

OSLER,  
HOSKIN &  
HARCOURT

RECORDATION NO. 15059 A Filed & Recorded

April 16, 1987

APR 21 1987 10-25 AM

No. 7-111A016

INTERSTATE COMMERCE COMMISSION

Date ..... APR 21 1987 .....

Fee \$ ..... 20.00 .....

ICC Washington, D. C.

Ms. Heather Gradison  
Chairman  
Interstate Commerce Commission  
12th and Constitution Avenue N.W.  
Washington, D.C.  
20423 U.S.A.

Dear Ms. Gradison:

RE: Bank of Montreal  
AGCL Rescheduling  
Our File No. 75,272

On October 2, 1986 at 3:20 p.m. we filed with the Interstate Commerce Commission by recordation number 15059 a first supplemental debenture by Alberta Gas Chemicals Ltd. in favour of Bank of Montreal as mortgagee. The original debenture, executed in 1981, and the second supplemental debenture, executed in 1987, do not charge any rail cars by themselves. However, for the sake of completeness of the file with the Interstate Commerce Commission, we would like to deposit on file two copies of the original principal debenture to which the October 2, 1986 recordation was supplemental as well as two copies of a second supplemental indenture. A fee of \$20 is enclosed. Please return any extra copy not needed by the Commission for recordation or deposit to Osler, Hoskin & Harcourt, P.O. Box 50, One First Canadian Place, Toronto, Ontario, Canada, M5X 1B8, attention D.G. Gilchrist.

Yours very truly,

*Donald Gilchrist*

Donald G. Gilchrist

DGG:rmb  
encl.

100 OFFICE OF  
TOLSON  
APR 21 10 22 AM '87  
MOTOR OPERATING UNIT

REPLY TO:  
P.O. Box 50  
First Canadian Place  
Toronto, Ontario  
Canada M5X 1B8  
Telephone (416) 362-2111  
Telex 06-22457 Carthos  
Telecopier (416) 862-8017

OTTAWA OFFICE  
Suite 1400  
50 O'Connor Street  
Ottawa, Ontario  
Canada K1P 6L2  
Telephone (613) 235-7234  
Telex 053-3323 Hetol  
Telecopier (613) 235-2867

RECORDATION NO. 15057 A  
Filed & Recorded

January 27, 1981

APR 21 1987 10:25 PM

INTERSTATE COMMERCE COMMISSION

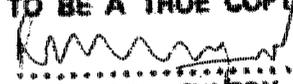
ALBERTA GAS CHEMICALS LTD.

TO

BANK OF MONTREAL

DEBENTURE

CERTIFIED TO BE A TRUE COPY



ROBERT MACINTOSH FULTON

Notary Public in and for  
the Province of Alberta.

My Commission is  
unlimited as to time.



## D E B E N T U R E

WHEREAS ALBERTA GAS CHEMICALS LTD., a company incorporated under the laws of the Province of Alberta, and having its registered office at the City of Edmonton, in the Province of Alberta, (hereinafter called "the Company") did covenant and agree to execute and deliver this debenture as collateral security for all monies which may become due from the company from time to time which monies shall include the aggregate amount of all advances and Bankers's Acceptances as defined by the Term Credit Agreement hereunto annexed and initialled by the parties (hereinafter referred to as the "Credit Agreement") to BANK OF MONTREAL (hereinafter called "the Bank") of 10089 Jasper Avenue, P.O. Box 220, Edmonton, Alberta, T5J 2J2, excepting only the indebtedness secured by that certain Income Debenture dated November 10th, 1978 ("the Income Debenture").

1. The Company for value received hereby covenants with the Bank that it will pay to the Bank at its Main Edmonton Office, 10089 Jasper Avenue, in the City of Edmonton, in the Province of Alberta, or at such other place in the Province of Alberta, as the Bank may from time to time advise, the sum of One Hundred and Sixty-five Million (\$165,000,000.00) Dollars in lawful money of Canada with interest thereon or on so much thereof as shall from time to time remain unpaid (both before and after default and judgment), at such rate or rates per annum, computed and determined in accordance with the Credit Agreement; any change in the interest rate herein with respect to the said principal sum or any part thereof shall become effective as provided in the Credit Agreement. The said sum and interest, or so much thereof as shall from time to time remain unpaid, shall be repaid by such repayment terms as to principal and interest as set forth in the Credit Agreement until the said sum of One Hundred and Sixty-five Million (\$165,000,000.00) Dollars and interest thereon or any principal sum and interest thereon as shall remain unpaid at any given time shall have been fully paid and satisfied.

The amount of the principal sum advanced or to be advanced hereunder is One Hundred and Sixty-five Million (\$165,000,000.00) Dollars and the rate or rates of interest chargeable thereon shall be determined in accordance with the Credit Agreement from time to time during the term hereof.

2. Neither the execution nor registration of this debenture and charge, nor the making of any advance in part of the monies secured nor the acceptance of any draft pursuant to the Credit Agreement shall bind the Bank to advance the monies or any unadvanced portion thereof nor to accept any further draft but nevertheless the lien and charge created hereby shall take effect forthwith on the execution hereof and shall apply mutatis mutandis to any and all monies so advanced and drafts so accepted and this debenture shall operate as security for payment only of monies actually so advanced by the Bank, of monies payable by the Bank under the Credit Agreement in respect of drafts so accepted and other monies payable under the provisions of this debenture or under any other collateral securities held by the Bank in respect of the credit made available to the Company pursuant to the Credit Agreement.

3. The lien and charge hereby created shall take effect forthwith upon the execution of these presents and shall be a continuous charge, notwithstanding that the balance owing hereunder may be fluctuating and even may from time to time and at any time be or have been reduced to a nil balance and notwithstanding monies advanced may be repaid and further advances made from time to time and notwithstanding the number of occasions on which advances are made or upon which changes in the form or terms of part or all of the Company's liability (as defined in the Credit Agreement) are made and such continuous charge shall be a security for any balance and any and all other monies payable under the provisions of this debenture or the Credit Agreement or under any other collateral securities held by the Bank in respect of the credit made available pursuant to the Credit Agreement.

4. As collateral security for the payment of the aforesaid principal sum, interest and all other monies from time to time owing by the Company to the Bank excepting the monies loaned pursuant to the Income Debenture and for the due performance of the obligations and the covenants of the Company contained herein in the Credit Agreement and in any other collateral securities held by the Bank except the Income Debenture:

- (a) The Company hereby mortgages and charges to and in favour of the Bank and by way of a fixed specific mortgage and charge, the Company's entire interest, beneficial or real, in the property described and referred to in the Schedule annexed hereto (hereinafter called "the specifically mortgaged premises") and forming part hereof, and all buildings, improvements, erections, fixtures, fixed machinery, fixed equipment and fixed plant now upon the

specifically mortgaged premises or any part thereof, or which may at any time hereafter be constructed or brought or placed thereon, and used in connection therewith (whether the same form part of the realty or not);

- (b) The Company hereby charges as and by way of a floating charge to and in favour of the Bank all that portion of the undertaking, property and assets of the Company of an immovable nature from time to time situate on or about the specifically mortgaged premises and used in or capable of being used in or in conjunction with or appurtenant to the Company's activities from time to time conducted by the Company on any part or all of the specifically mortgaged premises including, without restricting the generality of the foregoing, all pipelines, pumping stations, easements, leases, chattels real, and licenses wherever situate, legal or equitable, now owned or hereafter acquired by the Company (other than the specifically mortgaged premises) and the Company is not to be at liberty to and shall not create or suffer to be created, except in favour of the Bank, any mortgage, lien or encumbrance upon its undertaking or any of its said property or assets subject to the said floating charge created by this Clause 4.(b) ranking in priority to or pari passu with this debenture or the charge thereby created, or to sell or dispose of the same or any part thereof otherwise than in the ordinary course of its business and for the purpose of carrying on the same.

5. The Company further covenants that it shall from time to time when so directed by the Bank execute, acknowledge and deliver by its proper officers indentures, deeds and documents supplemental hereto which shall thereafter form part hereof and do and perform any and all other acts and things for the purposes of mortgaging and charging in favour of the Bank as

part of the security the right, title and interest of the Company in and to the specifically mortgaged premises and all buildings, improvements, fixtures, fixed machinery, fixed equipment and fixed plant which may at any time hereafter be constructed or brought or placed on the mortgaged premises.

6. The floating charge hereby created shall in no way hinder or prevent the Company at any time and from time to time until the security hereby constituted shall have become enforceable and the Bank shall have determined or become bound to enforce the same, from lodging, selling, alienating, leasing, assigning, mortgaging, hypothecating, charging, or otherwise disposing of or dealing with the subject matters of such floating charge in the ordinary course of its business and for the purpose of carrying on the same;

Provided that:

- (a) any such action is not in breach of any express provision of this debenture and the Company hereby covenants that it will not take any such action which is in breach of any express provision of this debenture; and
- (b) the Company shall not, and it hereby covenants that it will not create or assume any mortgage, hypothec, charge, pledge, lien or other encumbrance upon the mortgaged property or any part thereof ranking or purporting to rank in priority to or pari passu with the floating charge hereby created except as expressly permitted by some other provision of this debenture.

7. Notwithstanding anything herein elsewhere contained, it is understood and agreed that the last day of any term or years reserved by any lease, verbal or written, or any agreement therefor now held or hereafter acquired by the Company or by any renewal of any lease is hereby excepted out of the mortgage and charge hereinbefore

provided for and does not and shall not form part of the property hereby mortgaged or charged so as to be mortgaged or charged as security for payment of the monies intended to be secured hereby but the Company shall stand possessed of the reversion remaining in the Company of any leasehold premises for the time being demised as aforesaid upon trust to assign or dispose thereof as the Bank may direct, and upon any sale of leasehold premises or any part thereof the Bank, for the purpose of vesting the aforesaid residue of any term or any renewal thereof in any purchaser or purchasers thereof shall be entitled by deed or writing to appoint such purchaser or purchasers or any other person or persons a new Trustee or Trustees of the aforesaid residue of any such term or renewal thereof in the place of the Company and to vest the same accordingly in the new Trustee or Trustees so appointed freed and discharged from any obligation in respect of the same, and the Company hereby assigns to the Bank, its successors and assigns, as security aforesaid, the full benefit of all covenants, powers, provisos and conditions contained in any lease, verbal or written or any agreements therefor now existing or hereafter to be acquired by it and any renewal or renewals thereof.

8. Notwithstanding the provisions of Clauses, 4, 5, 6 and 7, hereof, this debenture shall in no way hinder or prevent the Company, upon obtaining the prior written consent of the Bank, from pledging, mortgaging, assigning, or giving security or securities (whether by way of a floating charge or otherwise) to the Bank or to any person, firm or corporation upon real or personal property hereafter acquired by the Company and charged by this debenture to secure the whole or any part of the purchase price to be paid by the Company for such real or personal property, and any such pledge, mortgage, assignment, security or securities (whether given before or after the execution and delivery of this debenture) shall rank in priority to the said floating charge created by Clause 4 (b) of this debenture.

9. For all purposes of this debenture the words "mortgaged property" mean and include all property and assets of the Company which are either specifically mortgaged or made subject to the first floating charge in the within debenture. The Company covenants with the Bank that it is the registered owner of the specifically mortgaged premises and that the specifically mortgaged premises are free and clear of all encumbrances except those set forth in the Schedule annexed hereto.

