or person in the United States, (c) any person that receives or received an offer of the Securities while in the United States, and (d) any person that is in the United States at the time the subscriber’s buy order was made or this Subscription Agreement was executed or delivered;

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended;

“**Warrants**” means each whole share purchase warrant issuable by the Corporation to the Subscribers of the Debentures upon conversion of the Debentures, with each Warrant being exercisable into a Share; and

“**Warrant Share**” means a Share in the capital of the Corporation issuable upon exercise of a Warrant.

All references herein to monetary amounts are to lawful money of the United States of America, unless otherwise specified.

2. **Delivery.** Return this subscription and all Forms to the office of the Corporation at #950 – 1130 West Pender Street, Vancouver, B.C., V6E 4A4 and payment for the total subscription price by way of **certified cheque, bank draft or wire transfer** pursuant to the wiring instructions attached hereto as Schedule “C” as soon as possible and, in any event, not later than 12:00 noon (Vancouver time) on the date that is two (2) business days prior to the Subscription Date, with the following:

- (a) a completed and duly executed copy of this Subscription Agreement;
- (b) a completed and duly executed copy of the Accredited Investor Status Certificate attached hereto as Schedule “A”;
- (c) if the Subscriber is a U.S. Subscriber, a completed and duly executed copy of the U.S. Accredited Investor Certificate which is attached to the Subscription Agreement as Schedule “B”;
- (d) all other documents as may be required.

3. **Description of Offering and Process of Offering**

- (a) **The Offering.** The Corporation is offering (the “**Offering**”) Debentures in the principal amount of minimum gross proceeds of US \$200,000 and maximum gross proceeds of US \$250,000. The Debenture is non-transferable and is due on the Maturity Date.
 - (b) The Debentures shall have the following terms:
 - (i) **Maturity.** Subject to full conversion or earlier repayment as provided for herein, the outstanding principal amount of the Debentures shall mature and become due and payable on the date which is two years from the date of issuance (the “Maturity Date”).
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- (ii) Interest. Interest shall accrue on the outstanding principal amount from time to time of the Debentures at a rate of 12% per annum calculated on a simple basis payable monthly, in arrears. Subject to conversion, redemption or earlier repayment as provided for herein, accrued but unpaid interest shall become due and payable on the Maturity Date.
 - (iii) Security. Repayment of the outstanding principal amount of the Debentures and any accrued but unpaid interest thereon shall be secured by the Corporation's working interest and production in the PP F-12-7 well to be drilled in the field known as and located at Belmont Lake, Mississippi. The Notes are secured secondarily by the Issuer's working interest and production in the PP F-12-4 and PP F-12-5 wells, subordinate to all other debt claims existing against the PP F-12-4 and PP F-12-5 wells as of December 1, 2011. No other assets of the Corporation are secured by the Debentures.. The specifics of this shall be set out in a general security agreement to be entered into between the Corporation and the Debentureholders.
 - (iv) Conversion of Debenture. Subject to forced conversion or earlier repayment, the outstanding principal amount and any accrued interest thereon of a Debenture may be converted at the sole option of the Debentureholder, at any time and from time to time prior to the Maturity Date into Units of the Corporation at the price of US \$0.35 per Unit. Each Unit is comprised of one Share and one non-transferable Warrant. Each Warrant entitles the holder to purchase one additional Share at an exercise price of US \$0.40 per Warrant from the earlier of (i) the Maturity Date or (ii) one year after the conversion of the Debenture.
 - (v) Effective Date of Conversion. Conversion of the principal amount of Debenture or any accrued but unpaid interest thereon shall be deemed to occur on the presentation and surrender to the Corporation of the original Debenture Certificate and a duly completed and executed "Notice of Conversion" in the form attached to the Debenture Certificate. On the date of deemed conversion, the amount of principal or interest, as applicable, subject to conversion shall be deemed repaid and thereafter the persons entitled to the Shares and Warrants, as applicable, upon such conversion shall be deemed to be the holders of record for such securities.
 - (vi) Partial Conversion. In the event of a partial conversion, the Corporation shall prepare and deliver a certificate representing the unconverted balance of the partially converted Debenture. In the event of a partial conversion of interest, the Corporation shall deliver a written statement reconciling the amount of interest owing in respect of the Debenture both before and after the conversion of interest.
 - (vii) Early Redemption. The Corporation may, at its sole discretion, repay any or all of the Debenture in cash, at a redemption price initially equal to 104% of the principal amount of the Debenture plus any accrued but unpaid interest thereon, with such premium increasing by 1% quarterly to a maximum of 108% of par.
 - (viii) Forced Conversion of Debenture. In the event that (the "Debenture Acceleration Event") the Corporation's common shares, at any time after 4 months have elapsed from the Closing, are quoted on the OTCBB at a price of US\$0.75 or more for a period of 20 consecutive trading days, the Corporation may thereafter automatically convert the principal amount of the Debenture including all unpaid but accrued interest into Units of the Corporation. The Debenture will be automatically exercised (without any further action on the part of the holder thereof) into Units. The Corporation shall issue to the Debenture-holders a written notice advising of the conversion of the Debentures.
 - (ix) Forced Conversion of Warrant. Subject to the conversion of the Debenture, in the event that (the "Warrant Acceleration Event") the Corporation's common shares, at any time after 4 months have elapsed from the Closing, are quoted on the OTCBB at a price of US\$0.75 or more for a period of 20 consecutive trading days, the Corporation may thereafter issue to the Debenture-holders a written notice advising of the accelerated expiry of the Warrants. Such written notice shall identify in reasonable detail the particulars of the Acceleration Event and identify the date (the "Warrant Accelerated Expiry Date") set for accelerated expiry, which in no event shall be less than 30 days after the mailing date of the written notice. For greater certainty, all Warrants shall expire and be of no further force or effect as of 4:30 pm (Pacific Time) on the Accelerated Expiry Date.
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- (c) The Debentures are subject to the terms and conditions as set forth in Schedule "D".
- (d) The subscriber acknowledges and agrees that finder's fees may be paid in respect of this subscription in accordance with the policies of the Exchange.

4. **Payment.**

- (a) The Subscription Proceeds must accompany this Subscription Agreement. The Subscriber authorizes the Corporation's lawyers to deliver the Subscription Proceeds to the Corporation if the Subscription Proceeds are delivered to the Corporation's lawyers, without further instructions required.
- (b) The Subscriber acknowledges and agrees that this Subscription Agreement and any other documents delivered in connection herewith will be held by the Corporation's lawyers on behalf of the Corporation. In the event that this Subscription Agreement is not accepted by the Corporation for whatever reason within 90 days of the delivery of an executed Subscription Agreement by the Subscriber, or the minimum offering amount is not achieved by that time, this Subscription Agreement, the Subscription Proceeds and any other documents delivered in connection herewith will be returned to the Subscriber at the address of the Subscriber as set forth in this Subscription Agreement without interest or deduction.
- (c) Where the Subscription Proceeds are paid to the Corporation, the Corporation may treat the Subscription Proceeds as a non-interest bearing loan for up to 30 days and may use the Subscription Proceeds prior to this Subscription Agreement being accepted by the Corporation.
- (d) The Subscriber must complete, sign and return to the Corporation an executed copy of this Subscription Agreement, the questionnaires attached hereto as Schedule A and B and any other schedules attached hereto.
- (e) The Subscriber shall complete, sign and return to the Company as soon as possible, on request by the Company, any documents, questionnaires, notices and undertakings as may be required by regulatory authorities, the OTCBB, the Exchange and applicable law.

5. **Closing.** The Closing will be held at the offices of Lexaria Corp, Suite 950 – 1130 West Pender Street, Vancouver, British Columbia at the Closing Time on the Closing Date.

Subscribers must complete and execute this subscription and all applicable Forms hereto (**please see the Instructions listed on page 6 hereof**) and return them to the Corporation and payment for the total subscription price by way of wire transfer pursuant to the wiring instructions attached hereto as Schedule "C". The Corporation will then issue and sell the Subscriber's Debenture and cause a definitive certificate representing the Debenture so issued and registered in accordance with this Subscription Agreement to be delivered in accordance with this Subscription Agreement.

The Subscriber acknowledges that the certificates representing Debentures will be available for delivery upon Closing provided that the Subscriber has satisfied the requirements of Sections 2 through 4 hereof and the Corporation has accepted this Subscription Agreement.

6. **Subscriber's Acknowledgements.** The Subscriber acknowledges and agrees (on its own behalf and, if applicable, on behalf of each beneficial purchaser for whom the Subscriber is contracting hereunder) with the Corporation (which acknowledgements and agreements shall survive the Closing) that:

- (a) no agency, governmental authority, regulatory body, stock exchange or other entity has made any finding or determination as to the merit for investment of, nor have any such agencies or governmental authorities, regulatory bodies, stock exchanges or other entities made any recommendation or endorsement with respect to, the Securities;
 - (b) the sale and delivery of the Securities is conditional upon such sale being exempt from the prospectus filing and registration requirements and the requirement to deliver an offering memorandum in connection with the distribution of the Securities under the Securities Laws;
 - (c) the Securities are subject to resale restrictions under the Securities Laws and are otherwise subject to all of the terms, conditions and provisions of this Subscription Agreement and the Subscriber (and, if applicable, others for whom it is contracting hereunder) will comply with all relevant Securities Laws concerning any resale of the Securities and, if deemed necessary by the Subscriber, will consult with its legal advisors with respect to complying with all restrictions applying to such resale;
 - (d) none of the Securities have been or will be registered under the U.S. Securities Act or the securities laws of any state and the Securities may not be offered or sold, directly or indirectly, in the United States to, or for the account or benefit of, a U.S. Person or a person in the United States unless registered under the U.S. Securities Act and the securities laws of all applicable states or unless an exemption from such registration requirements is available, and the Corporation has no obligation or present intention of filing a registration statement under the U.S. Securities Act in respect of any of the Securities;
 - (e) the Subscriber acknowledges that the Corporation has not undertaken, and will have no obligation, to register any of the Securities under the 1933 Act;
 - (f) the Subscriber (and, if applicable, others for whom it is contracting hereunder) may not offer, sell or transfer the Securities within the United States or to, or for the account or benefit of, a U.S. Person, unless the Securities are registered under the U.S. Securities Act and the securities laws of all applicable states or an exemption from such registration requirement is available;
 - (g) the purchase of the Securities has not been made through or as a result of any general solicitation or general advertising or any seminar or meeting whose attendees have been invited by general solicitation or general advertising and the distribution of the Securities has not been accompanied by any advertisement, including, without limitation, in printed public media, radio, television or telecommunications, including electronic display or as part of a general solicitation;
 - (i) the decision to execute this Subscription Agreement and purchase the Debentures agreed to be purchased hereunder has not been based upon any oral or written representation as to fact or otherwise made by or on behalf of the Corporation and such decision is based solely upon a review of publicly available information regarding the Corporation available on the website of the United States Securities and Exchange Commission (the "SEC") available at www.sec.gov and on the System for Electronic Document Analysis and Retrieval website available at www.sedar.com and (the "Company Information");
 - (h) no prospectus or offering memorandum within the meaning of the Securities Laws has been delivered to or summarized for or seen by the Subscriber (and, if applicable, others for whom it is contracting hereunder) in connection with the Offering and the Subscriber (and, if applicable, others for whom it is contracting hereunder) is not aware of any prospectus or offering memorandum having been prepared by the Corporation;
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- (i) it has not received, nor has it requested, nor does it have any need to receive, any offering memorandum (as defined by applicable securities legislation) or any other document (other than financial statements or any other continuous disclosure documents, the contents of which is prescribed by statute or regulation) describing the business and affairs of the Corporation which has been prepared for delivery to, and review by, prospective subscribers in order to assist them in making an investment decision in respect of the Securities, and it has not become aware of any advertisement including without limitation in printed media of general and regular paid circulation or on radio or television with respect to the distribution of the Securities;
 - (j) in purchasing the Securities, the Subscriber (and, if applicable, others for whom it is contracting hereunder) has relied solely upon publicly available information relating to the Corporation, this Subscription Agreement and not upon any verbal or written representation as to any fact or otherwise made by or on behalf of the Corporation, or any employee, agent or affiliate thereof or any other person associated therewith. The Subscriber, on its own behalf and, if applicable, on behalf of others for whom the Subscriber is contracting hereunder, acknowledges that the decision to purchase the Securities was made on the basis of currently available public information and this Subscription Agreement;
 - (k) the Subscriber and the Subscriber's advisor(s) have had a reasonable opportunity to ask questions of and receive answers from the Corporation in connection with the sale of the Securities hereunder, and to obtain additional information, to the extent possessed or obtainable without unreasonable effort or expense, necessary to verify the accuracy of the information about the Corporation;
 - (l) the books and records of the Corporation were available upon reasonable notice for inspection, subject to certain confidentiality restrictions, by Subscribers during reasonable business hours at its principal place of business and that all documents, records and books in connection with the sale of the Securities hereunder have been made available for inspection by the Subscriber, the Subscriber's attorney and/or advisor(s);
 - (m) by execution of this Subscription Agreement the Subscriber has waived the need for the Corporation to communicate its acceptance of the purchase of the Securities pursuant to this Subscription Agreement;
 - (n) all information which the Subscriber has provided to the Corporation in the questionnaires are correct and complete as of the date the questionnaires are signed, and if there should be any change in such information prior to the Subscription being accepted by the Corporation, the Subscriber will immediately provide the Corporation with such information;
 - (o) the Corporation is entitled to rely on the representations and warranties and the statements and answers of the Subscriber contained in this Subscription Agreement and in the questionnaires, and the Subscriber will hold harmless the Corporation from any loss or damage it may suffer as a result of the Subscriber's failure to correctly complete this Subscription Agreement or the questionnaires;
 - (p) the Corporation may pay to finders that introduce purchasers to the Corporation a finder's fee in accordance with the policies of the Exchange, payable in cash or Securities of the Corporation.
 - (q) the Securities are being offered for sale on a "private placement" basis;
 - (r) the Subscriber (or, if applicable, others for whom it is contracting hereunder) is solely responsible for obtaining such tax and legal advice as it considers appropriate in connection with the execution, delivery and performance by it of this Subscription Agreement and the transactions contemplated hereunder (including the resale and transfer restrictions referred to herein and in the Section below entitled "Representations, Warranties and Covenants");
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- (s) in accepting this Subscription Agreement, the Corporation is relying upon the representations and warranties and acknowledgements of the Subscriber set out herein including, without limitation, in connection with determining the eligibility of the Subscriber or (if applicable) the eligibility of others on whose behalf the Subscriber is contracting hereunder to purchase Securities under the Securities Laws. The Subscriber hereby agrees to notify the Corporation immediately of any change in any representation, warranty, covenant or other information relating to the Subscriber or to any beneficial purchaser contained in this Subscription Agreement which takes place prior to Closing;
- (t) the Securities are subject to the terms, conditions and provisions of this Subscription Agreement (including the schedules hereto) and the constating documents of the Corporation;
- (u) the certificates evidencing the Securities will bear a legend regarding restrictions on transfer as required pursuant to applicable Securities Laws, including applicable federal and state securities laws of the United States, and requirements of the Exchange;
- (v) the Corporation has advised the Subscriber, through this Subscription Agreement, that the Corporation is relying on an exemption from the requirements to provide the Subscriber with a prospectus and to sell securities through a person or company registered to sell securities under the Securities Laws or other applicable securities legislation and, as a consequence of acquiring Securities pursuant to this exemption, certain protections, rights and remedies provided by the Securities Laws or other applicable securities legislation including statutory rights of rescission or damages, will not be available to the Subscriber; and
- (w) no person has made to the Subscriber any written or oral representations:
 - (i) that any person will resell or repurchase the Securities;
 - (ii) that any person will refund the purchase price of the Securities; or
 - (iii) as to the future price or value of any of the Securities.