10. The Company covenants that at all times during the currency of this debenture and as long as the Company is indebted to the Bank under this debenture or otherwise:

- (a) it will insure and/or cause to be insured and kept insured against all risks of physical damage to the mortgaged property which are of a character usually insured by companies owning or operating properties or businesses of the same or similar nature, in a company or companies approved by the Bank the mortgaged property hereby charged by this debenture in the sum of the full insurable value thereof;
- (b) it shall maintain public liability insurance in a company or companies approved by the Bank and in amounts satisfactory to the Bank;
- (c) it shall cause all policies of insurance covering all risks of physical damage to the mortgaged property to be payable to the Bank as its interest may appear and that certified copies of such policies of insurance, including renewals, duly endorsed showing loss payable firstly to the Bank, will be lodged with the Bank; and that the Company will cause all premiums to be paid as the same become due and payable in respect of such insurance and the production of the debenture shall be sufficient authority for, and the insurer is hereby directed thereupon to pay the loss, if any, to the Bank; provided that the Bank, at the request of the Company, shall advise those insurers under such policies of insurance payable to the Bank that any policy proceeds payable as a result of any losses

or claims not exceeding \$15,000,000.00 in the aggregate for the same calendar year shall be payable to the Company (unless default has occurred under this debenture and is continuing when the proceeds become payable or an Event of Default under the Credit Agreement has occurred and is continuing when the proceeds become payable, then in either event, the proceeds shall be payable to the Bank) which payment shall operate as a full discharge to the insurer to the extent of such payment, of its obligation to make payments under such policies to the Bank. In the event of any subsequent single loss not exceeding \$15,000,000.00 occurring in the same calendar year, then the Bank, at the request of the Company, shall advise those insurers under policies of insurance payable to the Bank that this subsequent loss shall be payable to the Company; provided that the proceeds shall only be used by the Company to repair, replace or rebuild the damage caused by the said subsequent loss and provided further that the Company is not then in default under this debenture or an Event of Default has not occurred under the Credit Agreement when the proceeds become payable, which payment shall operate as a full discharge to the insurer to the extent of such payment, of its obligation to make payments under the policies to the Bank. In the event the Company does not apply the proceeds resulting from this subsequent loss to repair, replace or rebuild the damage caused by the said subsequent loss or in the event the Company is in default under this debenture and such default is continuing when the proceeds become payable or an Event of Default under the Credit Agreement has occurred and is continuing when the proceeds become payable, then, in either event, the proceeds shall be payable to the Bank;

- (d) if the insurance hereinbefore referred to is not effected or not kept duly renewed, the Bank may effect

or renew such insurance and if default be made in payment of premiums or sums of money by the Company, the Bank may pay the same and such sums of money shall be added to the debt hereby secured and shall bear interest at the same rate from the date of such payment and shall be repayable forthwith;

(e) in the event of a loss resulting in policy proceeds being paid to the Bank, the Company shall notify the Bank in writing as to whether it,

(i) intends to apply the proceeds to repair, replace or rebuild the damage for which the proceeds are compensation, or

(ii) intends to retain the proceeds without repairing, replacing or rebuilding the damage for which the proceeds are compensation, or

(iii) intends to apply the proceeds partly to (i) above and partly to (ii) above, and upon receipt of notification that the Company intends to apply the proceeds as described in (i), the Bank shall, in a manner agreed upon with the Company, or failing agreement as the Bank sees fit, apply the proceeds to effect such repair, replacement or rebuilding, and in either (ii) or (iii) above, the Bank shall, in its sole discretion either

(A) pay the proceeds to the Company for application as so elected by the Company, or

(B) retain the proceeds and apply the same regressively against the amount secured by this debenture provided the same shall not operate as payment or novation or in any way affect the security hereof or any other security for the amount hereby secured;

Provided further that upon the occurrence of any event described in Clause 11 herein the Bank may apply policy proceeds as it sees fit; and

- (f) it will maintain, repair or cause to be maintained or repaired and kept in good working order and condition the property charged by this debenture.

11. The principal, interest and other monies hereby secured shall at the option of the Bank immediately become due and payable whether with or without prior demand therefor, and the security hereby constituted at the option of the Bank shall immediately become enforceable in each and every of the events following:

- (a) upon the occurrence and during the continuance of any Event of Default referred to in Section 22 of the Credit Agreement; or
- (b) if any charge or encumbrance created or issued by the Company having the nature of a floating charge against the assets charged by this debenture shall become enforceable.

12. If the security hereby constituted shall become enforceable, the Bank may:

- (a) declare that the security hereby created shall forthwith become specifically charged against all of the assets hereby charged or any part thereof not already specifically charged and subject to the first floating charge herein contained;
- (b) take possession of all of the assets covered by the first floating charge herein contained or any part thereof and sell the same at such price and upon such terms as the Bank in its sole discretion may determine and the proceeds of such sale, less all costs and expenses of the Bank, including costs as

between solicitor and client shall be applied on the monies owing hereunder, the surplus, if any, to be paid to the Company. In the event that the monies realized from such sale are not sufficient to pay the full amount owing under this debenture, the Bank shall be entitled to exercise such remedies against the Company to collect the balance owing as it may be entitled to by law;

- (c) appoint in writing a receiver or receivers of the assets hereby charged or any part thereof and may from time to time remove any receiver so appointed and appoint another in his stead, and the following shall be applicable:
  - (i) such appointment may be made at any time either before or after the Bank shall have entered into or taken possession of the assets hereby charged or any part thereof;
  - (ii) any such receiver may be invested with any of the powers and discretions of the Bank;
  - (iii) any such receiver may carry on or concur in carrying on the business of the Company or any part thereof and may exercise all the powers herein conferred upon the Bank;
  - (iv) any such receiver may with the consent of the Bank in writing borrow money for the purpose of carrying on the business of the Company or for the maintenance of the assets secured by this debenture or any part thereof or for other purposes approved by the Bank, and any amount so borrowed together with interest thereon shall form a charge upon the said assets secured by this debenture or charged in priority to the security hereby created by this debenture;
  - (v) any such receiver shall have power to take possession of the said property and assets

charged by this debenture or any part thereof and sell or concur in selling any of the said property and assets;

- (vi) the Bank may from time to time fix the remuneration of any such receiver and direct the payment thereof out of the assets secured by this debenture or the proceeds thereof;
- (vii) any such receiver shall so far as concerns responsibility for his acts be deemed the agent of the Company, and the Bank shall not be in any way responsible for any misconduct or negligence on the part of any such receiver;
- (viii) such monies as the receiver may from time to time recover in connection with the conduct of such receivership shall at the option of the Bank be paid to the Bank and such monies may be applied by the Bank towards the payment of all costs and expenses of realizing on its security including costs as between solicitor and client and upon the payment of the principal or interest owing hereunder.

13. It is agreed that the rights and powers conferred by the immediately preceding Clause No. 12 are supplemental to and not in substitution for any rights the Bank may from time to time have as the holder of this debenture or under the Credit Agreement. The term "receiver" as used in the said Clause 12 includes a receiver and manager.

14. No release, postponement or discharge of the mortgage and charge created by this debenture in respect of all or any part of the mortgaged property including the specifically mortgaged premises shall in any way operate to be construed to release or discharge the security hereby constituted in respect of the remainder of the mortgaged property or to release or discharge the Company from any obligation or liability to the Bank under this debenture, or under the Credit Agreement.

15. The Company agrees to pay to the Bank forthwith upon demand all expenses incurred by the Bank in recovering or enforcing payment of monies owing hereunder or realizing upon this debenture or any other securities for such monies including expenses of taking possession, protecting and realizing upon any property comprised in any such security together with interest at such rate as is stipulated from the date of such expenditure in respect of Canadian Dollar Advances in the Credit Agreement.

16. It is agreed that this debenture is to be treated as a negotiable instrument and all persons are invited by the Company to act accordingly.

17. It is agreed that this debenture is in addition to and not in substitution for any other security or securities now or hereafter held by the Bank in respect of the credit made available to the Company and all such other securities shall remain in full force and effect.

18. It is agreed that the principal, interest and other monies hereby secured will be paid and shall be assignable free from any right of set-off or counterclaim or equities between the Company and the Bank.

19. The Company (except for permitted encumbrances and as otherwise provided for herein) shall not permit any lien or encumbrance ranking prior to or pari passu with this debenture to arise or exist against the mortgaged property or any part thereof, and agrees to pay when due all taxes, rates and assessments, including local improvements taxes with which the specifically mortgaged premises are or may be rated or charged; PROVIDED that the Company may on furnishing the Bank with security satisfactory to it take any steps necessary to dispute any claim in respect of which a lien or encumbrance may exist or be claimed against the property.

20. The Bank may pay or satisfy any lien, charge or encumbrance now existing or hereafter created or claimed upon the mortgaged property or any part thereof and the amount paid in respect thereof shall be added to the debt hereby secured and shall be payable forthwith with interest at the applicable rate aforesaid and shall be a charge upon the mortgaged property, provided however that the Bank shall not pay

out, satisfy or in any way affect or disturb any term, condition, or element of the security contained in or granted by the Income Debenture, pursuant to any right granted by this debenture.

21. The Company agrees that a default in the due performance of any of its covenants or agreements contained in any other securities or evidence of indebtedness executed and delivered to the Bank by the Company in respect of any monies owing by the Company to the Bank under this debenture or otherwise shall in addition to its usual effect have the same effect and give rise to the same rights and remedies as a default under the terms of this debenture, and that in the event of the Bank becoming entitled to take legal proceedings of any nature whatsoever against the Company in respect of this debenture or in respect of any other securities or evidence of indebtedness held by the Bank, the Bank may either concurrently with such proceedings, successively or otherwise, pursue any or all of its other remedies, and should the Bank so pursue one or other of the said remedies this shall not constitute an election by the Bank to abandon any of the other remedies.

22. The following provisions shall prevail in respect of notices given or to be given under this debenture:

- (a) any notice, request, demand or other communication between the parties hereto for the purposes hereof shall be duly given or made when communicated, by one of the forms of communication listed in subsection 22(b) to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this debenture at the address of such party as such party may from time to time designate to the other parties;
- (b) the forms of communication referred to in subsection 22(a) and the time at which a communication in any such form shall be deemed, for the purposes of this debenture, to have been received, are:
  - (i) prepaid registered mail, the third Business Day following the date of mailing;

- (ii) telex, the Business Day following the date of sending;
- (iii) telegram or cable, the Business Day following the date of sending; and
- (iv) personal delivery in writing to a senior officer of the addressee, the Business Day of actual receipt; and

in the event of the interruption, for any reason, of any one or more of the modes of communication listed above the parties shall use a mode of communication which is not so interrupted with the intent that a mode of communication will be used which will give the addressee timely notice of the communication;

- (c) the address and telex number of the Company is, until otherwise advised to the Bank:

ALBERTA GAS CHEMICALS LTD.,  
11456 Jasper Avenue,  
Suite 400,  
Edmonton,  
Alberta T5K 0M1

Attention: Chairman and Chief Executive Officer

Telex: 037-3698

- (d) the address and telex number of the Bank is, until otherwise advised to the Company:

BANK OF MONTREAL,  
10089 Jasper Avenue,  
P.O. Box 220,  
Edmonton,  
Alberta T5J 2J2

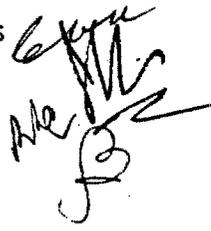
Attention: The Manager

Telex: 037-2152

23. The Bank may waive any breach by the Company of any of the provisions contained in this debenture or any default by the Company in the observance or performance of any covenant or condition required to be observed or performed by the Company under

the terms of this debenture or of any other securities held by the Bank. PROVIDED that any such waiver shall apply only to the particular default waived and shall not operate as a waiver of any other or future default. Further, no delay or omission upon the part of the Bank to exercise any right or power hereunder or under any other security held by it from the Company shall impair such right or power to be considered to be a waiver of any default or any acquiescence thereunder.

24. The Company warrants and represents that this debenture is issued in accordance with the Resolution of the Board of Directors of the Company adopted on the <sup>12th</sup> ~~27th~~ day of <sup>DECEMBER, 1980,</sup> ~~January, 1981~~, and that all matters and things have been done and performed so as to authorize and make the creation and issue of this debenture and its execution and delivery and all other collateral securities executed and delivered to the Bank by the Company legal and valid and in accordance with the laws relating to the Company and all other statutes and laws in that behalf, and that this debenture is given as collateral security for the payment of the aforementioned sum of One Hundred and Sixty-five Million (\$165,000,000.00) Dollars with interest as aforesaid and for the payment of any and all other monies which may become owing by reason of the provisions of this debenture or the Credit Agreement.

Handwritten signature and initials in black ink, located to the right of paragraph 24. The signature appears to be 'C. J. [unclear]' with 'ALB' and 'J' written below it.

25. The Company acknowledges that the Bank has relied upon the representations and warranties of the Company as contained in the Credit Agreement.

26. The Company agrees to execute and deliver to the Bank such further assurances and conveyances as may be necessary to properly carry out the intention of this debenture.

27. This debenture and all its provisions shall enure to the benefit of the Bank, its successors and assigns, and shall be binding upon the Company, its successors and assigns.

IN WITNESS WHEREOF the Company has hereunto caused its

corporate seal to be affixed duly attested by its proper officers  
in that behalf, the 27th day of January, A.D. 1981.

ALBERTA GAS CHEMICALS LTD.

Per: Charles A. Celland  
CHAIRMAN

John J. Roth  
PRESIDENT

THIS IS THE SCHEDULE TO THAT CERTAIN  
DEBENTURE DATED THE 27th DAY OF JANUARY,  
A.D. 1981, MADE BY ALBERTA GAS CHEMICALS  
LTD., IN FAVOUR OF THE BANK OF MONTREAL

"SPECIFICALLY MORTGAGED PREMISES"

THE SOUTH WEST QUARTER OF SECTION FOURTEEN (14), IN  
TOWNSHIP THIRTEEN (13), RANGE SIX (6), WEST OF THE  
FOURTH MERIDIAN, CONTAINING 64.7 HECTARES (160 ACRES)  
MORE OR LESS.

EXCEPTING:

<u>PLAN</u>	<u>NUMBER</u>	<u>HECTARES</u>	<u>ACRES</u>
SUBDIVISION	8010307	0.579	1.43

RESERVING UNTO HER MAJESTY ALL MINES AND MINERALS

Permitted Encumbrances

Easement to Calgary Power Ltd. (50 Foot Strip on Plan 8159 G.W.)  
1:30 p.m., 8th February, 1957, as Instrument No. 9001 H.C.

Public Utility Board Order 26475 in favour of Delta Gas & Transmission  
Ltd., (33 Foot Strip on Plan 1590-J.K.) 11:10 a.m., 16th June, 1964  
as Instrument No. 906 J.A.

Utility Right of Way: Instrument No. 761096501 - 60 Feet in width  
on Plan 7610043 to The Alberta Gas Trunk Line Company Limited  
under Provisions of Section 152 of the Land Titles Act.  
Instrument No. 761096501 takes the priority of caveat 751102227,  
registered 18th September, 1975.

Mortgage to Bank of Montreal securing the sum of \$22,214,000.00,  
16th November, 1978 as Instrument No. 781185592.

AFFIDAVIT OF BONA FIDES

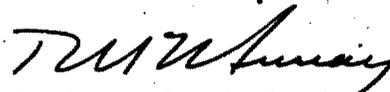
CANADA  
PROVINCE OF ALBERTA  
TO WIT:

I, FRANK ANTHONY WHITTAKER of the Borough of Scarborough in the Province of Ontario, make oath and say:

1. That I am the Manager, Project Financing, of the Mortgagee (the Bank) in the foregoing Debenture also containing the ingredients of a Chattel Mortgage, am aware of the circumstances connected therewith and have a personal knowledge of the facts deposed to;
2. That the said Debenture respecting its inclusion of Chattel Mortgage requirements was executed in good faith and not for the mere purpose of protecting the chattels therein mentioned against the creditors of the Mortgagor ("the Company"), nor for the purpose of preventing such creditors from recovering any claims that they have against the Mortgagor ("the Company").

SWORN before me at the :  
City of Edmonton, in the :  
Province of Alberta, :  
this 27th day of January, :  
A.D. 1981. :

  
\_\_\_\_\_  
Frank Anthony Whittaker

  
A Commissioner for Oaths in and  
for the Province of Alberta

**RICHARD D. MURRAY**  
BARRISTER & SOLICITOR

THIS IS THE TERM CREDIT AGREEMENT DATED JANUARY 27, 1981 AND  
MADE BETWEEN ALBERTA GAS CHEMICALS LTD. AND THE BANK OF MONTREAL

---

DATED: January 27th, 1981

ALBERTA GAS CHEMICALS LTD.

- and -

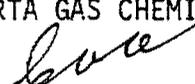
BANK OF MONTREAL

---

TERM CREDIT AGREEMENT

---

ALBERTA GAS CHEMICALS LTD.

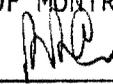
Per: 

---



---

BANK OF MONTREAL

Per: 

---



---

DATED January 27, 1981

ALBERTA GAS CHEMICALS LTD.

- and -

BANK OF MONTREAL

---

TERM CREDIT AGREEMENT

---

TABLE OF CONTENTS

	<u>Page</u>
1. Definitions	2
(a) Advance	2
(b) Banker's Acceptance	2
(c) Base Rate	2
(d) Base Rate Basis	2
(e) Business Day	3
(f) Canadian Dollar Advance	3
(g) Completion	3
(h) Company's Liability	3
(i) Construction Certificate	3
(j) Debenture	4
(k) Drawdown Date	4
(l) Event of Default	5
(m) Existing Methanol Plants	5
(n) LIBO Basis	5
(o) LIBO Rate	5
(p) Note	5
(q) Notice of Borrowing	5
(r) Prime Rate	5
(s) Reduction Date	6
(t) Rollover Day	6
(u) Third Methanol Plant	6
(v) United States Dollar Advance	6
2. Availability	7
3. Purpose	8
4. Interest Rates	8
5. Accrual and Payment of Interest	9
6. Banker's Acceptance Fees	10
7. Standby Fee	11
8. Mandatory Reduction of the Company's Liability	11
9. Early Reduction of the Company's Liability	13
10. Security	16
11. Drawdowns	17
12. Conditions Precedent to First Drawdown	20
13. Conditions Precedent to All Drawdowns	22

	<u>Page</u>
14. Currency Change	23
15. Change in United States Dollar Advance Interest Rate Basis	26
16. LIBO Basis Advances	27
17. Positive Covenants of the Company	30
18. Negative Covenants of the Company	33
19. Reporting Requirements	34
20. Representations and Warranties of the Company	35
21. Covenants of the Company Relating to Banker's Acceptances	40
22. Acceleration Upon Default	41
23. Cancellation by Company	45
24. Non-Business Days	45
25. Notice	45
26. Further Assurances	47
27. Time of Essence	48
28. Successors and Assigns	48
29. Waiver and Amendment	48
30. Severability	49
31. Entire Agreement	49
32. Currency Conversion	50
33. Exchange Rate Change	50
34. Computation of Interest	51
35. Applicable Law	51

SCHEDULES

A - Form of Debenture

B - Note

TERM CREDIT AGREEMENT made the 27th day of January, 1981

B E T W E E N:

ALBERTA GAS CHEMICALS LTD., a corporation  
incorporated under the laws of Alberta,

(herein called the "Company")

OF THE FIRST PART,

- and -

BANK OF MONTREAL, a Canadian chartered bank,

(herein called the "Bank")

OF THE SECOND PART.

WHEREAS the Company owns and operates two methanol manufacturing facilities located at Medicine Hat, Alberta;

AND WHEREAS the Company proposes to construct a third methanol manufacturing facility (the "Third Methanol Plant") at Medicine Hat, Alberta;

AND WHEREAS the Bank has agreed to provide a term credit facility of \$165,000,000 (Canadian) to the Company, on the terms and conditions hereinafter set forth, to assist in financing the costs of construction of the Third Methanol Plant;

NOW THEREFORE in consideration of the mutual covenants and agreements contained herein the parties hereto agree with each other as follows:

1. Definitions - In this Agreement and in any certificate, opinion or other document delivered in accordance with or for the purposes of this Agreement, unless there is something in the subject matter or context inconsistent therewith:

(a) "Advance" means a Canadian Dollar Advance or a United States Dollar Advance;

(b) "Banker's Acceptance" means an outstanding draft which has been accepted by the Bank hereunder;

(c) "Base Rate" means the rate of interest per annum from time to time established by the Bank as a reference rate of interest for the purposes of determining the rates of interest the Bank will charge on loans denominated in United States Dollars made in Canada to commercial customers of varying degrees of credit worthiness;

(d) "Base Rate Basis" has the meaning assigned in section 15;

(e) "Business Day" means a day upon which the main branches of the Bank in all of Toronto, Edmonton and London, England are open for the transaction of business throughout normal local hours;

(f) "Canadian Dollar Advance" means, at any time, the then outstanding amount of an advance made by the Bank to the Company hereunder and evidenced by a Note denominated in Canadian Dollars;

(g) "Completion" means, with respect to the Third Methanol Plant, the completion of construction of such facility, which will for the purposes hereof be deemed to have occurred on, and not before, the last day of the first period of 90 consecutive days during which the Third Methanol Plant shall have produced in the aggregate 81,000 tons or more of methanol meeting the minimum quality standards set out in the contracts referred to in subsection 12(b); and "Complete", "Completing" and "Completed" have corresponding meanings;

(h) "Company's Liability" means, at any time, the aggregate amount of all Advances and Banker's Acceptances;

(i) "Construction Certificate" means a certificate addressed to the Bank signed by the consulting engineer supervising

construction of the Third Methanol Plant (who shall be satisfactory to the Bank) or, if there is no such engineer, by both the chief financial officer of the Company and either the chief executive officer or the chief operating officer having day-to-day responsibility for the construction of the Third Methanol Plant certifying

(i) the percentage of Completion of the Third Methanol Plant which has been achieved on the date of such Certificate, determined in accordance with sound and generally accepted engineering practices and principles;

(ii) that the total cost (including, without limitation, interest costs prior to Completion, overhead, start-up costs and other similar expenses) of Completing the Third Methanol Plant will not exceed \$165,000,000 (Canadian) or, if such amounts will exceed \$165,000,000 (Canadian), the amount by which such amounts will exceed \$165,000,000 (Canadian); and

(iii) that the person or persons making the certificate understand that the Bank will make credit available to the Company under this Agreement in reliance upon the certificate;

(j) "Debenture" means a debenture of the Company substantially in the form of Schedule "A" attached hereto constituting, inter alia, a fixed charge over the three Methanol Plants, subject only to the permitted encumbrances therein listed;

(k) "Drawdown Date" has the meaning assigned in subsection 11(a);

- (l) "Event of Default" has the meaning assigned in section 22;
- (m) "Existing Methanol Plants" means the Company's two existing methanol manufacturing facilities located at Medicine Hat, Alberta;
- (n) "LIBO Basis" has the meaning assigned in section 15;
- (o) "LIBO Rate" means the London Interbank Eurodollar Offer Rate for United States Dollars;
- (p) "Note" means a promissory note of the Company substantially in the form set out in Schedule "B" attached hereto;
- (q) "Notice of Borrowing" has the meaning assigned in section 11;
- (r) "Prime Rate" means the rate of interest per annum from time to time established by the Bank as a reference rate of interest for the purposes of determining the rates of interest the Bank will charge on loans denominated in Canadian Dollars made in Canada to commercial customers of varying degrees of credit worthiness;

(s) "Reduction Date", means the last Business Day in the months of March, June, September and December in each year, commencing with the earlier of:

(i) March 31, 1983, and

(ii) the first such day falling after the first anniversary of the Completion of the Third Methanol Plant,

and ending on (and including) the 35th such day thereafter;

(t) "Rollover Day", means, with respect to a United States Dollar Advance on the LIBO Basis,

(i) the last day of the period commencing on (and including) the Drawdown Date for such Advance or the effective date of change of such Advance to the LIBO Basis and ending on a date which is one, two, three or six months or one, two, three, four or five years thereafter selected by the Company as the basis for determining the applicable LIBO Rate and notified to the Bank in accordance with subsection 11(f) or section 15, as the case may be, and

(ii) the last day of each subsequent period commencing on (but not including) the immediately preceding Rollover Day and ending on a date which is one, two, three or six months or one, two, three, four or five years thereafter selected by the Company or otherwise fixed as the basis for determining the applicable LIBO Rate in accordance with subsection 16(a);

(u) "Third Methanol Plant" has the meaning assigned in the second recital to this Agreement; and

(v) "United States Dollar Advance" means, at any time, the then outstanding amount of an advance made by the Bank to the

Company hereunder and evidenced by a Note denominated in United States Dollars.

2. Availability - The Bank agrees, on the terms and conditions hereinafter set forth, to establish a credit in favour of the Company in the amount of \$165,000,000 (Canadian). Drawdowns hereunder may be made either by way of Advances or Banker's Acceptances and may, in the case of Advances, be denominated in either Canadian Dollars or United States Dollars. Banker's Acceptances shall have a term of between 10 and 180 days and shall be denominated in Canadian Dollars. The Company may from time to time change:

(a) the form of part or all of the Company's Liability from an Advance to a Banker's Acceptance and vice versa;

(b) part or all of a United States Dollar Advance to a Canadian Dollar Advance and vice versa; and

(c) the basis upon which interest is calculated on part or all of a United States Dollar Advance from the Base Rate Basis to the LIBO Basis and vice versa;

all in accordance with subsection 11(i) and sections 14 and 15, respectively.

3. Purpose - The credit provided by the Bank to the Company hereunder shall be applied by the Company to the construction of the Third Methanol Plant.

4. Interest Rates - The Company shall pay interest on Advances as follows:

(a) Canadian Dollar Advances - With respect to Canadian Dollar Advances, at a floating rate of interest per annum equal from time to time to the sum of

(i) the Prime Rate; and

(ii) (A) prior to June 1, 1985, one-half of one percentage point, and

(B) on and after June 1, 1985, three-quarters of one percentage point; and

(b) United States Dollar Advances - With respect to each United States Dollar Advance, at the option of the Company, either

(i) at a floating rate of interest per annum equal from time to time to the sum of

(A) the Base Rate, and

(B) (1) prior to June 1, 1985, one-half of one percentage point, and

(2) on and after June 1, 1985, three-quarters of one percentage point; or

(ii) at a rate of interest per annum equal from time to time to the sum of the one, two, three or six month or

one, two, three, four or five year (at the Company's option, subject to availability) LIBO Rate, and

(A) prior to June 1, 1985 three-quarters of one percentage point, and

(B) on and after June 1, 1985, one percentage point.