7. **Representations, Warranties and Covenants.** The Subscriber hereby represents and warrants to, and covenants with (on its own behalf and, if applicable, on behalf of those for whom the Subscriber is contracting hereunder) the Corporation (and acknowledges that the Corporation is relying on them), which representations, warranties and covenants shall survive the Closing, that as at the execution date of this Subscription Agreement and the Closing Date:

- (a) the Subscriber and any beneficial purchaser for whom it is acting are resident in the province or jurisdiction set out on the first or second page of this Subscription Agreement above as the "Subscriber's Address" or the "Beneficial Purchaser's Address", as the case may be;
 - (b) the Subscriber is purchasing the Securities as principal for its own account and not for the benefit of any other person, and not with a view to the resale or distribution of all or any of the Securities or is deemed to be purchasing as principal under Securities Laws;
 - (c) the Subscriber (i) has adequate net worth and means of providing for its current financial needs and possible personal contingencies, (ii) has no need for liquidity in this investment, and (iii) is able to bear the economic risks of an investment in the Securities for an indefinite period of time;
 - (d) the Subscriber has made an independent examination and investigation of an investment in the Securities and the Corporation and has depended on the advice of its legal and financial advisors and agrees that the Corporation will not be responsible in anyway whatsoever for the Subscriber's decision to invest in the Securities and the Corporation;
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- (e) all information contained in the questionnaires are complete and accurate and may be relied upon by the Corporation and the Subscriber will notify the Corporation immediately of any material change in any such information occurring prior to the closing of the purchase of the Securities;
 - (f) it understands and agrees that none of the Securities have been registered under the 1933 Act or any state securities laws, and, unless so registered, none may be offered or sold in the United States or, directly or indirectly, to U.S. Persons (as defined herein) except pursuant to an exemption from, or in a transaction not subject to, the Registration Requirements of the 1933 Act and in each case only in accordance with state securities laws;
 - (g) it is purchasing the Securities for its own account for investment purposes only and not for the account of any other person and not for distribution, assignment or resale to others, and no other person has a direct or indirect beneficial interest in such Securities, and the Subscriber has not subdivided his interest in the Securities with any other person;
 - (h) the Subscriber is not acquiring the Securities as a result of any form of general solicitation or general advertising including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio, or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;
 - (i) the Subscriber is an "accredited investor" within the meaning of NI 45-106 and it specifically represents and warrants that one or more of the categories set forth in the Accredited Investor Status Certificate attached as Schedule "A" hereto correctly, and in all respects, describes the Subscriber and will describe the Subscriber at Closing, and the Subscriber has so indicated by marking the box next to the category which so describes it and duly executing and delivering the Accredited Investor Status Certificate herewith;
 - (j) unless the Subscriber is a U.S. Subscriber that has completed and delivered a U.S. Accredited Investor Certificate in the form attached as Schedule "B" hereto (in which case the representations, warranties and covenants of the Subscriber made therein are incorporated herein by reference), the Subscriber acknowledges and agrees that the offer to purchase the Securities was not made to the Subscriber when the Subscriber was in the United States or when the Subscriber was a U.S. Person and at the time the Subscriber's subscription for Securities was delivered to the Corporation, the Subscriber was outside the United States and was not a U.S. Person and that:
 - (i) the Subscriber is not and will not be purchasing the Securities, directly or indirectly, for the account or benefit of a U.S. Person or any person in the United States and the Subscriber does not have any agreement or understanding (either written or oral) with any U.S. Person or a person in the United States respecting:
 - A. the transfer or assignment of any rights or interests in any of the Securities;
 - B. the division of profits, losses, fees, commissions, or any financial stake in connection with this Subscription Agreement; or
 - C. the voting of the Securities;
 - (ii) the current structure of this transaction and all transactions and activities contemplated hereunder is not a scheme to avoid the registration requirements of the U.S. Securities Act and applicable state securities laws; and
 - (iii) the Subscriber has no intention to distribute either directly or indirectly any of the Securities in the United States or to U.S. Persons, except in compliance with the U.S. Securities Act;
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- (k) if the address of the Subscriber provided in this Subscription Agreement is in a jurisdiction outside of British Columbia, the Subscriber certifies that the Subscriber (or beneficial purchaser, if applicable) is not resident in British Columbia;
 - (l) the Subscriber acknowledges that:
 - (i) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Securities;
 - (ii) there is no government or other insurance covering the Securities;
 - (iii) there are risks associated with the purchase of the Securities;
 - (iv) there are restrictions on the Subscriber's (or beneficial purchaser's, if applicable) ability to re-sell the Securities and it is the responsibility of the Subscriber to find out what those restrictions are and to comply with them before selling the Securities; and
 - (v) the Corporation has advised the Subscriber that the Corporation is relying on an exemption from the requirements to provide the Subscriber with a prospectus and to sell securities through a person registered to sell securities under the *Securities Act* (British Columbia) and, as a consequence of acquiring the Securities pursuant to an exemption, certain protections, rights and remedies provided by the *Securities Act* (British Columbia), including statutory rights of rescission and damages, will not be available to the Subscriber;
 - (m) neither the Subscriber nor any party on whose behalf it is acting has been created or is being used primarily to permit the purchase of the Securities without a prospectus in reliance on an exemption from the prospectus requirements of applicable securities legislation;
 - (n) if the Subscriber is an individual, the Subscriber has attained the age of majority and is legally competent to execute this Subscription Agreement and to take all actions required pursuant hereto, and if the Subscriber is not an individual, this Subscription Agreement has been authorized, executed and delivered by, and constitutes a legal, valid and binding agreement of the undersigned, and if the Subscriber is a corporation, it has been duly incorporated and validly exists under the laws of its jurisdiction of incorporation or continuance and that this Subscription Agreement has been duly authorized by all necessary corporate action and constitutes a legal and binding agreement of the corporation;
 - (o) the Subscriber is capable of assessing and evaluating the risks and merits of this investment as a result of the Subscriber's financial, investment or business experience or as a result of advice received from a registered person other than the Corporation or an affiliate thereof, and the Subscriber or, where it is not purchasing as principal, each beneficial purchaser is able to bear the economic loss of its investment;
 - (p) this Subscription Agreement has been duly and validly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligation of the Subscriber;
 - (q) the delivery of this Subscription Agreement, the acceptance of it by the Corporation and the issuance of the Securities to the Subscriber complies with all applicable laws of the Subscriber's jurisdiction of residence or domicile and will not cause the Corporation to become subject to or comply with any disclosure, prospectus or reporting requirements under any such applicable laws;
 - (r) the Subscriber is not a "control person" of the Corporation as defined in the applicable Securities Laws, will not become a "control person" by virtue of this purchase of any of the Securities, and does not intend to act in concert with any other person to form a control group of the Corporation;
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- (s) neither the Subscriber nor any party on whose behalf it is acting is an investment club;
- (t) the Subscriber (or, if applicable, others for whom it is contracting hereunder) has been advised to consult its own legal and tax advisors with respect to applicable resale restrictions and tax considerations, and it (or, if applicable, others for whom it is contracting hereunder) is solely responsible for compliance with applicable resale restrictions and applicable tax legislation;
- (u) the Subscriber has no knowledge of a “material fact” or “material change” (as those terms are defined in the applicable Securities Laws) in the affairs of the Corporation that has not been generally disclosed to the public;
- (v) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to, or the constating documents of, the Subscriber or of any agreement, written or oral, to which the Subscriber may be a party or by which it is or may be bound or the termination of any such agreement;
- (w) the Subscriber will execute and deliver within the approved time periods, all documentation as may be required by applicable Securities Laws, the rules and policies of the Exchange and any other applicable law to permit the purchase of the Securities on terms herein set forth;
- (x) if required by applicable Securities Laws, the rules and policies of the Exchange and any other applicable law the Subscriber will execute, deliver, file and otherwise assist the Corporation in filing such reports, undertakings and other documents with respect to the issuance of the Securities as may be required; and
- (y) no person has made to the Subscriber any written or oral representations:
 - (i) that any person will resell or repurchase any of the Securities;
 - (ii) that any person will refund the purchase price of any of the Securities;
 - (iii) as to the future price or value of any of the Securities; or
 - (iv) that any of the Securities will be listed and posted for trading on any stock exchange or automated dealer quotation system or that application has been made to list and post any of the Securities of the Corporation on any stock exchange or automated dealer quotation system, except that the currently the Corporation’s stock is quoted on the Exchange and the OTCBB.

8 . **Covenants of the Corporation** The Corporation covenants and agrees with the Subscriber as follows and acknowledges that the Subscriber is relying on such representations, warranties and covenants in connection with the transactions contemplated herein:

- (a) the Corporation will promptly comply with all material filing and other requirements under all applicable Securities Laws; and
- (b) on the Closing Date, the Corporation will have taken all necessary steps to duly and validly create the Securities for issuance upon receipt of payment in full therefore.

9 . **Further Subscriber Acknowledgements.** The Subscriber acknowledges and agrees that the foregoing representations, warranties and covenants are made by it with the intention that they may be relied upon by the Corporation and its legal counsel in determining its eligibility or (if applicable) the eligibility of others on whose behalf it is contracting hereunder to purchase the Securities under applicable securities legislation. The Subscriber further agrees that by accepting delivery of the Securities on the Closing Date, it shall be representing and warranting that the Subscriber has complied with all covenants required to be complied with at the Closing Date and the foregoing representations and warranties are true and correct as at the Closing Date with the same force and effect as if they had been made by the Subscriber at the time of Closing and that the representations and warranties shall survive the purchase by the Subscriber of the Securities and still continue in full force and effect notwithstanding any subsequent disposition by the Subscriber of the Securities. The Corporation and its directors, officers, employees shareholders, and legal counsel shall be entitled to rely on the representations and warranties of the Subscriber contained in this Subscription Agreement.

10. **Acceptance of Subscription.** This subscription may be accepted in whole or in part by the Corporation at its sole discretion and the right is reserved to the Corporation at its sole discretion to allot to any subscriber less than the amount of Debentures subscribed for. Confirmation of acceptance or rejection of this subscription will be forwarded to the Subscriber promptly after the acceptance or rejection of the subscription by the Corporation.