5. Accrual and Payment of Interest - Interest shall accrue on each Advance from the Drawdown Date specified in the Notice of Borrowing given with respect to such Advance and shall be payable on the last Business Day of each month, commencing on the last Business Day of the month in which the Drawdown Date occurs, until all amounts owing hereunder with respect to such Advance have been paid. In the event of failure by the Company to pay any sum on the date on which such sum is expressed to be due and payable pursuant to this Agreement, the Company shall, on the last Business Day of each month, commencing on the last Business Day of the month in which such sum is due, pay interest to the Bank on such sum (whether principal, interest or other amount) from the date of such failure up to the date of actual payment (as well after as before judgment). Interest shall be payable in the currency or currencies in which it accrues at the main branch of the Bank at Edmonton, shall accrue from day to day, and shall be computed

(a) with respect to that part of the liability of the Company to the Bank hereunder which is denominated in

Canadian Dollars, at the interest rate for Canadian Advances specified in subsection 4(a) and on the actual number of days elapsed and the number of calendar year in which each such elapsed day fall

(b) with respect to that part of the liability of Company to the Bank hereunder which is denominated in States Dollars,

(i) in the case of an Advance or interest the interest rate applicable to such Advance

(ii) in the case of any other amount at the

and on the basis of the actual number of days elapsed on a 360-day year.

6. Banker's Acceptance Fees - Upon acceptance of the Bank hereunder, the Company shall pay to the Bank an amount calculated as follows:

(1) Multiply the applicable Commission Rate by the amount of the draft.

(2) Multiply the result obtained in (1) by the number of days from (and including) the date of acceptance of the draft by the Bank to (and including) the maturity date of such draft.

(3) Divide the result obtained in (2) by 365.

For the purposes of this section 6, "Commission Rate" means one-half of one percent with respect to any day prior to

1985 and three-quarters of one percent with respect to any day after May 31, 1985. If prior to June 1, 1985 a draft having a maturity date after May 31, 1985 is accepted by the Bank, the fee shall be calculated separately for the portions of the term of the draft which fall before June 1, 1985 and after May 31, 1985, respectively, giving effect in each case to the applicable Commission Rate.

7. Standby Fee - In addition to the interest and fees payable hereunder, the Company shall pay to the Bank in Canadian Dollars a standby fee at the rate of 1/8 of 1% per annum on the undrawn and uncanceled portion of the \$165,000,000 (Canadian) credit facility hereby established. The standby fee shall be calculated daily from June 1, 1980 and shall be paid by the Company monthly on the last day of each month.

8. Mandatory Reduction of the Company's Liability - Subject as hereinafter in this section 8 provided, the Company's Liability shall be reduced in 36 equal consecutive quarterly amounts, commencing on the first Reduction Date. The amount of the reduction of the Company's Liability in each currency to be made on each Reduction Date shall be the amount obtained when the Company's Liability in such currency immediately prior to the first Reduction Date is divided by 36 and effect is given to any early reduction made by the Company pursuant to section 9, to any

currency change made by the Company pursuant to section 14 and to any drawdown made on or after the first Reduction Date for a purpose other than any of the purposes referred to in subsection 11(g), (h) and (i). When making drawdowns hereunder, changing the form of any part or all of the Company's Liability in accordance with subsection 11(i), making a currency change in accordance with section 14 or changing the basis upon which interest is calculated on a United States Dollar Advance in accordance with section 15, the Company shall ensure that the maturities selected are consistent with the foregoing reduction requirements and with subsection 16(e) and section 21. The reduction in the Company's Liability in each currency on each Reduction Date required hereunder shall be applied, in the case of United States Dollars to United States Dollar Advances, and, in the case of Canadian Dollars to Canadian Dollar Advances and to Banker's Acceptances, in the manner notified to the Bank by the Company on such Reduction Date. Failing such notice such reduction shall be applied in the manner determined by the Bank. A reduction to be applied to an Advance shall be made by payment to the Bank of the amount of such reduction in the currency of such Advance at the main branch of the Bank in Edmonton. A reduction to be applied to a Banker's Acceptance shall be made by presentation to the Bank at the same place of evidence satisfactory to the Bank that such Banker's Acceptance has been paid in full by the Company. In the event of a drawdown hereunder being made on or after the first

Reduction Date for a purpose other than any of the purposes set forth in subsection 11(g), (h), or (i), the amount of the reduction of the Company's Liability in the currency of such drawdown which is required to be made on each Reduction Date on or after the Drawdown Date for such drawdown shall be increased by the amount obtained when the amount of such drawdown is divided by the number of such Reduction Dates.

9. Early Reduction of the Company's Liability - The Company's Liability may be reduced by the Company more rapidly than required by the mandatory reduction schedule provided for in section 8, subject to the following conditions:

(a) The Company shall give the Bank at least 10 days' notice of its intention to make an early reduction, designating the Advances or Banker's Acceptances to which the early reduction is to be applied and the date on which it is to be made. A notice of early reduction given to the Bank shall be irrevocable and shall commit the Company to make such reduction on the date therein specified;

(b) The amount of the early reduction shall be a whole multiple of \$500,000 in Canadian Dollars or United States Dollars, as the case may be;

(c) If the early reduction is to be applied to a United States Dollar Advance on the LIBO Basis, the date specified in the notice of early reduction shall be a Rollover Day for such Advance;

(d) If the early reduction is to be applied to a Banker's Acceptance the date specified in the notice of early reduction shall be the maturity date of such Banker's Acceptance;

(e) The Company shall specify in the notice of early reduction, at its option, that the amount of the early reduction is to be applied either

(i) to reduce the remaining mandatory reduction obligations under section 8 in inverse chronological order of the Reduction Dates on which such mandatory reductions are to be made, or

(ii) to reduce each remaining mandatory reduction obligation by an equal amount.

In the event that the Company fails to specify a choice, the early reduction shall be applied to reduce the remaining mandatory reduction obligations in inverse chronological order of the Reduction Dates on which such mandatory reductions are to be made; and

(f) An early reduction shall be without fee if it:

(i) is made out of funds

(A) generated from the Company's operations,

(B) resulting from a claim under a policy of insurance,

(C) received in consideration of the issue of shares by the Company, or

(ii) is made

(A) within 30 days of the refusal of the Bank to give its consent to a change in the voting control of the Company referred to in subsection 22(c), or

(B) in respect of a United States Dollar Advance on the LIBO Basis following a change referred to in subsection 16(b) or a change in circumstances (but not a change in applicable laws) referred to in paragraph 16(c)(ii) on a Rollover Day for such Advance or, if such Advance has been converted to the Base Rate Basis pursuant to subsection 16(c) following a change in circumstances referred to in paragraph 16(c)(ii), within 30 days following the effective date of such conversion.

Otherwise a fee shall be due and payable by the Company on the date specified in the notice of early reduction. The amount of such fee shall be determined as follows for, and shall be payable in, each currency to which the early reduction is to be applied:

(1) Determine the amount by which, as a result of the early reduction, the amount of the mandatory reduction obligation under section 8 on each remaining Reduction Date will be reduced.

(2) In respect of each remaining Reduction Date, multiply the amount, if any, determined under (1) for such Reduction Date by 0.0025 and multiply the result so obtained by the quotient obtained when

(a) the number of days from (and including) the date of such early reduction to (but excluding) such Reduction Date

is divided by

(b) 365.

(3) The fee shall be the sum of the amounts determined under (2) for each of the remaining Reduction Dates.

10.

Security -

(1) As security for the due and prompt performance of its obligations hereunder and under all Notes and all Banker's Acceptances, the Company shall execute and deliver to the Bank the Debenture, at or before the time of the first drawdown.

(2) At any time after the total indebtedness of the Company to the Bank pursuant to the income debenture dated November 10, 1978 has been paid in full and the total principal amount owing by the Company to the Bank pursuant hereto is not more than \$85,000,000 (Canadian), the Bank shall, at the request and expense of the Company, take such steps as are, in the opinion of

counsel to the Bank, necessary to release the security interest of the Bank in the Existing Methanol Plants, provided that;

(a) the Bank shall have received a certificate dated not more than seven days prior to the day upon which such security interest is to be released and signed by two officers of the Company, one of whom shall be the chief financial officer, certifying that no Event of Default or condition or event which, after notice or lapse of time or both, would constitute an Event of Default, has occurred and is continuing; and

(b) in the reasonable opinion of the Bank, the land on which the three Methanol Plants are situated has been apportioned between the Existing Methanol Plants and the Third Methanol Plant in a manner which is not prejudicial to the Bank.

11. Drawdowns - Subject to sections 12 and 13, funds shall be advanced and drafts shall be accepted by the Bank at its main branch in Edmonton on any Business Day during the period from the date hereof to and including December 31, 1983 on notice from the Company to the Bank. Such notice (a "Notice of Borrowing") shall:

(a) specify the Business Day (the "Drawdown Date") on which the drawdown is to take place and the principal amount of the proposed drawdown (which shall be a whole multiple of \$500,000 in Canadian Dollars or United States Dollars, as the case may be);

(b) be irrevocable;

(c) specify whether the drawdown is to be by way of an Advance or a Banker's Acceptance;

(d) if the drawdown is to be by way of an Advance, specify whether the Advance is to be a Canadian Dollar Advance or a United States Dollar Advance;

(e) if the drawdown is to be by way of a United States Dollar Advance, state whether it is to be on the Base Rate Basis or the LIBO Basis;

(f) if the drawdown is to be by way of a United States Dollar Advance on the LIBO Basis, state whether a one, two, three or six month, or, if available, a one, two, three, four or five year LIBO Rate is selected as the LIBO Rate applicable to such Advance for the corresponding period commencing on (and including) the Drawdown Date; and

shall commit the Company to make such borrowing on the Drawdown Date specified therein subject to the terms and conditions herein set forth. A Notice of Borrowing in respect of a drawdown described in subsection 11(f) for which a LIBO Rate of one year or longer is selected shall be given to the Bank at least 5 full Business Days prior to the relevant Drawdown Date. All other Notices of Borrowing shall be given to the Bank at least 3 full Business Days prior to the relevant Drawdown Date. Notwithstanding section 25, a Notice of Borrowing shall not be effective until received by the Bank. If the Company in a Notice of Borrowing

selects a LIBO Rate of one year or longer in respect of an Advance described in subsection 11(f) and the Bank, in its absolute discretion, determines that deposits of United States dollars of the amount and term specified in the Notice of Borrowing are not available to the Bank, the Bank shall notify the Company before 12:00 o'clock noon (Edmonton time) on the third Business Day prior to the Drawdown Date specified in the Notice of Borrowing that the LIBO Rate selected by the Company in the Notice of Borrowing is not available, whereupon the Company shall be permitted, notwithstanding subsection (b), to withdraw the Notice of Borrowing prior to 12:00 o'clock noon (Edmonton time) on the Business Day prior to the Drawdown Date specified in the Notice of Borrowing and, failing such withdrawal, the Company shall be deemed to have selected the Base Rate Basis in the Notice of Borrowing. If the Company wishes to make a drawdown in more than one form or currency or on more than one interest rate basis, a separate Notice of Borrowing shall be given in respect of each option selected. After December 31, 1983 the Company shall have no right to make a drawdown hereunder except for a drawdown made before the last Reduction Date:

(g) for the purpose of funding the repayment of Banker's Acceptances, other than Banker's Acceptances referred to in a notice of reduction or early reduction, as and when such Banker's Acceptances mature;

(h) for the purpose of making a currency change in accordance with section 14; or

(i) for the purpose of changing, on not more than 30 occasions, the form of part or all of the Company's Liability from an Advance to a Banker's Acceptance or vice versa, in which case

(i) the Notice of Borrowing shall so state and shall specify the Advances or Banker's Acceptances which are to be affected by the change,

(ii) if an Advance is to be drawn down to fund repayment of a Banker's Acceptance, the Drawdown Date shall be the maturity date of such Banker's Acceptance and

(iii) if a draft is to be accepted by the Bank to fund reduction of a United States Dollar Advance on the LIBO Basis, the Drawdown Date shall be a Rollover Day for such Advance.

12. Conditions Precedent to First Drawdown - The obligation of the Bank to make the first drawdown under section 11 shall be subject to the following conditions precedent:

(a) the Debenture shall have been executed and delivered by the Company and shall have been registered and recorded in such public offices in such places as shall, in the opinion of Messrs. McCuaig Desrochers, be necessary to perfect, preserve and protect the security interest of the Bank therein provided for;

(b) the Bank shall have received evidence satisfactory to the Bank that the Company is a party to contracts in standard chemical industry form for the sale of at least 50% of the projected production of methanol from the Existing Methanol Plants for the period of 12 months following the first Drawdown Date;

(c) the Bank shall have received evidence reasonably requested by the Bank to satisfy it that all necessary action has been taken by the Company to make this Agreement, the Notes and the Debenture valid and binding obligations upon it and such additional supporting documents as the Bank may reasonably request;

(d) the Bank shall have received a favourable opinion of counsel for the Company, Messrs. Milner & Steer, dated the first Drawdown Date, confirming the representations and warranties set out in section 20 hereof (other than in subsection 20(e)) and to the effect that this Agreement and any Note being delivered at the first drawdown have been duly executed and delivered on behalf of the Company and as to such other matters as the Bank may reasonably request;

(e) the Bank shall have received a favourable opinion of Messrs. McCuaig Desrochers, dated the first Drawdown Date, as to such matters as the Bank may reasonably request; and

(f) the Bank shall have received a certificate signed by two officers of the Company, one of whom shall be the chief financial officer, stating that to the best of their knowledge and belief, after having made a careful enquiry, the representations and warranties contained in section 20 hereof are true and correct as of the first Drawdown Date and no Event of Default or condition or event which, after notice or lapse of time or both, would become an Event of Default, has occurred and is continuing.

13. Conditions Precedent to All Drawdowns - The obligation of the Bank to advance funds or to accept a draft on any Drawdown Date (including the first Drawdown Date) is subject to the conditions precedent that on or before such Drawdown Date,

(a) if the drawdown is to be by way of an Advance, the Company shall have executed and delivered to the Bank a Note in the currency and principal amount of such Advance;

(b) if the drawdown is to be by way of a Banker's Acceptance, the draft presented for acceptance shall be in the Bank's customary form;

(c) the aggregate of

(i) the Company's Liability, and

(ii) the amount outstanding under the revolving credit which has been provided to the Company by the Bank pursuant to a letter agreement dated June 25, 1980,

after giving effect to the drawdown and the use thereof to be made by the Company, shall not exceed \$165,000,000 (Canadian);

(d) the Company shall have delivered to the Bank a Construction Certificate dated not more than thirty-one days prior to the Drawdown Date; and

(e) searches for liens, charges (whether fixed or floating) and encumbrances conducted against the property of the Company subject to the charges created by the Debenture shall have revealed no such liens, charges or encumbrances other than the permitted encumbrances referred to in the schedule to the Debenture and such other liens, charges or encumbrances as may be permitted by the Bank.

For the purposes of determining compliance with the condition (c), United States Dollar Advances shall be equated to Canadian Dollars at the Bank's noon buying rate for United States Dollars in Toronto on the second Business Day immediately preceding the Drawdown Date.

14. Currency Change - Once during each calendar quarter the Company may give a Notice of Borrowing in accordance with section 11 for the purpose of changing part or all of a Canadian Dollar

Advance to a United States Dollar Advance or vice versa. A Notice of Borrowing given for this purpose shall, in addition to setting forth the matters referred to in section 11;

(a) state, in substance, that the Notice of Borrowing is given pursuant to this section 14, and

(b) irrevocably direct the Bank to apply the amount to be drawn down to the reduction of the Advance which is denominated in the currency other than the currency in which the drawdown is to be denominated,

and if the Advance to be reduced is a United States Dollar Advance on the LIBO Basis, the Notice of Borrowing shall specify a Drawdown Date which is the Rollover Day for such Advance. With the exception of subsections 13(c) and (d), section 13 shall apply to a drawdown made pursuant to a Notice of Borrowing given pursuant to this section. The change from one currency to another of the funds drawn down shall be made by the Bank at its noon buying rate for the currency in which the drawdown is to be denominated on the second Business Day immediately preceding the Drawdown Date. At the time of each currency change in accordance with this section, the amount by which the Company's Liability in each currency is required to be reduced under section 8 on each then remaining Reduction Date shall be adjusted by the Bank to give effect to the currency conversion. Such adjustment shall be made as follows:

(1) Assign to each remaining Reduction Date that part of the amount changed from one currency to another (expressed in the currency (the "Changed Currency") from which the change was made) which is the same proportion of the whole amount so changed as

(a) the amount of the mandatory reduction obligation under section 8 in the Changed Currency on such Reduction Date prior to the change

is of

(b) the Company's Liability in the Changed Currency prior to the change.

(2) Decrease the mandatory reduction obligation under section 8 on each remaining Reduction Date in the Changed Currency by the amount assigned to such Reduction Date under (1).

(3) Increase the mandatory reduction obligation under section 8 on each remaining Reduction Date in the currency to which the change was made by the amount assigned to such Reduction Date under (1), converted to such currency at the rate referred to above.

In the absence of manifest error, any revised mandatory reduction schedule determined by the Bank following a currency change as aforesaid shall be conclusive and binding on the Company.

15. Change in United States Dollar Advance Interest Rate Basis - Once in any calendar month the Company may elect to change the interest rate basis of a part or all of a United States Dollar Advance from the basis set out in paragraph 4(b)(i) (the "Base Rate Basis") to the basis set out in paragraph 4(b)(ii) (the "LIBO Basis"), or vice versa, provided that a change in the basis of an Advance from the LIBO Basis to the Base Rate Basis may only be made on a Rollover Day for the Advance. If a change is to be made from the Base Rate Basis to the LIBO Basis, the notice of election given by the Company pursuant to this Section 15 shall state whether the one, two, three or six month or one, two, three, four or five year LIBO Rate is selected as the LIBO Rate applicable during the corresponding period commencing on (and including) the effective date of the change. The Company shall give the Bank at least 5 full Business Days' notice of an election to change the interest rate basis to the LIBO Basis and to select a LIBO Rate of one year or longer. The Company shall give the Bank at least 3 full Business Days' notice of any other election made pursuant to this section 15. If the Company elects a LIBO Rate of one year or longer, and the Bank, in its absolute discretion, determines that deposits of United States dollars of the term and amount specified in the notice of election are not available to the Bank, the Bank shall notify the Company before 12:00 o'clock noon (Edmonton Time)

on the third Business Day prior to the effective date of the change proposed in the notice of election that the LIBO Rate specified in the notice of election is not available. In such event, until the Company delivers to the Bank a new notice of election, the interest rate basis for the subject Advance shall remain unchanged. On the effective date of a notice received by the Bank pursuant to this section 15, the Bank shall make a notation giving effect to such notice on the Note evidencing the Advance in respect of which the notice was given.

16. LIBO Basis Advances - With respect to each United States Dollar Advance which is from time to time on the LIBO Basis:

(a) Selection of LIBO Period - The Company shall give notice to the Bank, at least 3 full Business Days prior to each Rollover Day for a United States Dollar Advance on the LIBO Basis, selecting one of the one, two, three or six month LIBO Rate or, at least 5 full Business Days prior to each Rollover Day and subject to availability, selecting one of the one, two, three, four or five year LIBO Rate as the LIBO Rate applicable to such Advance for the corresponding period commencing on (but not including) such Rollover Day and, if such notice is not received by the Bank as aforesaid, the Company shall be deemed to have selected the six month LIBO Rate;

(b) Change In Law - In the event that a change shall occur in any applicable law, regulation or directive (whether or not having the force of law) issued by any government, central bank, fiscal or foreign exchange authority, or in the interpretation thereof by any governmental or other authority charged with the administration thereof, which change shall effectively impose on the Bank any reserve requirement or other condition of any kind whatsoever, the result of which shall be to increase the cost to the Bank of maintaining a United States Dollar Advance on the LIBO Basis, then the Company shall pay to the Bank upon demand such additional interest as the Bank shall certify (such certification to be conclusive and binding upon the Company, save for any manifest error) to be necessary to compensate the Bank for such increased cost. The provisions of this subsection 16(b) do not apply to taxes levied or imposed on the overall net income of the Bank in the United Kingdom, the United States or Canada;

(c) Absence of LIBO Rate - If

(i) on the second Business Day prior to any Rollover Day for a United States Dollar Advance on the LIBO Basis deposits of United States dollars of the term and amount to be funded by the Bank hereunder on such Rollover Day are not available to the Bank, or

(ii) the Bank, in accordance with its normal banking procedures, determines that by reason of any material and adverse change in applicable laws or circumstances

that the London Eurodollar Interbank market is no longer appropriate as a means of determining the rate of interest on such Advance,

the Bank shall give notice of such fact to the Company at least one Business Day prior to the Rollover Day affected thereby, and the basis for the interest rate on such United States Dollar Advance shall, from (but not including) such Rollover Day, be the Base Rate Basis;

(d) LIBO Rate of One Year or Longer - If the Company in a notice delivered pursuant to subsection 16(a) selects a LIBO Rate of one year or longer, and the Bank in its absolute discretion, determines that deposits of United States Dollars of the term and amount specified in the notice are not available to the Bank, the Bank shall notify the Company before 12:00 o'clock noon (Edmonton time) on the third Business Day prior to the Rollover Day that the LIBO Rate selected in the notice is not available. In such event, the interest rate basis for such Advance shall, from (but not including) such Rollover Day, be the Base Rate Basis, but such change shall be in addition to any election which may be made by the Company under section 15 in the calendar month in which such change occurs; and

(e) Reductions - No mandatory reduction or early reduction of the Company's Liability may be applied to a United States Dollar Advance on the LIBO Basis except on a Rollover Day for such Advance.

17. Positive Covenants of the Company - The Company covenants with the Bank that, so long as any amount remains unpaid on any Advance or Banker's Acceptance or in respect of any interest or fee payable hereunder:

(a) Corporate Existence, Business, Insurance - The Company shall maintain its corporate existence and all licences and authorizations from regulatory or governmental authorities or agencies required in order to permit it to carry on its business; diligently carry on and conduct its business only in the ordinary course and in a proper, efficient and business like manner; maintain in force with reputable insurance companies, policies of insurance (including liability insurance) of types and in amounts normally maintained by companies carrying on like businesses; and pay all taxes when due unless such taxes are, in good faith, under dispute;

(b) Inspection - At any time and from time to time when the Bank has reasonable grounds to believe that an event has occurred or that a condition exists which either constitutes an Event of Default or, but for the giving of notice or the passage of time, or both, would constitute an Event of Default, the Company shall, and the Company shall cause its subsidiaries to, upon the request of the Bank, permit the Bank, for the purposes of this Agreement or any other

agreement or document herein provided for, by its agents, employees and representatives, to examine during normal business hours, all relevant books of account, records, reports and other papers of any such corporation to which such Event of Default, event or condition relates and to make copies thereof and to take extracts therefrom, provided that all such information shall be held confidential by the Bank;

(c) Completion of the Third Methanol Plant - The Company shall use its best efforts to ensure that the Third Methanol Plant is Completed prior to April 1, 1983;

(d) Maintain Current Ratio - The Company shall at all times maintain a Current Ratio which is not less than 1.3. For the purposes of this subsection 17(d), "Current Ratio" means, with respect to the Company at any time, the amount obtained when the amount of the current assets of the Company is divided by the amount of the current liabilities of the Company, provided that for the purposes of determining the Current Ratio at any time:

(i) both current assets and current liabilities shall be computed on the same basis, whether consolidated or unconsolidated, at the option of the Company;

(ii) both current assets and current liabilities shall be determined in accordance with generally accepted accounting principles except that current liabilities shall not include the current portion of long term debt; and

(iii) if current assets are calculated on an unconsolidated basis, there shall be excluded therefrom all amounts due from subsidiaries of the Company;

(e) Sales Contracts - Commencing March 31, 1983, the Company shall at all times be a party to contracts for the sale of at least 50% of the projected production of methanol from all three Methanol Plants for the ensuing period of 12 months, such contracts to be in a form and to contain terms satisfactory to the Bank and the projected production of methanol to be computed in a manner satisfactory to the Bank;

(f) Cost Overruns - In the event that any Construction Certificate delivered to the Bank shall indicate that the total cost to the Company of Completing the Third Methanol Plant will exceed \$165,000,000 (Canadian), the Company shall, prior to or contemporaneously with the giving of any further Notices of Borrowing, expend on the construction of the Third Methanol Plant funds derived from its operations in an amount equal to such excess; and

(g) Payment of Bank's Expenses - Whether or not the transactions contemplated by this Agreement are completed, the Company shall pay to the Bank on demand all out-of-pocket expenses incurred by the Bank and its special counsel and the fees of the Bank's special counsel in respect of services rendered in connection with the preparation, negotiation and

settlement of this Agreement and all other documentation provided for or contemplated hereby or thereby, in connection with any amendment or waiver of any term hereof or thereof and in connection with the protection and enforcement of any of the rights and remedies of the Bank hereunder or thereunder or contemplated hereby or thereby.

18. Negative Covenants of the Company - The Company covenants with the Bank that, so long as any amount remains unpaid on any Advance or any Banker's Acceptance or in respect of any interest or fee payable hereunder, except with the prior written consent of the Bank (such consent not to be unreasonably withheld):

(a) Capital Expenditures - The Company shall not, in any fiscal year, either make or commit itself to make capital expenditures in an amount which exceeds \$15,000,000 (Canadian); and

(b) Encumber Charged Property - The Company shall not create or suffer to exist any lien, charge (whether fixed or floating) or encumbrance on or against the property of the Company subject to the charges created by the Debenture except for the permitted encumbrances referred to in the schedule to the Debenture.