11. **Costs.** All costs and expenses incurred by the Subscriber (including any fees and disbursements of any special counsel retained by the Subscriber) relating to the sale of the Debentures to the Subscriber shall be borne by the Subscriber.

12. **Execution of Subscription Agreement.** The Corporation shall be entitled to rely on delivery by facsimile machine of an executed copy of this Subscription Agreement, and acceptance by the Corporation of such facsimile copy shall be equally effective to create a valid and binding agreement between the Subscriber and the Corporation in accordance with the terms hereof.

13. **Conditional upon Exchange Acceptance.** Without limitation, this subscription and the transactions contemplated hereby are conditional upon and subject to the Corporation receiving acceptance from the Exchange of the Offering and the transactions contemplated hereby.

14. **Collection of Personal Information.** The Subscriber acknowledges and consents to the fact that the Corporation is collecting the Subscriber's personal information for the purpose of fulfilling this Subscription Agreement and completing the Offering. The Subscriber's personal information (and, if applicable, the personal information of those on whose behalf the Subscriber is contracting hereunder) may be disclosed by the Corporation to (a) stock exchanges or securities regulatory authorities (including the Ontario Securities Commission as referred to below), (b) the Corporation's registrar and transfer agent, (c) Canadian tax authorities, (d) authorities pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and (e) any of the other parties involved in the Offering, including legal counsel, and may be included in record books in connection with the Offering. By executing this Subscription Agreement, the Subscriber is deemed to be consenting to the foregoing collection, use and disclosure of the Subscriber's personal information (and, if applicable, the personal information of those on whose behalf the Subscriber is contracting hereunder) and to the retention of such personal information for as long as permitted or required by law or business practice. Notwithstanding that the Subscriber may be purchasing Debentures as agent on behalf of an undisclosed principal, the Subscriber agrees to provide, on request, particulars as to the identity of such undisclosed principal as may be required by the Corporation in order to comply with the foregoing.

Furthermore, the Subscriber is hereby notified that:

- (a) the Corporation may deliver to certain Securities Regulators, including the Ontario Securities Commission, certain personal information pertaining to the Subscriber, including such Subscriber's full name, residential address and telephone number, the amount of Debentures purchased by the Subscriber and the total purchase price paid for such Debentures, the prospectus exemption relied on by the Corporation and the date of distribution of the Debentures,
 - (b) such information is being collected indirectly by the Ontario Securities Commission under the authority granted to it in securities legislation,
 - (c) such information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and
 - (d) the Subscriber may contact the following public official in Ontario with respect to questions about the Ontario Securities Commission's indirect collection of such information at the following address and telephone number:
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Administrative Assistant to the Director of Corporate Finance
Ontario Securities Commission
Suite 1903, Box 55, 20 Queen Street West
Toronto, Ontario, M5H 3S8
Telephone: (416) 593-8086

15. **Consent.** By executing this Subscription Agreement, the Subscriber (on its own behalf and, if applicable, on behalf of each beneficial purchaser on whose behalf the Subscriber is acting) acknowledges and expressly consents to:

- (a) the disclosure of Personal Information by the Corporation to the Exchange; and
- (b) the collection, use and disclosure of Personal Information by the Exchange, from time to time.

For the purposes of this Section 15, "Personal Information" means any information about the Subscriber, and includes information contained in Form 9, and "Form 9" means Exchange Form 9 entitled Notice of Private Placement.

16. **Governing Law.** The contract arising out of this Subscription Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia, and the laws of Canada applicable therein, governing contracts made and to be performed wholly therein, and without reference to principles governing the choice or conflict of laws. The parties hereto irrevocably attorn and submit to the exclusive jurisdiction of the courts of the Province of British Columbia, sitting in the City of Vancouver, with respect to any dispute related to or arising from this Subscription Agreement.

17. **Survival of Representations and Warranties.** The covenants, representations and warranties contained herein shall survive the Closing.

18. **Assignment.** The terms and provisions of this Subscription Agreement shall be binding upon and enure to the benefit of the Subscriber, the Corporation and their respective heirs, executors, administrators, successors and assigns; provided however, that this Subscription Agreement may not be assigned by the Subscriber without the consent of the Corporation, in its discretion, other than the assignment by a Subscriber who is acting as nominee or agent to the beneficial owner. The benefits and the obligations of this Subscription Agreement, insofar as they apply to the Subscriber, shall pass with any assignment or transfer of the Securities.

19. **Entire Agreement and Headings.** Except as otherwise stated herein, this Subscription Agreement (including the Schedules hereto) constitutes the entire agreement between the Subscriber and the Corporation relating to the subject matter hereof and there are no representations, warranties, covenants, understandings or other agreements relating to the subject matter hereof except as stated or referred to herein. This Subscription Agreement may be amended or modified in any respect by written instrument only. The headings contained herein are for convenience only and shall not affect the meanings or interpretation hereof.

20. **Effective Date.** This Subscription Agreement will be effective upon its acceptance by the Corporation.

21. **Currency.** All references to currency in this Subscription Agreement refer to United States Dollars.

22. **Counterparts.** The parties may sign this Subscription Agreement in any number of counterparts and may deliver this Subscription Agreement by facsimile, all of which, when taken together, will be deemed to be one and the same document.

23. **Time of Essence.** Time shall be of the essence of this Subscription Agreement.

SCHEDULE "A"

ACCREDITED INVESTOR STATUS CERTIFICATE

The undersigned Subscriber hereby represents, warrants and certifies, as an integral part of the attached Subscription Agreement, that he, she or it is and at Closing will be, correctly and in all respects described by the category or categories set forth directly next to which the Subscriber has marked below.

[MARK BELOW THE CATEGORY OR CATEGORIES WHICH DESCRIBES THE SUBSCRIBER]

- (1) a Canadian financial institution, or a Schedule III bank.
 - (2) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada).
 - (3) a subsidiary of any person referred to in paragraphs (1) or (2), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.
 - (4) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador).
 - (5) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (4).
 - (6) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada.
 - (7) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec.
 - (8) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government.
 - (9) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada.
 - (10) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000.
 - (11) an individual whose net income before taxes exceeded \$200,000 in each of the 2 most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the 2 most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year.
 - (12) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000.
 - (13) a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements.
 - (14) an investment fund that distributes or has distributed its securities only to
 - (a) a person that is or was an accredited investor at the time of the distribution,
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- (b) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 [*Minimum amount investment*], and 2.19 [*Additional investment in investment funds*] of NI 45-106, or
 - (c) a person described in paragraph (a) or (b) that acquires or acquired securities under section 2.18 [*Investment fund reinvestment*] of NI 45-106.
- [] (15) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt.
- [] (16) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be.
- [] (17) a person acting on behalf of a fully managed account managed by that person, if that person
- (a) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction, and
 - (b) in Ontario, is purchasing a security that is not a security of an investment fund.
- [] (18) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded.
- [] (19) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (1) to (4) or paragraph (9) in form and function.
- [] (20) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors.
- [] (21) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser.
- [] (22) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as
- (a) an accredited investor, or
 - (b) an exempt purchaser in Alberta or British Columbia after NI 45-106 came into force.
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Note: The meaning of some of the terms used in this Accredited Investor Status Certificate follows the signature block below.

DATED _____, 2011

Signature of Subscriber

Name of Subscriber

Print name of signatory (if Subscriber is not an individual)

Title of signatory (if Subscriber is not an individual)

Defined Terms

For the purposes of this Accredited Investor Status Certificate, the following definitions are included for convenience:

- (a) **“affiliate”** means that an issuer is an affiliate of another issuer if:
 - (i) one of them is the subsidiary of the other, or
 - (ii) each of them is controlled by the same person.
 - (b) **“Canadian financial institution”** means
 - (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act, or
 - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada.
 - (c) **“company”** means any corporation, incorporated association, incorporated syndicate or other incorporated organization;
 - (d) **“control person”** has the same meaning as in securities legislation except in Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Quebec where control person means any person that holds or is one of a combination of persons that holds
 - (i) a sufficient number of any of the securities of an issuer so as to affect materially the control of the issuer, or
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- (ii) more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holding of those securities does not affect materially the control of the issuer.
 - (e) “**eligibility advisor**” means:
 - (i) a person that is registered as an investment dealer or in an equivalent category of registration under the securities legislation of the jurisdiction of a purchaser and authorized to give advice with respect to the type of security being distributed, and
 - (ii) in Saskatchewan or Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not
 - (A) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders, or control persons, and
 - (B) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months;
 - (f) “**EVCC**” means an employee venture capital corporation that does not have a restricted constitution, and is registered under Part 2 of the *Employee Investment Act*, R.S.B.C. 1996 c. 112, and whose business objective is making multiple investments;
 - (g) “**financial assets**” means cash, securities, or a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;
 - (h) “**fully managed account**” means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client’s express consent to a transaction;
 - (i) “**investment fund**” means a mutual fund or a non-redeemable investment fund, and, for greater certainty in British Columbia, includes an EVCC and a VCC;
 - (j) “**mutual fund**” means:
 - (i) for the purposes of British Columbia law,
 - (A) an issuer of a security that entitles the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in a part of the net assets, including a separate fund or trust account, of the issuer of the security,
 - (B) an issuer described in an order that the commission may make under section 3.2 of the *Securities Act* (B.C.), and
 - (C) an issuer that is in a class of prescribed issuers,but does not include an issuer, or a class of issuers, described in an order that the commission may make under section 3.1 of the *Securities Act* (B.C.);
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- (ii) for the purposes of Alberta law,
 - (A) an issuer whose primary purpose is to invest money provided by its security holders and whose securities entitle the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets, including a separate fund or trust account, of the issuer, or
 - (B) an issuer that is designated as a mutual fund under section 10 of the *Securities Act* (Alberta) or in accordance with the regulations thereunder, but does not include an issuer, or class of issuers, that is designated under section 10 of the *Securities Act* (Alberta) not to be a mutual fund;
 - (iii) for the purposes of Ontario law, an issuer whose primary purpose is to invest money provided by its security holders and whose securities entitle the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets, including a separate fund or trust account, of the issuer;
 - (iv) for the purposes of Quebec law, a company issuing shares which must, on request of the holder, redeem them at their net asset value;
 - (k) “**non-redeemable investment fund**” means an issuer:
 - (i) whose primary purpose is to invest money provided by its security holders;
 - (ii) that does not invest,
 - (A) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, or
 - (B) for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund, and
 - (iii) that is not a mutual fund;
 - (l) “**person**” includes
 - (i) an individual,
 - (ii) a corporation,
 - (iii) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and
 - (iv) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative;
 - (m) “**related liabilities**” means (i) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or (ii) liabilities that are secured by financial assets;
 - (n) “**spouse**” means an individual who:
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- (i) is married to another individual and is not living separate and apart within the meaning of the *Divorce Act* (Canada) from the other individual,
 - (ii) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender, or
 - (iii) in Alberta, is an individual referred to in paragraph (i) or (ii), or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta);
- (o) “**subsidiary**” means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary; and
- (p) “**VCC**” means a venture capital corporation registered under Part 1 of the *Small Business Venture Capital Act*, R.S.B.C. 1996 c. 429, whose business objective is making multiple investments.
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SCHEDULE "B"

U.S. ACCREDITED INVESTOR CERTIFICATE

The Subscriber understands and agrees that the Securities have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the "U.S. Securities Act"), or applicable state securities laws, and the Securities are being offered and sold by the Corporation to the Subscriber in reliance upon the exemption from the provisions of Section 5 of the U.S. Securities Act provided in Section 4(2) of the U.S. Securities Act and Rule 506 of Regulation D under the U.S. Securities Act for non-public offerings. The Securities are being offered and sold within the United States only to "accredited investors" as defined in Rule 501(a) of Regulation D under the U.S. Securities Act ("Accredited Investors"). The Securities offered hereby are not transferable except in accordance with the restrictions described herein.