19. Reporting Requirements - The Company covenants with the Bank that, so long as any amount remains unpaid on any Advance or any Banker's Acceptance or in respect of any interest or fee payable hereunder:

(a) Financial Reports and Compliance Certificate - The Company shall

(i) as soon as is possible, and in any event within 40 days after the end of each fiscal quarter, excluding the fourth quarter, deliver to the Bank a Compliance Certificate (as hereinafter defined) and unaudited quarterly financial statements of the Company consisting of a balance sheet and statements of income and retained earnings and a statement of sources and uses of funds, certified by two officers of the Company, one of whom shall be the chief financial officer of the Company, as being correct and as having been prepared on the basis provided for in, and as meeting the requirements of, this subsection 19(a), and

(ii) as soon as is possible, and in any event within 90 days after the end of its fiscal year deliver to the Bank, its audited financial statements for such fiscal year;

provided that the financial information delivered to the Bank pursuant to paragraphs (i) and (ii) of this subsection 19(a) shall be

(iii) prepared on both a consolidated and non-consolidated basis; and

(iv) prepared in accordance with generally accepted accounting principles (except with respect to consolidation in the case of information provided on a non-consolidated basis), and shall present fairly the financial condition and the results of operations of the Company at and to the end of the period for which such information is prepared; and

for the purposes of this subsection 19(a), "Compliance Certificate" means a certificate dated not more than seven days prior to the day upon which it is delivered to the Bank in accordance with this subsection 19(a), executed on behalf of the Company by two officers of the Company, one of whom shall be the chief financial officer of the Company, certifying that,

(v) except as previously disclosed by it to the Bank the Company has complied with all covenants, conditions or other requirements contained in this Agreement, or in any other agreement or document herein provided for, non-compliance with which would, with the giving of notice or the passage of time, or both, constitute an Event of Default; and

(vi) the Company is not aware of the existence of any Event of Default or any event or condition which, but for the giving of notice or the passage of time, or both, would constitute an Event of Default or, if it is aware of the existence of any such Event of Default, event or condition, specifying all relevant particulars thereof, the period of existence thereof and the action which the Company proposes to take with respect thereto; and

(b) Construction Reports - Prior to Completion of the Third Methanol Plant the Company shall, as soon as possible and in any event within 30 days following the end of each fiscal quarter, including the fourth quarter, provide to the Bank a progress report on the construction of the Third Methanol Plant in form and substance satisfactory to the Bank.

20. Representations and Warranties of the Company - The Company represents and warrants to and agrees with the Bank that:

(a) Incorporation - The Company is a corporation incorporated by memorandum of association dated September 27, 1972, and is duly incorporated and organized and validly subsisting and in good standing under the laws of Alberta;

(b) Corporate Power and Qualification - The Company

(i) has full corporate power and capacity to own or lease its properties, including, without limitation, the three Methanol Plants, and to carry on its business as conducted on the date hereof,

(ii) is duly qualified to do business under the laws of the Province of Alberta, and

(iii) holds all licences and authorizations from regulatory or governmental authorities or agencies required in order to permit it to own, lease and operate all of its properties, including, without limitation, the three Methanol Plants, and to carry on its business, as conducted on the date hereof;

(c) Corporate Authority and Authorization - The Company has full power, legal right and corporate authority to enter into and perform its obligations under, and has taken all necessary corporate action to authorize the execution, delivery and performance of, this Agreement, the Notes and the Debenture and any other instruments and agreements contemplated hereby, and no such action requires the consent or approval of any regulatory authority or governmental authority or agency having jurisdiction over the Company;

(d) Violation of Other Instruments - Neither the execution and delivery of this Agreement by the Company nor the

consummation of the transactions contemplated hereby does or will violate or constitute a breach of or a default under any indenture, mortgage, lease, agreement, instrument, charter or by-law provision, statute, regulation, judgment, decree, order, permit or law to which the Company is a party or by which the Company or any of its properties or rights is bound or affected; nor will such execution, delivery, or consummation result either in acceleration in the time for performance of any obligation by the Company or in the creation of any lien or encumbrance upon any of its properties or rights;

(e) Default Under Obligations - The Company is not in default in any material respect (nor has any event occurred which, but for the passage of time or the giving of notice, or both, would constitute such a default) under any material obligation or under any licence or permit to own and/or operate material properties or assets or to carry on its business as conducted on the date hereof;

(f) Litigation - There are no suits, actions, litigation, arbitrations or governmental proceedings (including without limitation, any order or compliance schedule relating to the protection of the environment) pending or, to the best of the knowledge of the Company, threatened against the Company or any of the Company's subsidiaries or any of their respective

properties or rights, nor are any of them or any of their respective properties or rights subject to or affected by any existing judgment, order or decree or other governmental action or proceedings pending or, to the best of the knowledge of the Company, threatened against any such corporation which, in any case, might materially and adversely affect the Company in the operation of its business or any of its properties or rights or which would prevent, hamper or make illegal the transactions contemplated by this Agreement;

(g) Title To Methanol Plants - The Company has a good title to the real property upon which each of the three Methanol Plants is or is to be situate, and all improvements upon such real property (including, without limitation, the Existing Methanol Plants), free from all encumbrances other than the security interests in the Existing Methanol Plants which have been created in favour of the Bank and the permitted encumbrances referred to in the schedule to the Debenture;

(h) Requisite Permits for Third Methanol Plant - The Company has obtained all permits, licenses, consents and other authorizations, whether from governments, regulatory or other public bodies or from private persons, necessary in order to proceed with and complete the construction of, and to operate, the Third Methanol Plant; and

(i) Enforceability - This Agreement constitutes, and each Note and the Debenture, when executed and delivered in accordance herewith, will constitute, a valid and legally binding obligation of the Company enforceable against the Company in accordance with the terms thereof, except (i) to the extent that enforceability may be limited by applicable bankruptcy or insolvency or other laws affecting creditors' rights generally and (ii) to the extent that the remedies of specific performance and injunction, being equitable remedies, may only be granted in the discretion of a court.

All representations and warranties of the Company contained herein, and all representations and warranties contained in any certificate or other document furnished or to be furnished hereunder, are material and shall be deemed to have been relied upon by the Bank notwithstanding any investigation heretofore or hereafter made by the Bank or by its special counsel or by any other representative of the Bank and shall survive the Drawdown Dates and continue in full force and effect for the benefit of the Bank so long as any amount remains unpaid on any Advance or any Banker's Acceptance or in respect of any interest or fee payable hereunder. All such representations and warranties shall be deemed to be given at and as of each Drawdown Date with the same effect as if made on and as of such date.

21. Covenants of the Company Relating To Banker's

Acceptances - The Company covenants with the Bank:

(a) to provide for each Banker's Acceptance by payment to the Bank of the full amount thereof at the Bank's main office in the city where the Banker's Acceptance is payable

(i) at its maturity, or

(ii) prior to such maturity upon the Bank's demand to the Company upon the occurrence and during the continuance of an Event of Default;

(b) that any amount due to the Bank under subsection (a) and not recovered out of such provision shall be immediately payable by the Company to the Bank together with interest thereon calculated and payable monthly at the interest rate for Canadian Dollar Advances specified in subsection 4(a) from the date of maturity of the draft until the payment in full of such amount, all in accordance with section 5; and

(c) that the Company shall not claim from the Bank any days of grace for the payment at maturity of any Banker's Acceptances.

Notwithstanding section 3, the proceeds of the sale by the Company of Banker's Acceptances may be applied to the repayment, on the due date thereof, of any other Banker's Acceptance (other than a Banker's Acceptance referred to in a notice of reduction or early

reduction). No mandatory reduction or early reduction of the Company's Liability shall be applied to a Banker's Acceptance except on the maturity date thereof.

22. Acceleration Upon Default - Upon the occurrence and during the continuance of any of the following events, each of which is an "Event of Default", the full amount of all Advances and the amounts referred to in subsection 21(a) shall, at the option of the Bank, become due and payable together with all interest thereon, and upon such Advances and the amounts referred to in subsection 21(a) being declared to be due and payable, the security therefor shall become enforceable:

(a) Failure by the Company to make any payment on account of any fee or interest payable hereunder or to make any reduction in the Company's Liability, in any such case, within 15 days of the date upon which such payment was due or such reduction was required to be made, as the case may be;

(b) If any representation or warranty made in this Agreement or in any document, report, statement, certificate or other instrument furnished to the Bank pursuant to this Agreement or any such other instrument shall prove to have been false or to have otherwise failed to deal with any material particulars, in either case, so as to have made such instrument materially misleading upon the date when made or deemed to be made;

(c) If, without the prior written consent of the Bank (such consent not to be unreasonably withheld) the number of shares of the Company or the aggregate number of votes attached to all outstanding shares of the Company beneficially owned by either NOVA, AN ALBERTA CORPORATION or, directly or indirectly, by Carma Developers Ltd. shall be less than 40% of the total number of shares of the Company then outstanding or the total number of votes then exercisable, as the case may be;

(d) If in any fiscal year of the Company, commencing with its fiscal year beginning in 1984;

(i) the amount of the net income of the Company for such fiscal year, computed without making any deduction or inclusion for taxes on income or capital gains or losses, interest on borrowed money, depreciation or extraordinary items;

is less than 1.5 times the sum of the following amounts:

(i) the sum of the amount of interest accrued hereunder, the amount of fees payable under section 6 and the amount of interest and other similar fees paid or payable by the Company (computed for the same fiscal year), and

(ii) the amounts of the reductions in the Company's Liability required to be made pursuant to section 8 on each Reduction Date falling within such fiscal year and all other payments required to be made by the Company during such fiscal year on account of the principal amount of borrowed money;

(e) If the Third Methanol Plant is not Completed prior to April 1, 1983 or, prior to that date, the Company abandons the project;

(f) If any event of default shall occur under any other obligation of the Company for or in respect of borrowed money pursuant to which the amount owing by the Company is in excess of one million dollars (Canadian) and such event of default shall not be cured within 15 days of the date of occurrence thereof;

(g) If final judgment shall be rendered against the Company for the payment of an amount of money in excess of \$100,000 (Canadian) and such judgment shall not have been discharged or there shall not have been procured a stay of execution thereon, in either case within 30 days from the entry thereof;

(h) The taking by the Company, or any subsidiary of the Company of any of the following actions without the prior written approval of the Bank:

(i) the making by any such corporation of an assignment or any proposal for the benefit of its creditors under applicable insolvency legislation,

(ii) the filing or presentation of a bankruptcy or similar petition by any such corporation in respect of itself, or

(iii) the procuring of a judgment or order ordering a reorganization, arrangement or composition of or with respect to any such corporation or its debts or obligations;

(i) The presentation or filing of a bankruptcy or similar petition with respect to bankruptcy or insolvency of the

Company, or any subsidiary of the Company by any person or the deeming of any such corporation to be bankrupt or bound by a proposal in bankruptcy, or the appointment of a custodian or receiver or receiver and manager or other official with similar power (whether or not pursuant to a court order) for all or a substantial portion of the properties or assets of any such corporation unless, in any such event, the same is opposed in good faith by appropriate proceedings, and unless during the 60 days following such presentation or filing such proceedings are dismissed or stayed;

(j) If the auditor's report included in any financial statements delivered pursuant to the provisions hereof contains any qualification which, in the reasonable opinion of the Bank, is both material and adverse;

(k) If the Company shall default in compliance with any term or condition of any permit, licence, consent or authorization referred to in subsection 20(h) which, in the opinion of the Bank, would materially and adversely affect either the Completion of the Third Methanol Plant by April 1, 1983 or the operation of the Third Methanol Plant or its production of methanol; or

(1) If the Company shall default in the performance or observance of any of its other covenants or obligations hereunder or under the Debenture or any other term hereof or thereof shall be breached and such default or breach shall not be remedied or rectified within 15 days from the date of such default.

23. Cancellation By Company - The Company may, by notice given to the Bank, reduce, by amounts which are a whole multiple of \$1,000,000 (Canadian), the maximum amount of the credit hereby agreed to be provided by the Bank to the Company. Any such notice so given shall, without more, amend the commitment of the Bank under section 2.

24. Non-Business Days - In the event that any action, including the making of any payment to the Bank, is required or permitted to be taken hereunder on a day other than a Business Day, then such action shall be taken on the next succeeding day that is a Business Day and, in the case of a payment, shall include interest payable in respect of the days by which the time for the making of such payment has been extended.

25. Notice -

(a) Any notice, request, demand or other communication between the parties hereto for the purposes hereof shall be duly given or made when communicated, by one of the forms of

communication listed in subsection 25(b), to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Agreement at the address of such party as such party may from time to time designate to the other party.

(b) The forms of communication referred to in subsection 25(a) and the time at which a communication in any such form shall be deemed, for the purposes of this Agreement, to have been received, are:

(i) prepaid registered mail, the third Business Day following the date of mailing;

(ii) telex, the Business Day following the date of sending;

(iii) telegram or cable, the Business Day following the date of sending; and

(iv) personal delivery in writing to a senior officer of the addressee, the Business Day of actual receipt; and

in the event of the interruption, for any reason, of any one or more of the modes of communication listed above the parties shall use a mode of communication which is not so interrupted with the intent that a mode of communication will be used which will give the addressee timely notice of the communication.

(c) The address and telex number of the Company is, until otherwise advised to the Bank:

ALBERTA GAS CHEMICALS LTD.  
11456 Jasper Avenue,  
Suite 400,  
Edmonton, Alberta T5K 0M1

Attention: Chairman and Chief Executive Officer

TELEX: 037-3698

(d) The address and telex number of the Bank is, until otherwise advised to the Company:

BANK OF MONTREAL  
10089 Jasper Avenue  
P.O. Box 220  
Edmonton, Alberta

Attention: The Manager

TELEX: 037-2152

26. Further Assurances - The Company and the Bank shall each, from time to time and at all times, do such further acts and execute and deliver all such further documents as shall be reasonably required by the other party in order to perform and carry out the intentions and/or terms of this Agreement. Without limiting the generality of the foregoing, if at any time the liability of the Company to the Bank hereunder exceeds the face amount of the Debenture, the Company shall, forthwith upon receipt of the request of the Bank therefor, execute and deliver to the Bank such further documents and securities and do such things as

shall be required by the Bank to ensure that the security interest of the Bank in the mortgaged property referred to in the Debenture shall extend to the full liability of the Company to the Bank hereunder, expressed in Canadian Dollars; and for this purpose, the liability of the Company to the Bank hereunder in United States Dollars shall be converted to Canadian Dollars at the Bank's noon buying rate for United States Dollars in Toronto on the Business Day immediately preceding the date such request is made.

27. Time of Essence - Time shall be of the essence of this Agreement.

28. Successors and Assigns - This Agreement and the Notes may not be assigned by either party without the prior consent of the other party and shall enure to the benefit of and be binding upon each party hereto and its successors and permitted assigns.

29. Waiver and Amendment - No indulgence or forbearance by the Bank hereunder shall be deemed to constitute a waiver of the Bank's rights to insist on performance in a full and in a timely manner of all covenants of the Company hereunder and any such waiver, in order to be binding upon the Bank, must be express and in writing and signed by the Bank, and then such waiver shall be effective only in the specific instance and for the purpose for

which it is given; and no waiver of any provision, condition, or covenant shall be deemed to be a waiver of the Bank's right to require full and timely compliance with the same provision, condition or covenant thereafter, or with any other provision, condition or covenant of this Agreement at any time. No amendment or modification of this Agreement shall be effective unless the same shall be in writing and signed by both the Company and the Bank.

30. Severability - In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this Agreement shall not in any way be affected or impaired thereby, and any such invalid, illegal or unenforceable provision shall be deemed to be severable.

31. Entire Agreement - This Agreement, together with the agreements and other documents to be delivered pursuant hereto and thereto and for the purposes hereof and thereof, constitute the entire agreement between the Bank and the Company pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, with respect to the subject matter hereof.

32. Currency Conversion - If for the purposes of obtaining judgment in any court in Canada it becomes necessary to convert into Canadian Dollars any amount due hereunder in United States Dollars, then conversion shall be made at the rate of exchange prevailing at noon on the Business Day before the day on which judgment is given. For the purpose of this section 32 and section 33, "rate of exchange" means the rate at which the Bank would have been able on the relevant date to sell the relevant amount of United States Dollars for the Canadian Dollars in Toronto.

33. Exchange Rate Change - In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which a judgment referred to in section 32 is given and the date of payment of the amount of the judgment, the Company will on the date of payment pay such additional amount to the Bank, or the Bank shall accept in full satisfaction of the judgment such lesser amount than the amount of the judgment, as the case may be, as may be necessary to ensure that the amount received by the Bank hereunder on such date is the amount in Canadian Dollars which, when converted at the rate of exchange prevailing on the date of payment, is the amount due hereunder in United States Dollars in respect of which judgment has been obtained. Any additional amount due from the Company under this section 33 will be due as a separate debt and shall not be affected by judgment being obtained for any other sums due hereunder.

34. Computation of Interest - For greater certainty it is hereby declared that the principle of deemed reinvestment of interest shall not be applied to and shall not affect the calculation of interest payable under this Agreement. The Company acknowledges that interest calculated on the basis of a 360 day year is equivalent to 365/360 of such a rate calculated on the basis of a 365 day year.

35. Applicable Law - This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall be treated in all respects as an Alberta contract.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

ALBERTA GAS CHEMICALS LTD.

By: \_\_\_\_\_  
Chairman c/s  
\_\_\_\_\_  
President

BANK OF MONTREAL

By: \_\_\_\_\_  
Senior Vice-President  
\_\_\_\_\_  
Vice-President

This is Schedule "A" to the Term Credit Agreement dated January 27th, 1981, and made between Alberta Gas Chemicals Ltd. and the Bank of Montreal

---

January 27th, 1981

ALBERTA GAS CHEMICALS LTD.

TO

BANK OF MONTREAL

---

D E B E N T U R E

---

## D E B E N T U R E

WHEREAS ALBERTA GAS CHEMICALS LTD., a company incorporated under the laws of the Province of Alberta, and having its registered office at the City of Edmonton, in the Province of Alberta, (hereinafter called "the Company") did covenant and agree to execute and deliver this debenture as collateral security for all monies which may become due from the company from time to time which monies shall include the aggregate amount of all advances and Bankers's Acceptances as defined by the Term Credit Agreement hereunto annexed and initialled by the parties (hereinafter referred to as the "Credit Agreement") to BANK OF MONTREAL (hereinafter called "the Bank") of 10089 Jasper Avenue, P.O. Box 220, Edmonton, Alberta, T5J 2J2, excepting only the indebtedness secured by that certain Income Debenture dated November 10th, 1978 ("the Income Debenture").

1. The Company for value received hereby covenants with the Bank that it will pay to the Bank at its Main Edmonton Office, 10089 Jasper Avenue, in the City of Edmonton, in the Province of Alberta, or at such other place in the Province of Alberta, as the Bank may from time to time advise, the sum of One Hundred and Sixty-five Million (\$165,000,000.00) Dollars in lawful money of Canada with interest thereon or on so much thereof as shall from time to time remain unpaid (both before and after default and judgment), at such rate or rates per annum, computed and determined in accordance with the Credit Agreement; any change in the interest rate herein with respect to the said principal sum or any part thereof shall become effective as provided in the Credit Agreement. The said sum and interest, or so much thereof as shall from time to time remain unpaid, shall be repaid by such repayment terms as to principal and interest as set forth in the Credit Agreement until the said sum of One Hundred and Sixty-five Million (\$165,000,000.00) Dollars and interest thereon or any principal sum and interest thereon as shall remain unpaid at any given time shall have been fully paid and satisfied.

The amount of the principal sum advanced or to be advanced hereunder is One Hundred and Sixty-five Million (\$165,000,000.00) Dollars and the rate or rates of interest chargeable thereon shall be determined in accordance with the Credit Agreement from time to time during the term hereof.

2. Neither the execution nor registration of this debenture and charge, nor the making of any advance in part of the monies secured nor the acceptance of any draft pursuant to the Credit Agreement shall bind the Bank to advance the monies or any unadvanced portion thereof nor to accept any further draft but nevertheless the lien and charge created hereby shall take effect forthwith on the execution hereof and shall apply mutatis mutandis to any and all monies so advanced and drafts so accepted and this debenture shall operate as security for payment only of monies actually so advanced by the Bank, of monies payable by the Bank under the Credit Agreement in respect of drafts so accepted and other monies payable under the provisions of this debenture or under any other collateral securities held by the Bank in respect of the credit made available to the Company pursuant to the Credit Agreement.

3. The lien and charge hereby created shall take effect forthwith upon the execution of these presents and shall be a continuous charge, notwithstanding that the balance owing hereunder may be fluctuating and even may from time to time and at any time be or have been reduced to a nil balance and notwithstanding monies advanced may be repaid and further advances made from time to time and notwithstanding the number of occasions on which advances are made or upon which changes in the form or terms of part or all of the Company's liability (as defined in the Credit Agreement) are made and such continuous charge shall be a security for any balance and any and all other monies payable under the provisions of this debenture or the Credit Agreement or under any other collateral securities held by the Bank in respect of the credit made available pursuant to the Credit Agreement.

4. As collateral security for the payment of the aforesaid principal sum, interest and all other monies from time to time owing by the Company to the Bank excepting the monies loaned pursuant to the Income Debenture and for the due performance of the obligations and the covenants of the Company contained herein in the Credit Agreement and in any other collateral securities held by the Bank except the Income Debenture:

- (a) The Company hereby mortgages and charges to and in favour of the Bank and by way of a fixed specific mortgage and charge, the Company's entire interest, beneficial or real, in the property described and referred to in the Schedule annexed hereto (hereinafter called "the specifically mortgaged premises") and forming part hereof, and all buildings, improvements, erections, fixtures, fixed machinery, fixed equipment and fixed plant now upon the

specifically mortgaged premises or any part thereof, or which may at any time hereafter be constructed or brought or placed thereon, and used in connection therewith (whether the same form part of the realty or not);

- (b) The Company hereby charges as and by way of a floating charge to and in favour of the Bank all that portion of the undertaking, property and assets of the Company of an immovable nature from time to time situate on or about the specifically mortgaged premises and used in or capable of being used in or in conjunction with or appurtenant to the Company's activities from time to time conducted by the Company on any part or all of the specifically mortgaged premises including, without restricting the generality of the foregoing, all pipelines, pumping stations, easements, leases, chattels real, and licenses wherever situate, legal or equitable, now owned or hereafter acquired by the Company (other than the specifically mortgaged premises) and the Company is not to be at liberty to and shall not create or suffer to be created, except in favour of the Bank, any mortgage, lien or encumbrance upon its undertaking or any of its said property or assets subject to the said floating charge created by this Clause 4.(b) ranking in priority to or pari passu with this debenture or the charge thereby created, or to sell or dispose of the same or any part thereof otherwise than in the ordinary course of its business and for the purpose of carrying on the same.

5. The Company further covenants that it shall from time to time when so directed by the Bank execute, acknowledge and deliver by its proper officers indentures, deeds and documents supplemental hereto which shall thereafter form part hereof and do and perform any and all other acts and things for the purposes of mortgaging and charging in favour of the Bank as

part of the security the right, title and interest of the Company in and to the specifically mortgaged premises and all buildings, improvements, fixtures, fixed machinery, fixed equipment and fixed plant which may at any time hereafter be constructed or brought or placed on the mortgaged premises.

6. The floating charge hereby created shall in no way hinder or prevent the Company at any time and from time to time until the security hereby constituted shall have become enforceable and the Bank shall have determined or become bound to enforce the same, from lodging, selling, alienating, leasing, assigning, mortgaging, hypothecating, charging, or otherwise disposing of or dealing with the subject matters of such floating charge in the ordinary course of its business and for the purpose of carrying on the same;

Provided that:

- (a) any such action is not in breach of any express provision of this debenture and the Company hereby covenants that it will not take any such action which is in breach of any express provision of this debenture; and
- (b) the Company shall not, and it hereby covenants that it will not create or assume any mortgage, hypothec, charge, pledge, lien or other encumbrance upon the mortgaged property or any part thereof ranking or purporting to rank in priority to or pari passu with the floating charge hereby created except as expressly permitted by some other provision of this debenture.

7. Notwithstanding anything herein elsewhere contained, it is understood and agreed that the last day of any term or years reserved by any lease, verbal or written, or any agreement therefor now held or hereafter acquired by the Company or by any renewal of any lease is hereby excepted out of the mortgage and charge hereinbefore

provided for and does not and shall not form part of the property hereby mortgaged or charged so as to be mortgaged or charged as security for payment of the monies intended to be secured hereby but the Company shall stand possessed of the reversion remaining in the Company of any leasehold premises for the time being demised as aforesaid upon trust to assign or dispose thereof as the Bank may direct, and upon any sale of leasehold premises or any part thereof the Bank, for the purpose of vesting the aforesaid residue of any term or any renewal thereof in any purchaser or purchasers thereof shall be entitled by deed or writing to appoint such purchaser or purchasers or any other person or persons a new Trustee or Trustees of the aforesaid residue of any such term or renewal thereof in the place of the Company and to vest the same accordingly in the new Trustee or Trustees so appointed freed and discharged from any obligation in respect of the same, and the Company hereby assigns to the Bank, its successors and assigns, as security aforesaid, the full benefit of all covenants, powers, provisos and conditions contained in any lease, verbal or written or any agreements therefor now existing or hereafter to be acquired by it and any renewal or renewals thereof.