The undersigned represents, warrants and covenants (which representations, warranties and covenants shall survive the Closing) to the Corporation (and acknowledges that the Corporation is relying thereon) that:

- (a) the Subscriber is purchasing the Securities either for its own account for investment purposes only or for the account of another Accredited Investor for which it is exercising sole investment discretion (a "Beneficial Purchaser") for investment purposes only and not with a view to resale or distribution in violation of the U.S. Securities Act or any state securities laws, and, in particular, neither the Subscriber nor any Beneficial Purchaser has any agreement, understanding or intention to distribute either directly or indirectly any of the Securities; provided, however, that the Subscriber may sell or otherwise dispose of any of the Securities in accordance with applicable legal requirements and the conditions set forth in paragraph (c) hereof;
- (b) the Subscriber, and each Beneficial Purchaser for whom it is acting, if any, satisfies one or more of the categories of Accredited Investor indicated below (**the Subscriber must write "SUB" for the Subscriber and "BP" for the Beneficial Purchaser, if any, on the appropriate line(s):**

- _____ Category 1. A bank, as defined in Section 3(a)(2) of the U.S. Securities Act, whether acting in its individual or fiduciary capacity; or
 - _____ Category 2. A savings and loan association or other institution as defined in Section 3(a)(5)(A) of the U.S. Securities Act, whether acting in its individual or fiduciary capacity; or
 - _____ Category 3. A broker or dealer registered pursuant to Section 15 of the United States *Securities Exchange Act of 1934*; or
 - _____ Category 4. An insurance company as defined in Section 2(13) of the U.S. Securities Act; or
 - _____ Category 5. An investment company registered under the United States *Investment Company Act of 1940*; or
 - _____ Category 6. A business development company as defined in Section 2(a)(48) of the United States *Investment Company Act of 1940*; or
 - _____ Category 7. A small business investment company licensed by the U.S. Small Business Administration under Section 301 (c) or (d) of the United States *Small Business Investment Act of 1958*; or
 - _____ Category 8. 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, with total assets in excess of U.S. \$5,000,000; or
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- _____ Category 9. An employee benefit plan within the meaning of the United States *Employee Retirement Income Security Act of 1974* in which the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or an employee benefit plan with total assets in excess of U.S. \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons who are accredited investors; or
- _____ Category 10. A private business development company as defined in Section 202(a)(22) of the United States *Investment Advisers Act of 1940*; or
- _____ Category 11. An organization described in Section 501(c)(3) of the United States *Internal Revenue Code*, a corporation, a Massachusetts or similar business trust, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of U.S. \$5,000,000; or
- _____ Category 12. Any director or executive officer of the Corporation; or
- _____ Category 13. A natural person whose individual net worth, or joint net worth with that person's spouse, at the date hereof exceeds U.S.\$1,000,000; or
- _____ Category 14. A natural person who had an individual income in excess of U.S.\$200,000 in each of the two most recent years or joint income with that person's spouse in excess of U.S.\$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year; or
- _____ Category 15. A trust, with total assets in excess of U.S.\$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the U.S. Securities Act; or
- _____ Category 16. Any entity in which all of the equity owners meet the requirements of at least one of the above categories;

(c) the Subscriber understands that the Securities are restricted securities and agrees that if it decides to offer, sell or otherwise transfer the Securities, it will not offer, sell or otherwise transfer any of such securities directly or indirectly, unless:

- (i) the transfer is to the Corporation;
 - (ii) the transfer is outside the United States in a transaction meeting the requirements of Rule 904 of Regulation S under the U.S. Securities Act and in compliance with applicable local laws and regulations of the jurisdiction(s) in which such sale is made;
 - (iii) the transfer is made pursuant to the exemption from the registration requirements under the U.S. Securities Act provided by Rule 144 thereunder, if available, and in accordance with applicable state securities laws; or
 - (iv) the Securities are transferred in a transaction that does not require registration under the U.S. Securities Act or any applicable state securities laws, and the Subscriber has prior to such sale furnished to the Corporation an opinion of counsel of recognized standing or other evidence of exemption, in either case reasonably satisfactory to the Corporation;
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- (d) the Subscriber understands and acknowledges that upon the issuance thereof, and until such time as the same is no longer required under the applicable requirements of the U.S. Securities Act or applicable U.S. state laws and regulations, the certificates representing the Securities, and all securities issued in exchange United or in substitution thereof, will bear a legend in substantially the following form:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”). THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY, (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 OF REGULATIONS UNDER THE U.S. SECURITIES ACT, (C) (1) IN COMPLIANCE WITH THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (2) WITH THE PRIOR CONSENT OF THE COMPANY, IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE LAWS, AND THE HOLDER HAS FURNISHED TO THE COMPANY AN OPINION TO SUCH EFFECT FROM COUNSEL OF RECOGNIZED STANDING REASONABLY SATISFACTORY TO THE COMPANY PRIOR TO SUCH OFFER, SALE OR TRANSFER. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE “GOOD DELIVERY” IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.”

provided, that if any of the Securities are being sold under clause (B) above, at a time when the Corporation is a “foreign issuer” as defined in Rule 902 under the U.S. Securities Act, the legend set forth above may be removed by providing a declaration to the Corporation and its transfer agent in the form attached hereto as Appendix A (or as the Corporation may from time to time prescribe), and provided that the Corporation may at any time rescind this procedure for the removal of restrictive legends if it determines that this procedure no longer complies with applicable legal requirements or the requirements of its transfer agent; and

provided further, that if any of the Securities are being sold pursuant to Rule 144 of the U.S. Securities Act, the legend may be removed by delivery to the Corporation’s transfer agent of an opinion satisfactory to the Corporation to the effect that the legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws;

- (e) the Subscriber consents to the Corporation making a notation on its records or giving instruction to the registrar and transfer agent of the Corporation in order to implement the restrictions on transfer set forth and described herein;
- (g) the Subscriber understands and acknowledges that the Securities have not been and will not be registered under the U.S. Securities Act, that the sale contemplated hereby is being made in reliance on an exemption from registration under the U.S. Securities Act for nonpublic offerings, and that the Corporation has no obligation or present intention of filing with the United States Securities and Exchange Commission or with any state securities administrator any registration statement in respect of resales of the Securities in the United States;
- (h) the office or other address of the Subscriber at which the Subscriber received and accepted the offer to purchase the Securities is the address listed as the “Subscriber’s Address” on the signature page of the Subscription Agreement and the Subscriber has not been formed for the specific purpose of acquiring the Securities;
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- (i) the Subscriber acknowledges that it has not purchased the Securities as a result of any form of general solicitation or general advertising (as such terms are used in Regulation D under the U.S. Securities Act), including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;
 - (j) the Subscriber understands and agrees that there may be material tax consequences to the Subscriber and any Beneficial Purchaser of an acquisition, disposition or exercise of any of the Securities; the Corporation gives no opinion and makes no representation with respect to the tax consequences to the Subscriber or any Beneficial Purchaser under United States, state, local or foreign tax law of an acquisition, disposition or exercise of such Securities;
 - (k) the Subscriber understands and agrees that the financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles, which differ in some respects from United States generally accepted accounting principles, and thus may not be comparable to financial statements of United States companies;
 - (l) the Subscriber acknowledges that it and its representatives have had a reasonable opportunity to ask questions of and receive answers from management of the Corporation, or a person or persons acting on its behalf concerning the offering of the Securities, and all such questions have been answered to the full satisfaction of the Subscriber;
 - (m) the Subscriber acknowledges that an investment in the Securities is speculative and that it has such knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of an investment in the Securities and it is and any Beneficial Purchaser is able to bear the economic risk of loss of such investment;
 - (n) the Subscriber acknowledges that the resale of the Securities acquired by the Subscriber are subject to certain resale restrictions under Canadian securities laws and stock exchange rules, and the Subscriber agrees to comply with such resale restrictions;
 - (o) upon acceptance, this Subscription Agreement will constitute a legal, valid and binding contract enforceable against the Subscriber in accordance with its terms and will not violate or conflict with the terms of any restriction, agreement or undertaking made by it or to which it or its properties is or are subject, and the Subscriber is authorized and otherwise empowered to purchase and hold the Securities; and
 - (p) in the case of a purchase by the Subscriber of the Securities acting as trustee or as agent for a beneficiary or principal, whether disclosed or undisclosed, the Subscriber is duly authorized to execute and deliver this Subscription Agreement on behalf of such beneficiary or principal.
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The capitalized terms not defined in this Schedule "C" shall have the meanings ascribed to them in the Subscription Agreement.

The Subscriber undertakes to notify the Corporation immediately of any change in any representation, warranty or other information relating to the Subscriber set forth herein which takes place prior to the Closing.

If a Corporation, Partnership or Other Entity:

If an Individual:

Name of Entity

Signature

Type of Entity

Print or Type Name

Signature of Person Signing

Print or Type Name and Title of Person Signing



Appendix A to

Schedule "B", U.S. Accredited Investor Certificate

FORM OF DECLARATION FOR REMOVAL OF LEGEND

TO: Registrar and transfer agent for the common shares of **LEXARIA CORP.** (the "Corporation"):

The undersigned acknowledges that the sale of the securities of the Corporation to which this declaration relates is being made in reliance on Rule 904 of Regulation S under the United States *Securities Act of 1933*, as amended (the "U.S. Securities Act"), and certifies that: (1) the undersigned is not an "affiliate" of the Corporation (as that term is defined in Rule 405 under the U.S. Securities Act); (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States or the seller and any person acting on its behalf reasonably believe that the buyer was outside the United States, or (b) the transaction was executed on or through the facilities of the Exchange or any other designated offshore securities market and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States; (3) neither the seller nor any affiliate of the seller nor any person acting on any of their behalf has engaged in any directed selling efforts in the United States in connection with the offer and sale of such securities; (4) the sale is bona fide and not for the purpose of "washing off" the resale restrictions imposed because the securities are "restricted securities" (as that term is defined in Rule 144(a)(3) under the U.S. Securities Act); (5) the seller does not intend to replace such securities with fungible unrestricted securities; and (6) the contemplated sale is not a transaction, or part of a series of transactions, which, although in technical compliance with Regulation S, is part of a plan or scheme to evade the registration provisions of the U.S. Securities Act. Terms used herein have the meanings given to them by Regulation S under the U.S. Securities Act.

Dated _____, _____.

X

Signature of individual (if Seller is an individual)

X

Authorized signatory (if Seller is **not** an individual)

Name of Seller (**please print**)

Name of authorized signatory (**please print**)

Official capacity of authorized signatory (**please print**)

SCHEDULE "C"
Instructions for Transmitting Funds to Lexaria Corp.

FACSIMILE TRANSMITTAL SHEET

TO:	FROM:
	Sheila Condratow
PHONE NUMBER:	SENDER'S PHONE NUMBER:
(604)	(604) 665-7374
RE:	SENDERS FAX NUMBER:
WIRE INSTRUCTIONS	(604) 668-1450

GIVE THE REMITTING BANK THE FOLLOWING INSTRUCTIONS.....

BENEFICIARY BANK:	BANK OF MONTREAL 595 BURRARD STREET VANCOUVER, B. C., CANADA
TRANSIT AND ACCOUNT NO.:	00044633343
SWIFT BIC ADDRESS:	BOFMCAM2

TO SEND FUNDS FROM A U.S. BANK, IT MAY BE EASIER TO SEND THROUGH OUR U.S.SUBSIDIARY –

INTERMEDIARY BANK:	WACHOVIA BANK, NA New York Fed wire ABA 026005092
SWIFT CODE:	PNBPUS3NNYC

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SCHEDULE "D"

CONVERTIBLE DEBENTURE

FORM OF CONVERTIBLE DEBENTURE

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE 1933 ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE 1933 ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THE SECURITIES SHALL NOT TRADE THE SECURITIES BEFORE THAT DATE WHICH IS 4 MONTHS PLUS ONE DAY FOLLOWING THE DATE OF ISSUANCE.

US XXXX.XXX

LEXARIA CORP.

12.0 % SECURED CONVERTIBLE DEBENTURE (THE "NOTE") DUE December 1, 2012

FOR VALUE RECEIVED, Lexaria Corp., a corporation organized and existing under the laws of the State of Nevada (the "Company"), promises to pay to _____ the registered holder hereof (the "Holder"), the principal sum of _____ and 00/100 Dollars (US \$100,000) on the Maturity Date (as defined below) and to pay interest on the principal sum outstanding from time to time in arrears at the rate of 12.0% per annum (computed on a simple basis payable monthly, in arrears), accruing from December 1, 2011, the date of initial issuance of this Note (the "Issue Date"), to the date of payment. Such interest shall be payable monthly, in arrears, and all accrued and unpaid interest shall be payable on the date which is the earlier of (i) the Maturity Date; or (ii) the date of any prepayment of principal permitted hereunder. Accrual of interest shall commence on the Issue Date and shall continue to accrue on a monthly basis based on the principal sum outstanding (whether before or after the Maturity Date).

This Note is being issued pursuant to the terms of the Subscription Agreement, dated as of December 1, 2011 (the "Subscription Agreement"), to which the Company and the Holder (or the Holder's predecessor in interest) are parties. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Subscription Agreement.

This Note is subject to the following additional provisions:

1. Maturity Date. The term "Maturity Date" means December 1, 2012.

2. Early Redemption. The Company may, at its sole discretion, repay any or all outstanding Notes in cash, prior to the Maturity Date, at a redemption price initially equal to 104% of par plus accrued Interest, the premium increasing by 1% quarterly until Maturity, to reach a maximum of 108% of par. Any prepayment shall be made following the provision of 15 days written notice to the Holder in accordance with the notice provisions in Section 8(c) of this Note. Any payment shall be applied as provided in Section 3.

3. Any payment made on account of the Note shall be applied in the following order of priority: (i) first, to any amounts due hereunder other than principal and accrued interest, (ii) then, to accrued interest through and including the date of payment, and (iii) then, to principal of this Note.

4. All payments contemplated hereby to be made "in cash" shall be made in immediately available good funds of US currency by wire transfer to an account designated in writing by the Holder to the Company (which account may be changed by notice similarly given). For purposes of this Note, the phrase "date of payment" means the date good funds are received in the account designated by the notice which is then currently effective.

5. Subject to the terms of the Subscription Agreement, no provision of this Note shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, and interest on, this Note at the time, place, and rate, and in the coin or currency, as herein prescribed.

6. Repayment of the outstanding principal amount of the Note and any accrued but unpaid interest thereon shall be secured specifically by the Issuer's working interest and production in the PP F-12-7 well to be drilled in the field known as and located at Belmont Lake, Mississippi. The Notes are secured secondarily by the Issuer's working interest and production in the PP F-12-4 and PP F-12-5 wells, subordinate to all other debt claims existing against the PP F-12-4 and PP F-12-5 wells as of December 1, 2011. Other Company assets are not offered as security of the Notes.

7. Conversion.

a) Voluntary Conversion. Subject to forced conversion or earlier repayment, the outstanding principal amount and any accrued interest thereon of a Note may be converted at the sole option of the Holder, at any time and from time to time prior to the Maturity Date into Units of the Company at the price of US \$0.35 (the "Conversion Price") per Unit (subject to the limitations on conversion set forth in Section 7(f) hereof). Each Unit is comprised of one Share and one non-transferable Warrant. Each Warrant entitles the holder to purchase one additional Share at an exercise price of US \$0.40 per Warrant from the earlier of (i) the Maturity Date or (ii) one year after the conversion of the Debenture.

b) Effective Date of Conversion. Conversion of the principal amount of the Note or any accrued but unpaid interest thereon shall be deemed to occur on the presentation and surrender to the Company of the original Debenture Certificate and a duly completed and executed "Notice of Conversion" in the form attached to this Note. On the date of deemed conversion, the amount of principal or interest, as applicable, subject to conversion shall be deemed repaid and thereafter the persons entitled to the Shares and Warrants, as applicable, upon such conversion shall be deemed to be the holders of record for such securities. In the event of a partial conversion, the Company shall prepare and deliver a certificate representing the unconverted balance of the partially converted Note. In the event of a partial conversion of interest, the Company shall deliver a written statement reconciling the amount of interest owing in respect of the Note both before and after the conversion of interest.

c) Mandatory Conversion of Note. The Company may require the Holder, at any time after 4 months and 1 day have elapsed from the Issue Date, at any time if the Closing Price of the Shares of Common Stock as listed on a Principal Market – currently the US OTC Bulletin Board with symbol LXP - as quoted by Bloomberg L.P. has been at or above US\$0.75 for a period of twenty consecutive Trading Days, to convert the outstanding principal amount and any accrued but unpaid interest thereon due under the Note at the Conversion Price (subject to the limitations on conversion set forth in Section 7(f) hereof). The Note will be automatically exercised (without any further action on the part of the holder thereof) into Units. The Company shall issue to the Holders a written notice advising of the conversion of the Note.

d) Mandatory Conversion of Warrant. Subject to the conversion of the Note, in the event that the Company's common shares, at any time after 4 months and 1 day have elapsed from the Issue Date, as listed on a Principal Market – currently the US OTC Bulletin Board with symbol LXP - as quoted by Bloomberg L.P. has been at or above US\$0.80 for a period of twenty consecutive trading days, the Company may thereafter issue to the Holders a written notice advising of the accelerated expiry of the Warrants (subject to the limitations on conversion set forth in Section 7(f) hereof). Such written notice shall identify in reasonable detail the particulars of the acceleration event and identify the date (the "Warrant Accelerated Expiry Date") set for accelerated expiry, which in no event shall be more than 30 days after the mailing date of the written notice. For greater certainty, all Warrants shall expire and be of no further force or effect as of 4:30 pm (Pacific Time) on the Warrant Accelerated Expiry Date,

e) The term "Closing Price" shall mean, on any particular date (i) the closing price per share of the Common Stock on such date on the Company's principal trading market, which is currently the OTC Bulletin Board, on which the Common Stock is then listed, or if there is no such price on such date, then the closing price on such exchange or quotation system on the date nearest preceding such date, or (ii) if the Common Stock is not listed then on the OTC Bulletin Board or any registered national stock exchange, the closing price for a share of Common Stock in the over-the-counter market, as reported by the OTC Bulletin Board or in the National Quotation Bureau Incorporated or similar organization or agency succeeding to its functions of reporting prices) at the close of business on such date, or (iii) if the Common Stock is not then reported by the OTC Bulletin Board or the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices), then the average of the "Pink Sheet" quotes for the relevant conversion period, as determined in good faith by the Holder, or (iv) if the Common Stock is not then publicly traded the fair market value of a share of Common Stock as determined by the Holder and reasonably acceptable to the Maker.

f) Conversion Limitations; Holder's Restriction on Conversion. The Company shall not affect any conversion of this Note, and the Holder shall not have the right to convert any portion of this Note, pursuant to Section 7(a) or otherwise, to the extent that after giving effect to such conversion, the Holder (together with the Holder's affiliates), as set forth on the applicable Notice of Conversion, would beneficially own in excess of 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to such conversion.

For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its affiliates shall include the number of shares of Common Stock issuable upon conversion of this Note and the number of shares of Common Stock issuable upon conversion of the Warrants with respect to which the determination of such sentence is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) conversion of the remaining, non-converted portion of this Note beneficially owned by the Holder or any of its affiliates and (B) exercise or conversion of the unexercised or non-converted portion of any other securities of the Company (including, without limitation, any other Notes or the Warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its affiliates. Except as set forth in the preceding sentence, for purposes of this Section 7(f), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act. To the extent that the limitation contained in this section applies, the determination of whether this Note is convertible (in relation to other securities owned by the Holder) and of which a portion of this Note is convertible shall be in the sole discretion of such Holder. To ensure compliance with this restriction, the Holder will be deemed to represent to the Company each time it delivers a Notice of Conversion that such Notice of Conversion has not violated the restrictions set forth in this paragraph and the Company shall have no obligation to verify or confirm the accuracy of such determination. For purposes of this Section 7(f), in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (x) the Company's most recent Form 10-Q or Form 10-K (or such related form), as the case may be, (y) a more recent public announcement by the Company or (z) any other notice by the Company or the Company's Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of the Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Note, by the Holder or its affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The provisions of this Section 7(f) may be waived by the Holder upon, at the election of the Holder, not less than 61 days' prior notice to the Company, and the provisions of this Section 7(f) shall continue to apply until such 61st day (or such later date, as determined by the Holder, as may be specified in such notice of waiver).

g) Mechanics of Conversion

i. Conversion Shares and Warrants Issuable Upon Conversion of Principal Amount. The number of shares of Common Stock and Warrants issuable upon a conversion hereunder (collectively, the "Conversion Shares") shall be determined by the quotient obtained by dividing (x) the outstanding principal amount of this Note to be converted by (y) the Conversion Price.

ii. Reservation of Shares Issuable Upon Conversion. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock solely for the purpose of issuance upon conversion of the Notes and payment of interest on the Note, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of persons other than the Holders, not less than such number of shares of the Common Stock as shall (subject to any additional requirements of the Company as to reservation of such shares set forth in the Purchase Agreement) be issuable (taking into account the adjustments and restrictions of Section 8) upon the conversion of the outstanding principal amount of the Notes and payment of interest hereunder. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly and validly authorized, issued and fully paid, nonassessable.

iii. Fractional Shares. Upon a conversion hereunder the Company shall not be required to issue stock certificates representing fractions of shares of the Common Stock, but may make a cash payment in respect of any final fraction of a share. If the Company elects not, or is unable, to make such a cash payment, the Holder shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

viii. Transfer Taxes. The issuance of certificates for shares of the Common Stock on conversion of the Notes shall be made without charge to the Holders thereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificate, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of such Notes so converted and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

ix. Withholding of Taxes. All payments by the Company under the Note shall be made in full without set-off or counterclaim and free and clear of any deduction or withholding for or on account of any taxes unless the Company is required by applicable law to make any deduction or withholding from any payment due under the Note for or on account of any taxes. As soon as practical, but no later than 60 days after any such deduction or withholding, the Company shall forward to the Purchaser official tax receipts and any other documents or evidence reasonably required by the Purchaser that such taxes have been remitted to the appropriate taxation authority.

8. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Company, at any time while the Notes are outstanding: (A) shall pay a stock dividend or otherwise make a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company pursuant to this Note, including as interest thereon), (B) subdivide outstanding shares of Common Stock into a larger number of shares, (C) combine (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (D) issue by reclassification of shares of the Common Stock any shares of capital stock of the Company, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding before such event and of which the denominator shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Calculations. All calculations under this Section 8 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. The number of shares of Common Stock outstanding at any given time shall not include shares of Common Stock owned or held by or for the account of the Company, and the description of any such shares of Common Stock shall be considered on issue or sale of Common Stock. For purposes of this Section 8, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

c) Notice to Holders.

i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any of this Section 8, the Company shall promptly mail to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Fundamental Transaction. If, at any time while this Note is outstanding, (A) the Company effects any merger or consolidation of the Company with or into another Person, (B) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (C) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (D) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a "Fundamental Transaction"), then upon any subsequent conversion of this Note, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion absent such Fundamental Transaction, the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of one share of Common Stock (the "Alternate Consideration"). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Note following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Holder a new note consistent with the foregoing provisions and evidencing the Holder's right to convert such note into Alternate Consideration. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this paragraph (c) and insuring that this Note (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction.

Exempt Issuance. Notwithstanding the foregoing, no adjustment will be made under this Section 8 in respect of an Exempt Issuance. An "Exempt Issuance" shall consist of (i) securities issued (other than for cash) in connection with a merger, acquisition, or consolidation, (ii) securities issued pursuant to a bona fide firm underwritten public offering of the Company's securities, (iii) securities issued pursuant to the conversion or exercise of convertible or exercisable securities issued or outstanding on or prior to the date hereof or issued pursuant to the Subscription Agreement, (iv) the shares of Common Stock issuable upon the exercise of Warrants, (v) securities issued in connection with strategic license agreements or other partnering arrangements so long as such issuances are not for the purpose of raising capital, (vi) Common Stock issued or options to purchase Common Stock granted or issued pursuant to the Company's stock option plans and employee stock purchase plans as they now exist, and (vii) the payment of any accrued interest in shares of Common Stock pursuant to this Note.

9. The Holder of the Note, by acceptance hereof, agrees that this Note is being acquired for investment and that such Holder will not offer, sell or otherwise dispose of this Note or any shares acquired on conversion except under circumstances which will not result in a violation of the Securities Act of 1933, as amended, or any applicable state Blue Sky or foreign laws or similar laws relating to the sale of securities.

10. Any notice given by any party to the other with respect to this Note shall be given to the instructions provided by the Holder on the first page of the Subscription Agreement.

11. This Note shall be governed by and construed in accordance with the laws of the Province of British Columbia. Each of the parties consents to the exclusive jurisdiction of the courts of the Province of British Columbia in connection with any dispute arising under this Agreement and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions.

12. **JURY TRIAL WAIVER.** The Company and the Holder hereby waive a trial by jury in any action, proceeding or counterclaim brought by either of the Parties hereto against the other in respect of any matter arising out of or in connection with this Note.

13. The following shall constitute an "Event of Default":

- a. The Company shall default in the payment of any amount due on this Note, time being of the essence, whether by maturity, pursuant to Section 2 or otherwise; or
- b. The Company shall (1) make an assignment for the benefit of creditors or commence proceedings for its dissolution; or (2) apply for or consent to the appointment of a trustee, liquidator or receiver for its or for a substantial part of its property or business; or
- c. A trustee, liquidator or receiver shall be appointed for the Company or for a substantial part of its property or business without its consent; or
- d. Any governmental agency or any court of competent jurisdiction at the instance of any governmental agency shall assume custody or control of the whole or any substantial portion of the properties or assets of the Company; or

- e. Bankruptcy, reorganization, insolvency or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Company.

If an Event of Default shall have occurred, then, or at any time thereafter, and in each and every such case, the Holder may at any time while such Event of Default is ongoing give to the Company a written notice (a "Default Notice") stating that the Company has thirty days from the date of receipt of the Default Notice to remedy the Default, failing which the Holder may immediately enforce any and all of the Holder's rights and remedies provided herein or any other rights or remedies afforded by law.

14. In the event for any reason, any payment by or act of the Company or the Holder shall result in payment of interest which would exceed the limit authorized by or be in violation of the law of the jurisdiction applicable to this Note, then *ipso facto* the obligation of the Company to pay interest or perform such act or requirement shall be reduced to the limit authorized under such law, so that in no event shall the Company be obligated to pay any such interest, perform any such act or be bound by any requirement which would result in the payment of interest in excess of the limit so authorized. In the event any payment by or act of the Company shall result in the extraction of a rate of interest in excess of a sum which is lawfully collectible as interest, then such amount (to the extent of such excess not returned to the Company) shall, without further agreement or notice between or by the Company or the Holder, be deemed applied to the payment of principal, if any, hereunder immediately upon receipt of such excess funds by the Holder, with the same force and effect as though the Company had specifically designated such sums to be so applied to principal and the Holder had agreed to accept such sums as an interest-free prepayment of this Note. If any part of such excess remains after the principal has been paid in full, whether by the provisions of the preceding sentences of this Section or otherwise, such excess shall be deemed to be an interest-free loan from the Company to the Holder, which loan shall be payable immediately upon demand by the Company. The provisions of this Section shall control every other provision of this Note.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed by an officer thereunto duly authorized this 1st day of December, 2011.

LEXARIA CORP.

By: _____
Name:
Title:

SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of December 1st, 2011 (this "Agreement"), among Lexaria Corp. (the "Company" or "Debtor") and the holder or holders of the 12.0% Notes due December 1st, 2012 **up to an allowable aggregate limit of US \$250,000** (the "Notes"), signatory hereto, their endorsees, transferees and assigns (collectively referred to as, the "Secured Parties").

WITNESSETH:

WHEREAS, pursuant to the Notes, the Secured Parties have severally agreed to extend the loans to the Company evidenced by the Notes; and

WHEREAS, in order to induce the Secured Parties to extend the loans evidenced by the Notes, the Debtor has agreed to execute and deliver to the Secured Parties this Agreement and to grant the Secured Parties, a perfected security interest in certain property of the Debtor to secure the prompt payment, performance and discharge in full of all of the Company's obligations under the Notes.

NOW, THEREFORE, in consideration of the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. **Certain Definitions.** As used in this Agreement, the following terms shall have the meanings set forth in this Section 1. Terms used but not otherwise defined in this Agreement that are defined in Article 9 of the UCC (such as "account", "chattel paper", "commercial tort claim", "deposit account", "document", "equipment", "fixtures", "general intangibles", "goods", "instruments", "inventory", "investment property", "letter-of-credit rights", "proceeds" and "supporting obligations") shall have the respective meanings given such terms in Article 9 of the UCC.

(a) "Collateral" means the collateral in which the Secured Parties are granted a security interest by this Agreement and which shall include the personal property of the Debtor which is defined as and limited to the Debtor's working interest and production in the PP F-12-7 well known as and located at Belmont Lake, Mississippi and secondarily by the Debtor's working interest and production in the PP F-12-4 and PP F-12-5 wells, subordinate to all other debt claims existing against the PP F-12-4 and PP F-12-5 wells as of December 1, 2011. Other Company assets are *not* offered as security of the Notes.

(b) "Majority in Interest" shall mean, at any time of determination, the majority in interest (based on then-outstanding principal amounts of Notes at the time of such determination) of the Secured Parties.

(c) "Obligations" means all of the Debtors' obligations under this Agreement, the Notes and any other instruments, agreements or other documents executed and/or delivered in connection herewith or therewith, in each case, whether now or hereafter existing, voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owned with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from any of the Secured Parties as a preference, fraudulent transfer or otherwise as such obligations may be amended, supplemented, converted, extended or modified from time to time. Without limiting the generality of the foregoing, the term "Obligations" shall include, without limitation: (i) principal of, and interest on the Notes and the loans extended pursuant thereto; (ii) any and all other fees, indemnities, costs, obligations and liabilities of the Debtors from time to time under or in connection with this Agreement, the Notes and any other instruments, agreements or other documents executed and/or delivered in connection herewith or therewith; and (iii) all amounts (including but not limited to post-petition interest) in respect of the foregoing that would be payable but for the fact that the obligations to pay such amounts are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving any Debtor.

(d) "Organizational Documents" means with respect to the Debtor, the documents by which the Debtor was organized (such as a certificate of incorporation, certificate of limited partnership or articles of organization, and including, without limitation, any certificates of designation for preferred stock or other forms of preferred equity) and which relate to the internal governance of the Debtor (such as bylaws, a partnership agreement or an operating, limited liability or members agreement).

(e) "UCC" means the Uniform Commercial Code of the State of Nevada and or any other applicable law of any state or states which has jurisdiction with respect to all, or any portion of, the Collateral or this Agreement, from time to time. It is the intent of the parties that defined terms in the UCC should be construed in their broadest sense so that the term "Collateral" will be construed in its broadest sense. Accordingly if there are, from time to time, changes to defined terms in the UCC that broaden the definitions, they are incorporated herein and if existing definitions in the UCC are broader than the amended definitions, the existing ones shall be controlling.

2. **Grant of Perfected Security Interest.** As an inducement for the Secured Parties to extend the loans as evidenced by the Notes and to secure the complete and timely payment, performance and discharge in full, as the case may be, of all of the Obligations, the Debtor hereby unconditionally and irrevocably pledges, grants and hypothecates to the Secured Parties a continuing and perfected security interest in and to, a lien upon and a right of set-off against all of their respective right, title and interest of whatsoever kind and nature in and to, the Collateral (the "Security Interest").

³ **Delivery of Certain Collateral.** Contemporaneously or prior to the execution of this Agreement, the Debtor shall deliver or cause to be delivered to the Secured Parties any and all certificates and other instruments or documents representing any of the other Collateral, in each case, together with all Necessary Endorsements requested by the Secured Parties.

⁴ **Representations, Warranties, Covenants and Agreements of the Debtors.** The Debtor represents and warrants to, and covenants and agrees with, the Secured Parties, except as otherwise provided in the Disclosure Annex to the Purchase Agreement of even date herewith, as follows:

(a) The Debtor has the requisite corporate, partnership, limited liability company or other power and authority to enter into this Agreement and otherwise to carry out its obligations hereunder. The execution, delivery and performance by the Debtor of this Agreement and the filings contemplated therein have been duly authorized by all necessary action on the part of the Debtor and no further action is required by the Debtor. This Agreement has been duly executed by the Debtor. This Agreement constitutes the legal, valid and binding obligation of the Debtor, enforceable against the Debtor in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization and similar laws of general application relating to or affecting the rights and remedies of creditors and by general principles of equity.

(b) The Debtor has no place of business or offices where their respective books of account and records are kept (other than temporarily at the offices of its attorneys or accountants) or places where Collateral is stored or located, except as set forth on Schedule A attached hereto. Except as disclosed on Schedule A, none of such Collateral is in the possession of any consignee, bailee, warehouseman, agent or processor.

(c) Except as set forth on Schedule B attached hereto, the Debtor is the sole owner of the Collateral (except for non-exclusive licenses granted by the Debtor in the ordinary course of business), free and clear of any liens, security interests, encumbrances, rights or claims and are fully authorized to grant the Security Interest. There is not on file in any governmental or regulatory authority, agency or recording office an effective financing statement, security agreement, license or transfer or any notice of any of the foregoing (other than those that will be filed in favor of the Secured Parties pursuant to this Agreement) covering or affecting any of the Collateral. So long as this Agreement shall be in effect, the Debtor shall not execute and shall not knowingly permit to be on file in any such office or agency any such financing statement or other document or instrument (except to the extent filed or recorded in favor of the Secured Parties pursuant to the terms of this Agreement).

(d) Except as set forth on Schedule B attached hereto, no written claim has been received that any Collateral or Debtor's use of any Collateral violates the rights of any third party. There has been no adverse decision to the Debtor's claim of ownership rights in or exclusive rights to use the Collateral in any jurisdiction or to the Debtor's right to keep and maintain such Collateral in full force and effect, and there is no proceeding involving said rights pending or, to the best knowledge of the Debtor, threatened before any court, judicial body, administrative or regulatory agency, arbitrator or other governmental authority.

(e) The Debtor shall at all times maintain its books of account and records relating to the Collateral at its principal place of business and its Collateral at the locations set forth on Schedule A attached hereto and may not relocate such books of account and records or tangible Collateral unless it delivers to the Secured Parties at least 30 days prior to such relocation (i) written notice of such relocation and the new location thereof (which must be within the United States or Canada) and (ii) evidence that appropriate financing statements under the UCC and other necessary documents have been filed and recorded and other steps have been taken to perfect the Security Interest to create in favor of the Secured Parties a valid, perfected and continuing perfected first priority lien in the Collateral.

(f) This Agreement creates in favor of the Secured Parties a valid, security interest in the Collateral, securing the payment and performance of the Obligations. Upon making the filings described in the immediately following paragraph, all security interests created hereunder in any Collateral which may be perfected by filing Uniform Commercial Code financing statements shall have been duly perfected. Except for the filing of the Uniform Commercial Code financing statements referred to in the immediately following paragraph, the recording of the Intellectual Property Security Agreement (as defined below) with respect to copyrights and copyright applications in the United States Copyright Office referred to in paragraph (p), and the delivery of the certificates and other instruments provided in Section 3, no action is necessary to create, perfect or protect the security interests created hereunder. Without limiting the generality of the foregoing, except for the filing of said financing statements, the recordation of said Intellectual Property Security Agreement, no consent of any third parties and no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for (i) the execution, delivery and performance of this Agreement, (ii) the creation or perfection of the Security Interests created hereunder in the Collateral or (iii) the enforcement of the rights of the Secured Parties hereunder.

(g) The Debtor hereby authorizes the Secured Parties, or any of them, to file one or more financing statements under the UCC, with respect to the Security Interest with the proper filing and recording agencies in any jurisdiction deemed proper by them.

(h) The execution, delivery and performance of this Agreement by the Debtor does not (i) violate any of the provisions of any Organizational Documents of the Debtor or any judgment, decree, order or award of any court, governmental body or arbitrator or any applicable law, rule or regulation applicable to the Debtor or (ii) conflict with, or constitute a default (or an event that 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 (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing the Debtor's debt or otherwise) or other understanding to which the Debtor is a party or by which any property or asset of the Debtor is bound or affected. No consent (including, without limitation, from stockholders or creditors of the Debtor) is required for the Debtor to enter into and perform its obligations hereunder.

(i) The Debtor shall at all times maintain the liens and Security Interest provided for hereunder as valid and perfected second priority liens and security interests in the Collateral in favor of the Secured Parties until this Agreement and the Security Interest hereunder shall be terminated pursuant to Section 13 hereof. The Debtor hereby agrees to defend the same against the claims of any and all persons and entities. The Debtor shall safeguard and protect all Collateral for the account of the Secured Parties. At the request of the Secured Parties, the Debtor will sign and deliver to the Secured Parties at any time or from time to time one or more financing statements pursuant to the UCC in form reasonably satisfactory to the Secured Parties and will pay the cost of filing the same in all public offices wherever filing is, or is deemed by the Secured Parties to be, necessary or desirable to effect the rights and obligations provided for herein. Without limiting the generality of the foregoing, the Debtor shall pay all fees, taxes and other amounts necessary to maintain the Collateral and the Security Interest hereunder, and the Debtor shall obtain and furnish to the Secured Parties from time to time, upon demand, such releases and/or subordinations of claims and liens which may be required to maintain the priority of the Security Interest hereunder.

(j) The Debtor will not transfer, pledge, hypothecate, encumber, license, sell or otherwise dispose of any of the Collateral (except for non-exclusive licenses granted by the Debtor in its ordinary course of business and sales of inventory by the Debtor in its ordinary course of business) without the prior written consent of a dollar-weighted Majority in Interest of the Debtors.

(k) The Debtor shall keep and preserve its equipment, inventory and other tangible Collateral in good condition, repair and order and shall not operate or locate any such Collateral (or cause to be operated or located) in any area excluded from insurance coverage.

(l) The Debtor shall, within twenty (20) days of obtaining knowledge thereof, advise the Secured Parties promptly, in sufficient detail, of any substantial change in the Collateral, and of the occurrence of any event which would have a material adverse effect on the value of the Collateral or on the Secured Parties' security interest therein.

(m) The Debtor shall promptly execute and deliver to the Secured Parties such further deeds, mortgages, assignments, security agreements, financing statements or other instruments, documents, certificates and assurances and take such further action as the Secured Parties may from time to time request and may in its sole discretion deem necessary to perfect, protect or enforce its security interest in the Collateral including, without limitation, if applicable, the execution and delivery of a separate security agreement with respect to the Debtor's Intellectual Property ("Intellectual Property Security Agreement") in which the Secured Parties have been granted a security interest hereunder, substantially in a form acceptable to the Secured Parties, which Intellectual Property Security Agreement, other than as stated therein, shall be subject to all of the terms and conditions hereof.

(n) The Debtor shall permit the Secured Parties and their representatives and agents to inspect the Collateral at any time, and to make copies of records pertaining to the Collateral as may be requested by a Secured Party from time to time.

(o) The Debtor shall take all steps reasonably necessary to diligently pursue and seek to preserve, enforce and collect any rights, claims, causes of action and accounts receivable in respect of the Collateral.

(p) The Debtor shall promptly notify the Secured Parties in sufficient detail upon becoming aware of any attachment, garnishment, execution or other legal process levied against any Collateral and of any other information received by the Debtor that may materially affect the value of the Collateral, the Security Interest or the rights and remedies of the Secured Parties hereunder.

(q) All information heretofore, herein or hereafter supplied to the Secured Parties by or on behalf of the Debtor with respect to the Collateral is accurate and complete in all material respects as of the date furnished.

(r) The Debtor shall at all times preserve and keep in full force and effect their respective valid existence and good standing and any rights and franchises material to its business.

(s) The Debtor will not change its name, type of organization, jurisdiction of organization, organizational identification number (if it has one), legal or corporate structure, or identity, or add any new fictitious name unless it provides at least 20 days prior written notice to the Secured Parties of such change and, at the time of such written notification, the Debtor provides any financing statements or fixture filings necessary to perfect and continue perfected the perfected security Interest granted and evidenced by this Agreement.

(t) The Debtor was organized and remains organized solely under the laws of the State of Nevada.

(u) At any time and from time to time that any Collateral consists of instruments, certificated securities or other items that require or permit possession by the secured party to perfect the security interest created hereby, the applicable Debtor shall deliver such Collateral to the Secured Parties.

(v) The Debtor, in its capacity as issuer, hereby agrees to comply with any and all orders and instructions of the Secured Parties regarding the Pledged Interests consistent with the terms of this Agreement without the further consent of the Debtor as contemplated by Section 8-106 (or any successor section) of the UCC. Further, the Debtor agrees that it shall not enter into a similar agreement (or one that would confer "control" within the meaning of Article 8 of the UCC) with any other person or entity.

^(w) The Debtor shall cause all tangible chattel paper constituting Collateral to be delivered to the Secured Parties, or, if such delivery is not possible, then to cause such tangible chattel paper to contain a legend noting that it is subject to the security interest created by this Agreement. To the extent that any Collateral consists of electronic chattel paper, the applicable Debtor shall cause the underlying chattel paper to be "marked" within the meaning of Section 9-105 of the UCC (or successor section thereto).

^(x) Reserved.

^(y) To the extent that any Collateral is in the possession of any third party, the Debtor shall join with the Secured Parties in notifying such third party of the Secured Parties' security interest in such Collateral and shall use its best efforts to obtain an acknowledgement and agreement from such third party with respect to the Collateral, in form and substance satisfactory to the Secured Parties.

^(z) If the Debtor shall at any time hold or acquire a commercial tort claim, the Debtor shall promptly notify the Secured Parties in a writing signed by the Debtor of the particulars thereof and grant to the Secured Parties in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to the Secured Parties.

^(aa) The Debtor shall immediately provide written notice to the Secured Parties of any and all accounts which arise out of contracts with any governmental authority and, to the extent necessary to perfect or continue the perfected status of the Security Interest in such accounts and proceeds thereof, shall execute and deliver to the Secured Parties an assignment of claims for such accounts and cooperate with the Secured Parties in taking any other steps required, in their judgment, under the Federal Assignment of Claims Act or any similar federal, state or local statute or rule to perfect or continue the perfected status of the Security Interest in such accounts and proceeds thereof.

^(bb) The Debtor shall cause each subsidiary of the Debtor to immediately become a party hereto (an "Additional Debtor"), by executing and delivering an Additional Debtor Joinder in substantially the form of Annex A attached hereto and comply with the provisions hereof applicable to the Debtor. Concurrent therewith, the Additional Debtor shall deliver replacement schedules for, or supplements to all other Schedules to (or referred to in) this Agreement, as applicable, which replacement schedules shall supersede, or supplements shall modify, the Schedules then in effect. The Additional Debtor shall also deliver such opinions of counsel, authorizing resolutions, good standing certificates, incumbency certificates, organizational documents, financing statements and other information and documentation as the Secured Parties may reasonably request. Upon delivery of the foregoing to the Secured Parties, the Additional Debtor shall be and become a party to this Agreement with the same rights and obligations as the Debtor, for all purposes hereof as fully and to the same extent as if it were an original signatory hereto and shall be deemed to have made the representations, warranties and covenants set forth herein as of the date of execution and delivery of such Additional Debtor Joinder, and all references herein to the "Debtors" shall be deemed to include each Additional Debtor.

(cc) The Debtor will from time to time, at the joint and several expense of the Debtor, promptly execute and deliver all such further instruments and documents, and take all such further action as may be necessary or desirable, or as the Secured Parties may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Secured Parties to exercise and enforce their rights and remedies hereunder and with respect to any Collateral or to otherwise carry out the purposes of this Agreement.

(dd) None of the account debtors or other persons or entities obligated on any of the Collateral is a governmental authority covered by the Federal Assignment of Claims Act or any similar federal, state or local statute or rule in respect of such Collateral.

5. **Effect of Pledge on Certain Rights.** If any of the Collateral subject to this Agreement consists of nonvoting equity or ownership interests (regardless of class, designation, preference or rights) that may be converted into voting equity or ownership interests upon the occurrence of certain events (including, without limitation, upon the transfer of all or any of the other stock or assets of the issuer), it is agreed that the pledge of such equity or ownership interests pursuant to this Agreement or the enforcement of any of the Secured Parties' rights hereunder shall not be deemed to be the type of event which would trigger such conversion rights notwithstanding any provisions in the Organizational Documents or agreements to which any Debtor is subject or to which the Debtor is party.

6. **Defaults.** The following events shall be "Events of Default":

(a) The occurrence of an Event of Default (as defined in the Notes) under the Notes;

(b) Any representation or warranty of the Debtor in this Agreement shall prove to have been incorrect in any material respect when made;

(c) The failure by the Debtor to observe or perform any of its obligations hereunder for twenty (20) days after delivery to the Debtor of notice of such failure by or on behalf of a Secured Party unless such default is capable of cure but cannot be cured within such time frame and the Debtor is using best efforts to cure same in a timely fashion; or

(d) If any provision of this Agreement shall at any time for any reason be declared to be null and void, or the validity or enforceability thereof shall be contested by the Debtor, or a proceeding shall be commenced by the Debtor, or by any governmental authority having jurisdiction over the Debtor, seeking to establish the invalidity or unenforceability thereof, or the Debtor shall deny that the Debtor has any liability or obligation purported to be created under this Agreement.

7. **Duty To Hold In Trust.** Upon the occurrence of any Event of Default and at any time thereafter, the Debtor shall, upon receipt of any revenue, income, dividend, interest or other sums subject to the Security Interest, whether payable pursuant to the Notes or otherwise, or of any check, draft, note, trade acceptance or other instrument evidencing an obligation to pay any such sum, hold the same in trust for the Secured Parties and shall forthwith endorse and transfer any such sums or instruments, or both (to the extent permitted by law), to the Secured Parties, pro-rata in proportion to their initial purchases of Notes for application to the satisfaction of the Obligations (and if any Note is not outstanding, pro-rata in proportion to the initial purchases of the remaining Notes).

8. **Rights and Remedies Upon Default**

(a) Upon the occurrence of any Event of Default and at any time thereafter provided the same is then continuing, the Secured Parties, acting through any agent appointed by them for such purpose, shall have the right to exercise all of the remedies conferred hereunder and under the Notes, and the Secured Parties shall have all the rights and remedies of a secured party under the UCC. Without limitation, the Secured Parties shall have the following rights and powers:

(i) The Secured Parties shall have the right to take possession of the Collateral and, for that purpose, enter, with the aid and assistance of any person, any premises where the Collateral, or any part thereof, is or may be placed and remove the same, and the Debtor shall assemble the Collateral and make it available to the Secured Parties at places which the Secured Parties shall reasonably select, whether at the Debtor's premises or elsewhere, and make available to the Secured Parties, without rent, all of the Debtor's respective premises and facilities for the purpose of the Secured Parties taking possession of, removing or putting the Collateral in saleable or disposable form.

(ii) Upon notice to the Debtor by the Secured Parties, all rights of the Debtor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise and all rights of the Debtor to receive the dividends and interest which it would otherwise be authorized to receive and retain, shall cease. Upon such notice, the Secured Parties shall have the right to receive any interest, cash dividends or other payments on the Collateral and, at the option of, to exercise in such the Secured Parties' discretion all voting rights pertaining thereto. Without limiting the generality of the foregoing, the Secured Parties shall have the right (but not the obligation) to exercise all rights with respect to the Collateral as it were the sole and absolute owners thereof, including, without limitation, to vote and/or to exchange, at its sole discretion, any or all of the Collateral in connection with a merger, reorganization, consolidation, recapitalization or other readjustment concerning or involving the Collateral or the Debtor or any of its direct or indirect subsidiaries.

(iii) The Secured Parties shall have the right to operate the business of the Debtor in regards to the Collateral and shall have the right to assign, sell, lease or otherwise dispose of and deliver all or any part of the Collateral, at public or private sale or otherwise, either with or without special conditions or stipulations, for cash or on credit or for future delivery, in such parcel or parcels and at such time or times and at such place or places, and upon such terms and conditions as the Secured Parties may deem commercially reasonable, all without (except as shall be required by applicable statute and cannot be waived) advertisement or demand upon or notice to the Debtor or right of redemption of the Debtor, which are hereby expressly waived. Upon each such sale, lease, assignment or other transfer of Collateral, the Secured Parties may, unless prohibited by applicable law which cannot be waived, purchase all or any part of the Collateral being sold, free from and discharged of all trusts, claims, right of redemption and equities of the Debtor, which are hereby waived and released.

(iv) The Secured Parties shall have the right (but not the obligation) to notify any account debtors and any obligors under instruments or accounts to make payments directly to the Secured Parties and to enforce the Debtors' rights against such account debtors and obligors.

(v) The Secured Parties may (but are not obligated to) direct any financial intermediary or any other person or entity holding any investment property to transfer the same to the Secured Parties or their designee.

(b) The Secured Parties may comply with any applicable law in connection with a disposition of Collateral and such compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. The Secured Parties may sell the Collateral without giving any warranties and may specifically disclaim such warranties. If the Secured Parties sells any of the Collateral on credit, the Debtor will only be credited with payments actually made by the purchaser. In addition, the Debtor waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of the Secured Parties' rights and remedies hereunder, including, without limitation, its right following an Event of Default to take immediate possession of the Collateral and to exercise its rights and remedies with respect thereto.

9 **Applications of Proceeds.** The proceeds of any such sale, lease or other disposition of the Collateral hereunder shall be applied first, to the expenses of retaking, holding, storing, processing and preparing for sale, selling, and the like (including, without limitation, any taxes, fees and other costs incurred in connection therewith) of the Collateral, to the reasonable attorneys' fees and expenses incurred by the Secured Parties in enforcing their rights hereunder and in connection with collecting, storing and disposing of the Collateral, and then to satisfaction of the Obligations pro rata among the Secured Parties (based on then-outstanding proportionate principal dollar amounts of Notes at the time of any such determination), and to the payment of any other amounts required by applicable law, after which the Secured Parties shall pay to the Debtor any surplus proceeds. If, upon the sale, license or other disposition of the Collateral, the proceeds thereof are insufficient to pay all amounts to which the Secured Parties are legally entitled, the Debtor will be liable for the deficiency, together with interest thereon, at the rate of 18.0% per annum or the lesser amount permitted by applicable law (the "Default Rate"), and the reasonable fees of any attorneys employed by the Secured Parties to collect such deficiency. To the extent permitted by applicable law, the Debtor waives all claims, damages and demands against the Secured Parties arising out of the repossession, removal, retention or sale of the Collateral, unless due solely to the gross negligence or willful misconduct of the Secured Parties as determined by a final judgment (not subject to further appeal) of a court of competent jurisdiction.

10. **Costs and Expenses.** The Debtor agrees to pay all reasonable out-of-pocket fees, costs and expenses incurred in connection with any filing required hereunder, including without limitation, any financing statements pursuant to the UCC, continuation statements, partial releases and/or termination statements related thereto or any expenses of any searches reasonably required by the Secured Parties. The Debtor shall also pay all other claims and charges which in the reasonable opinion of the Secured Parties might prejudice, imperil or otherwise affect the Collateral or the Security Interest therein. The Debtor will also, upon demand, pay to the Secured Parties the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Secured Parties may incur in connection with (i) the enforcement of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, or (iii) the exercise or enforcement of any of the rights of the Secured Parties under the Notes. Until so paid, any fees payable hereunder shall be added to the principal amount of the Notes and shall bear interest at the Default Rate.

11. **Responsibility for Collateral.** The Debtor assumes all liabilities and responsibility in connection with all Collateral, and the Obligations shall in no way be affected or diminished by reason of the loss, destruction, damage or theft of any of the Collateral or its unavailability for any reason. The Secured Party agrees to act in accordance with commercially reasonable standards and the UCC. Without limiting the generality of the foregoing, (a) no Secured Party (i) has any duty (either before or after an Event of Default) to collect any amounts in respect of the Collateral or to preserve any rights relating to the Collateral, or (ii) has any obligation to clean-up or otherwise prepare the Collateral for sale, and (b) the Debtor shall remain obligated and liable under each contract or agreement included in the Collateral to be observed or performed by the Debtor thereunder. No Secured Party shall have any obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by any Secured Party of any payment relating to any of the Collateral, nor shall any Secured Party be obligated in any manner to perform any of the obligations of the Debtor under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by any Secured Party in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to any Secured Party who may be entitled at any time or times.

12. **Security Interest Absolute.** All rights of the Secured Parties and all obligations of the Debtor hereunder, shall be absolute and unconditional, irrespective of: (a) any lack of validity or enforceability of this Agreement, the Notes or any agreement entered into in connection with the foregoing, or any portion hereof or thereof; (b) any change in the time, manner or place of payment or performance of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Notes or any other agreement entered into in connection with the foregoing; (c) any exchange, release or nonperfection of any of the Collateral, or any release or amendment or waiver of or consent to departure from any other collateral for, or any guaranty, or any other security, for all or any of the Obligations; (d) any action by the Secured Parties to obtain, adjust, settle and cancel in its sole discretion any insurance claims or matters made or arising in connection with the Collateral; or (e) any other circumstance which might otherwise constitute any legal or equitable defense available to the Debtor, or a discharge of all or any part of the Security Interest granted hereby. Until the Obligations shall have been paid and performed in full, the rights of the Secured Parties shall continue even if the Obligations are barred for any reason, including, without limitation, the running of the statute of limitations or bankruptcy. The Debtor expressly waives presentment, protest, notice of protest, demand, notice of nonpayment and demand for performance. In the event that at any time any transfer of any Collateral or any payment received by the Secured Parties hereunder shall be deemed by final order of a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under the bankruptcy or insolvency laws of the United States, or shall be deemed to be otherwise due to any party other than the Secured Parties, then, in any such event, the Debtor's obligations hereunder shall survive cancellation of this Agreement, and shall not be discharged or satisfied by any prior payment thereof and/or cancellation of this Agreement, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof. The Debtor waives all right to require the Secured Parties to proceed against any other person or entity or to apply any Collateral which the Secured Parties may hold at any time, or to marshal assets, or to pursue any other remedy. The Debtor waives any defense arising by reason of the application of the statute of limitations to any obligation secured hereby.

13. **Term of Agreement.** This Agreement and the Security Interest shall terminate on the date on which all payments under the Notes have been indefeasibly paid in full and all other Obligations have been paid or discharged; provided, however, that all indemnities contained in this Agreement shall survive and remain operative and in full force and effect regardless of the termination of this Agreement.

14. **Power of Attorney; Further Assurances.** On a continuing basis, the Debtor will make, execute, acknowledge, deliver, file and record, as the case may be, with the proper filing and recording agencies in any jurisdiction, including, without limitation, the jurisdictions indicated on **Schedule C** attached hereto, all such instruments, and take all such action as may reasonably be deemed necessary or advisable, or as reasonably requested by the Secured Parties, to perfect the Security Interest granted hereunder and otherwise to carry out the intent and purposes of this Agreement, or for assuring and confirming to the Secured Parties the grant or perfection of a perfected security interest in all the Collateral under the UCC.

15. **Notices.** All notices, requests, demands and other communications hereunder shall be subject to the notice provision of the Subscription Agreement (as such term is defined in the Notes).

16. **Other Security.** To the extent that the Obligations are now or hereafter secured by property other than the Collateral or by the guarantee, endorsement or property of any other person, firm, corporation or other entity, then the Secured Parties shall have the right, in its sole discretion, to pursue, relinquish, subordinate, modify or take any other action with respect thereto, without in any way modifying or affecting any of the Secured Parties' rights and remedies hereunder.

17. **Miscellaneous.**

(a) No course of dealing between the Debtor and the Secured Parties, nor any failure to exercise, nor any delay in exercising, on the part of the Secured Parties, any right, power or privilege hereunder or under the Notes shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(b) All of the rights and remedies of the Secured Parties with respect to the Collateral, whether established hereby or by the Notes or by any other agreements, instruments or documents or by law shall be cumulative and may be exercised singly or concurrently.

(c) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and is intended to supersede all prior negotiations, understandings and agreements with respect thereto. Except as specifically set forth in this Agreement, no provision of this Agreement may be modified or amended except by a written agreement specifically referring to this Agreement and signed by the parties hereto.

(d) In the event any provision of this Agreement is held to be invalid, prohibited or unenforceable in any jurisdiction for any reason, unless such provision is narrowed by judicial construction, this Agreement shall, as to such jurisdiction, be construed as if such invalid, prohibited or unenforceable provision had been more narrowly drawn so as not to be invalid, prohibited or unenforceable. If, notwithstanding the foregoing, any provision of this Agreement is held to be invalid, prohibited or unenforceable in any jurisdiction, such provision, as to such jurisdiction, shall be ineffective to the extent of such invalidity, prohibition or unenforceability without invalidating the remaining portion of such provision or the other provisions of this Agreement and without affecting the validity or enforceability of such provision or the other provisions of this Agreement in any other jurisdiction.

(e) No waiver of any breach or default or any right under this Agreement shall be considered valid unless in writing and signed by the party giving such waiver, and no such waiver shall be deemed a waiver of any subsequent breach or default or right, whether of the same or similar nature or otherwise.

(f) This Agreement shall be binding upon and inure to the benefit of each party hereto and its successors and assigns.

(g) Each party shall take such further action and execute and deliver such further documents as may be necessary or appropriate in order to carry out the provisions and purposes of this Agreement.

(h) All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Nevada, without regard to the principles of conflicts of law thereof. The Debtor agrees that all proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and the Notes (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the State of Nevada. The Debtor hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the State of Nevada for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such proceeding is improper. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such proceeding 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 manner permitted by law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. If any party shall commence a proceeding to enforce any provisions of this Agreement, then the prevailing party in such proceeding shall be reimbursed by the other party for its reasonable attorney's fees and other costs and expenses incurred with the investigation, preparation and prosecution of such proceeding.

(i) This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and, all of which taken together shall constitute one and the same Agreement. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature were the original thereof.

(j) Nothing in this Agreement shall be construed to subject any Secured Party to liability as a partner of the Debtor or any if its direct or indirect subsidiaries that is a partnership or as a member in the Debtor or any of its direct or indirect subsidiaries that is a limited liability company, nor any Secured Party be deemed to have assumed any obligations under any partnership agreement or limited liability company agreement, as applicable, of the Debtor or any if its direct or indirect subsidiaries or otherwise, unless and until any such Secured Party exercises its right to be substituted for the Debtor as a partner or member, as applicable, pursuant hereto.

(k) To the extent that the grant of the security interest in the Collateral and the enforcement of the terms hereof require the consent, approval or action of any partner or member, as applicable, of the Debtor or any direct or indirect subsidiary of the Debtor or compliance with any provisions of any of the Organizational Documents, the Debtor hereby grant such consent and approval and waive any such noncompliance with the terms of said documents.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed on the day and year first above written.

LEXARIA CORP.

Name: Bal Bhullar
Title: CFO

[SIGNATURE PAGE OF DEBT HOLDERS TO LEXARIA CORP.]

Name of Investing Entity:

Signature of Authorized Signatory of Investing entity:

Name of Authorized Signatory:

Title of Authorized Signatory:

Name of Investing Entity:

Signature of Authorized Signatory of Investing entity:

Name of Authorized Signatory:

Title of Authorized Signatory:



SCHEDULE A

LOCATION OF COLLATERAL

Principal Place of Business of Debtor:

#930 - 1150 West Pender Street
Vancouver, B.C. V6E 4A4

Locations Where Collateral is Located or Stored:

Belmont Lake Field,
Wilkinson County, Mississippi
Section 41-T2N-R4W

SCHEDULE B

EXISTING LIENS OR CLAIMS ON COLLATERAL

None.

SCHEDULE C

JURISDICTIONS IN WHICH COLLATERAL LOCATED

Belmont Lake Field,
Wilkinson County, Mississippi
Section 41-T2N-R4W

ANNEX A
to
SECURITY
AGREEMENT

FORM OF ADDITIONAL DEBTOR JOINDER

Security Agreement dated as of December 1, 2010 made by
LEXARIA CORP.
and its subsidiaries party thereto from time to time, as Debtors
to and in favor of
the Secured Parties identified therein (the "Security Agreement")

Reference is made to the Security Agreement as defined above; capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in, or by reference in, the Security Agreement.

The undersigned hereby agrees that upon delivery of this Additional Debtor Joinder to the Secured Parties referred to above, the undersigned shall (a) be an Additional Debtor under the Security Agreement, (b) have all the rights and obligations of the Debtors under the Security Agreement as fully and to the same extent as if the undersigned was an original signatory thereto and (c) be deemed to have made the appropriate representations and warranties set forth in this Security Agreement and the accompanying Note Purchase Agreement therein as of the date of execution and delivery of this Additional Debtor Joinder. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE UNDERSIGNED SPECIFICALLY GRANTS TO THE SECURED PARTIES A SECURITY INTEREST IN THE COLLATERAL AS MORE FULLY SET FORTH IN THE SECURITY AGREEMENT AND ACKNOWLEDGES AND AGREES TO THE WAIVER OF JURY TRIAL PROVISIONS SET FORTH THEREIN.

Attached hereto are supplemental and/or replacement Schedules to the Security Agreement, as applicable.

An executed copy of this Joinder shall be delivered to the Secured Parties, and the Secured Parties may rely on the matters set forth herein on or after the date hereof. This Joinder shall not be modified, amended or terminated without the prior written consent of the Secured Parties.

IN WITNESS WHEREOF, the undersigned has caused this Joinder to be executed in the name and on behalf of the undersigned.

Signature: _____

Name: _____

Title: _____

Address: _____

Dated: _____



December 1, 2011

Trading Symbol: LXP: OTCQB
LXX: CNSX**Convertible Debenture Financing**

(Vancouver, BC: December 1, 2011) - Lexaria Corp. (the "Company" or "Lexaria") announces it has completed a non-brokered convertible debenture financing in the amount of US\$200,000. The convertible debentures mature on December 1, 2012, subject to forced conversion as set out in the convertible debenture certificate. Directors of the Company purchased the full amount of the debentures of US\$200,000.

The convertible debentures pay an interest rate of 12% per annum calculated on a simple basis, payable monthly in arrears. Each debenture is convertible at a price of US \$0.35 cents into units, each unit comprised of a common share and a warrant. Each warrant entitles the holder thereof to purchase one share at a price of US\$0.40 per share from the earlier of the maturity date of the convertible debenture or one year from conversion of the convertible debenture.

The Company also entered into a general security agreement with the subscribers, whereby the obligations to repay the convertible debenture are secured by certain assets of the Company. The proceeds of this financing will be used to fund an infrastructure upgrade at Belmont Lake oil field designed to optimize production, and for general corporate purposes.

For Canadian securities laws purposes, all securities issued pursuant to the convertible debenture financing shall have a holding period of four months and one day from the issuance of the convertible debenture.

The Debentures have not been registered under the Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States without registration or an applicable exemption from registration requirements.

This press release is neither an offer to sell nor the solicitation of an offer to purchase the Debentures or any other securities and shall not constitute an offer, solicitation or sale in any jurisdiction in which, or to any persons to whom, such an offer, solicitation or sale is unlawful. This press release is being issued pursuant to and in accordance with Rule 135c under the Securities Act.

About Lexaria:

To learn more about Lexaria Corp. visit www.lexariaenergy.com.

ON BEHALF OF THE BOARD

"Chris Bunka"

Mr. Chris Bunka, President

FOR FURTHER INFORMATION PLEASE CONTACT:

Lexaria Corp.

Chris Bunka President/Chairman

(250) 765 6424

FORWARD-LOOKING STATEMENTS

This release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements which are not historical facts are forward-looking statements. The Company makes forward-looking public statements concerning its expected future financial position, results of operations, cash flows, financing plans, business strategy, products and services, competitive positions, growth opportunities, plans and objectives of management for future operations, including statements that include words such as "anticipate," "if," "believe," "plan," "estimate," "expect," "intend," "may," "could," "should," "will," and other similar expressions are forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. It is impossible to identify all such factors but they include and are not limited to the existence of underground deposits of commercial quantities of oil and gas; cessation or delays in exploration because of mechanical, weather, operating, financial or other problems; capital expenditures that are higher than anticipated; or exploration opportunities being fewer than currently anticipated. There can be no assurance that road or site conditions will be favourable for field work; no assurance that well treatments will have any effect on oil or gas production; no assurance that oil field interconnections will have any measurable impact on oil or gas production or on field operations, and no assurance that the expected new well(s) will be drilled or have any impact on the Company. There can be no assurance that expected oil and gas production will actually materialize; and thus no assurance that expected revenue will actually occur. There is no assurance the Company will have sufficient funds to drill additional wells, or to complete acquisitions or other business transactions. Such forward looking statements also include estimated cash flows, revenue and current and/or future rates of production of oil and natural gas, which can and will fluctuate for a variety of reasons; oil and gas reserve quantities produced by third parties; and intentions to participate in future exploration drilling. Adverse weather conditions can delay operations, impact production, and cause reductions in revenue. The Company may not have sufficient expertise to thoroughly exploit its oil and gas properties. The Company may not have sufficient funding to thoroughly explore, drill or develop its properties. Access to capital, or lack thereof, is a major risk. Current oil and gas production rates may not be sustainable and targeted production rates may not occur. Factors which could cause actual results to differ materially from those estimated by the Company include, but are not limited to, government regulation, managing and maintaining growth, the effect of adverse publicity, litigation, competition and other factors which may be identified from time to time in the Company's public announcements and filings.

The CNSX has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.