8. Notwithstanding the provisions of Clauses, 4, 5, 6 and 7, hereof, this debenture shall in no way hinder or prevent the Company, upon obtaining the prior written consent of the Bank, from pledging, mortgaging, assigning, or giving security or securities (whether by way of a floating charge or otherwise) to the Bank or to any person, firm or corporation upon real or personal property hereafter acquired by the Company and charged by this debenture to secure the whole or any part of the purchase price to be paid by the Company for such real or personal property, and any such pledge, mortgage, assignment, security or securities (whether given before or after the execution and delivery of this debenture) shall rank in priority to the said floating charge created by Clause 4 (b) of this debenture.

rstly

or claims not exceeding \$15,000,000.00 in the aggregate for the same calendar year shall be payable to the Company (unless default has occurred under this debenture and is continuing when the proceeds become payable or an Event of Default under the Credit Agreement has occurred and is continuing when the proceeds become payable, then in either event, the proceeds shall be payable to the Bank) which payment shall operate as a full discharge to the insurer to the extent of such payment, of its obligation to make payments under such policies to the Bank. In the event of any subsequent single loss not exceeding \$15,000,000.00 occurring in the same calendar year, then the Bank, at the request of the Company, shall advise those insurers under policies of insurance payable to the Bank that this subsequent loss shall be payable to the Company; provided that the proceeds shall only be used by the Company to repair, replace or rebuild the damage caused by the said subsequent loss and provided further that the Company is not then in default under this debenture or an Event of Default has not occurred under the Credit Agreement when the proceeds become payable, which payment shall operate as a full discharge to the insurer to the extent of such payment, of its obligation to make payments under the policies to the Bank. In the event the Company does not apply the proceeds resulting from this subsequent loss to repair, replace or rebuild the damage caused by the said subsequent loss or in the event the Company is in default under this debenture and such default is continuing when the proceeds become payable or an Event of Default under the Credit Agreement has occurred and is continuing when the proceeds become payable, then, in either event, the proceeds shall be payable to the Bank;

- (d) if the insurance hereinbefore referred to is not effected or not kept duly renewed, the Bank may effect

- or renew such insurance and if default be made in payment of premiums or sums of money by the Company, the Bank may pay the same and such sums of money shall be added to the debt hereby secured and shall bear interest at the same rate from the date of such payment and shall be repayable forthwith;
- (e) in the event of a loss resulting in policy proceeds being paid to the Bank, the Company shall notify the Bank in writing as to whether it,
- (i) intends to apply the proceeds to repair, replace or rebuild the damage for which the proceeds are compensation, or
  - (ii) intends to retain the proceeds without repairing, replacing or rebuilding the damage for which the proceeds are compensation, or
  - (iii) intends to apply the proceeds partly to (i) above and partly to (ii) above, and upon receipt of notification that the Company intends to apply the proceeds as described in (i), the Bank shall, in a manner agreed upon with the Company, or failing agreement as the Bank sees fit, apply the proceeds to effect such repair, replacement or rebuilding, and in either (ii) or (iii) above, the Bank shall, in its sole discretion either
- (A) pay the proceeds to the Company for application as so elected by the Company, or
- (B) retain the proceeds and apply the same regressively against the amount secured by this debenture provided the same shall not operate as payment or novation or in any way affect the security hereof or any other security for the amount hereby secured;

- Provided further that upon the occurrence of any event described in Clause 11 herein the Bank may apply policy proceeds as it sees fit; and
- (f) it will maintain, repair or cause to be maintained or repaired and kept in good working order and condition the property charged by this debenture.

11. The principal, interest and other monies hereby secured shall at the option of the Bank immediately become due and payable whether with or without prior demand therefor, and the security hereby constituted at the option of the Bank shall immediately become enforceable in each and every of the events following:

- (a) upon the occurrence and during the continuance of any Event of Default referred to in Section 22 of the Credit Agreement; or
- (b) if any charge or encumbrance created or issued by the Company having the nature of a floating charge against the assets charged by this debenture shall become enforceable.

12. If the security hereby constituted shall become enforceable, the Bank may:

- (a) declare that the security hereby created shall forthwith become specifically charged against all of the assets hereby charged or any part thereof not already specifically charged and subject to the first floating charge herein contained;
- (b) take possession of all of the assets covered by the first floating charge herein contained or any part thereof and sell the same at such price and upon such terms as the Bank in its sole discretion may determine and the proceeds of such sale, less all costs and expenses of the Bank, including costs as

between solicitor and client shall be applied on the monies owing hereunder, the surplus, if any, to be paid to the Company. In the event that the monies realized from such sale are not sufficient to pay the full amount owing under this debenture, the Bank shall be entitled to exercise such remedies against the Company to collect the balance owing as it may be entitled to by law;

(c) appoint in writing a receiver or receivers of the assets hereby charged or any part thereof and may from time to time remove any receiver so appointed and appoint another in his stead, and the following shall be applicable:

- (i) such appointment may be made at any time either before or after the Bank shall have entered into or taken possession of the assets hereby charged or any part thereof;
- (ii) any such receiver may be invested with any of the powers and discretions of the Bank;
- (iii) any such receiver may carry on or concur in carrying on the business of the Company or any part thereof and may exercise all the powers herein conferred upon the Bank;
- (iv) any such receiver may with the consent of the Bank in writing borrow money for the purpose of carrying on the business of the Company or for the maintenance of the assets secured by this debenture or any part thereof or for other purposes approved by the Bank, and any amount so borrowed together with interest thereon shall form a charge upon the said assets secured by this debenture or charged in priority to the security hereby created by this debenture;
- (v) any such receiver shall have power to take possession of the said property and assets

charged by this debenture or any part thereof and sell or concur in selling any of the said property and assets;

- (vi) the Bank may from time to time fix the remuneration of any such receiver and direct the payment thereof out of the assets secured by this debenture or the proceeds thereof;
- (vii) any such receiver shall so far as concerns responsibility for his acts be deemed the agent of the Company, and the Bank shall not be in any way responsible for any misconduct or negligence on the part of any such receiver;
- (viii) such monies as the receiver may from time to time recover in connection with the conduct of such receivership shall at the option of the Bank be paid to the Bank and such monies may be applied by the Bank towards the payment of all costs and expenses of realizing on its security including costs as between solicitor and client and upon the payment of the principal or interest owing hereunder.

13. It is agreed that the rights and powers conferred by the immediately preceding Clause No. 12 are supplemental to and not in substitution for any rights the Bank may from time to time have as the holder of this debenture or under the Credit Agreement. The term "receiver" as used in the said Clause 12 includes a receiver and manager.

14. No release, postponement or discharge of the mortgage and charge created by this debenture in respect of all or any part of the mortgaged property including the specifically mortgaged premises shall in any way operate to be construed to release or discharge the security hereby constituted in respect of the remainder of the mortgaged property or to release or discharge the Company from any obligation or liability to the Bank under this debenture, or under the Credit Agreement.

15. The Company agrees to pay to the Bank forthwith upon demand all expenses incurred by the Bank in recovering or enforcing payment of monies owing hereunder or realizing upon this debenture or any other securities for such monies including expenses of taking possession, protecting and realizing upon any property comprised in any such security together with interest at such rate as is stipulated from the date of such expenditure in respect of Canadian Dollar Advances in the Credit Agreement.

16. It is agreed that this debenture is to be treated as a negotiable instrument and all persons are invited by the Company to act accordingly.

17. It is agreed that this debenture is in addition to and not in substitution for any other security or securities now or hereafter held by the Bank in respect of the credit made available to the Company and all such other securities shall remain in full force and effect.

18. It is agreed that the principal, interest and other monies hereby secured will be paid and shall be assignable free from any right of set-off or counterclaim or equities between the Company and the Bank.

19. The Company (except for permitted encumbrances and as otherwise provided for herein) shall not permit any lien or encumbrance ranking prior to or pari passu with this debenture to arise or exist against the mortgaged property or any part thereof, and agrees to pay when due all taxes, rates and assessments, including local improvements taxes with which the specifically mortgaged premises are or may be rated or charged; PROVIDED that the Company may on furnishing the Bank with security satisfactory to it take any steps necessary to dispute any claim in respect of which a lien or encumbrance may exist or be claimed against the property.

20. The Bank may pay or satisfy any lien, charge or encumbrance now existing or hereafter created or claimed upon the mortgaged property or any part thereof and the amount paid in respect thereof shall be added to the debt hereby secured and shall be payable forthwith with interest at the applicable rate aforesaid and shall be a charge upon the mortgaged property, provided however that the Bank shall not pay

out, satisfy or in any way affect or disturb any term, condition, or element of the security contained in or granted by the Income Debenture, pursuant to any right granted by this debenture.

21. The Company agrees that a default in the due performance of any of its covenants or agreements contained in any other securities or evidence of indebtedness executed and delivered to the Bank by the Company in respect of any monies owing by the Company to the Bank under this debenture or otherwise shall in addition to its usual effect have the same effect and give rise to the same rights and remedies as a default under the terms of this debenture, and that in the event of the Bank becoming entitled to take legal proceedings of any nature whatsoever against the Company in respect of this debenture or in respect of any other securities or evidence of indebtedness held by the Bank, the Bank may either concurrently with such proceedings, successively or otherwise, pursue any or all of its other remedies, and should the Bank so pursue one or other of the said remedies this shall not constitute an election by the Bank to abandon any of the other remedies.

22. The following provisions shall prevail in respect of notices given or to be given under this debenture:

- (a) any notice, request, demand or other communication between the parties hereto for the purposes hereof shall be duly given or made when communicated, by one of the forms of communication listed in subsection 22(b) to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this debenture at the address of such party as such party may from time to time designate to the other parties;
- (b) the forms of communication referred to in subsection 22(a) and the time at which a communication in any such form shall be deemed, for the purposes of this debenture, to have been received, are:
  - (i) prepaid registered mail, the third Business Day following the date of mailing;

- (ii) telex, the Business Day following the date of sending;
- (iii) telegram or cable, the Business Day following the date of sending; and
- (iv) personal delivery in writing to a senior officer of the addressee, the Business Day of actual receipt; and

in the event of the interruption, for any reason, of any one or more of the modes of communication listed above the parties shall use a mode of communication which is not so interrupted with the intent that a mode of communication will be used which will give the addressee timely notice of the communication;

- (c) the address and telex number of the Company is, until otherwise advised to the Bank:

ALBERTA GAS CHEMICALS LTD.,  
11456 Jasper Avenue,  
Suite 400,  
Edmonton,  
Alberta T5K 0M1

Attention: Chairman and Chief Executive Officer

Telex: 037-3698

- (d) the address and telex number of the Bank is, until otherwise advised to the Company:

BANK OF MONTREAL,  
10089 Jasper Avenue,  
P.O. Box 220,  
Edmonton,  
Alberta T5J 2J2

Attention: The Manager

Telex: 037-2152

23. The Bank may waive any breach by the Company of any of the provisions contained in this debenture or any default by the Company in the observance or performance of any covenant or condition required to be observed or performed by the Company under

the terms of this debenture or of any other securities held by the Bank. PROVIDED that any such waiver shall apply only to the particular default waived and shall not operate as a waiver of any other or future default. Further, no delay or omission upon the part of the Bank to exercise any right or power hereunder or under any other security held by it from the Company shall impair such right or power to be considered to be a waiver of any default or any acquiescence thereunder.

24. The Company warrants and represents that this debenture is issued in accordance with the Resolution of the Board of Directors of the Company adopted on the 27th day of January, 1981, and that all matters and things have been done and performed so as to authorize and make the creation and issue of this debenture and its execution and delivery and all other collateral securities executed and delivered to the Bank by the Company legal and valid and in accordance with the laws relating to the Company and all other statutes and laws in that behalf, and that this debenture is given as collateral security for the payment of the aforementioned sum of One Hundred and Sixty-five Million (\$165,000,000.00) Dollars with interest as aforesaid and for the payment of any and all other monies which may become owing by reason of the provisions of this debenture or the Credit Agreement.

25. The Company acknowledges that the Bank has relied upon the representations and warranties of the Company as contained in the Credit Agreement.

26. The Company agrees to execute and deliver to the Bank such further assurances and conveyances as may be necessary to properly carry out the intention of this debenture.

27. This debenture and all its provisions shall enure to the benefit of the Bank, its successors and assigns, and shall be binding upon the Company, its successors and assigns.

IN WITNESS WHEREOF the Company has hereunto caused its

corporate seal to be affixed duly attested by its proper officers  
in that behalf, the 27th day of January, A.D. 1981.

ALBERTA GAS CHEMICALS LTD.

Per: \_\_\_\_\_  
\_\_\_\_\_

THIS IS THE SCHEDULE TO THAT CERTAIN  
DEBENTURE DATED THE 27th DAY OF JANUARY,  
A.D. 1981, MADE BY ALBERTA GAS CHEMICALS  
LTD., IN FAVOUR OF THE BANK OF MONTREAL

"SPECIFICALLY MORTGAGED PREMISES"

THE SOUTH WEST QUARTER OF SECTION FOURTEEN (14), IN  
TOWNSHIP THIRTEEN (13), RANGE SIX (6), WEST OF THE  
FOURTH MERIDIAN, CONTAINING 64.7 HECTARES (160 ACRES)  
MORE OR LESS.

EXCEPTING:

<u>PLAN</u>	<u>NUMBER</u>	<u>HECTARES</u>	<u>ACRES</u>
SUBDIVISION	8010307	0.579	1.43

RESERVING UNTO HER MAJESTY ALL MINES AND MINERALS

Permitted Encumbrances

Easement to Calgary Power Ltd. (50 Foot Strip on Plan 8159 G.W.)  
1:30 p.m., 8th February, 1957, as Instrument No. 9001 H.C.

Public Utility Board Order 26475 in favour of Delta Gas & Transmission  
Ltd., (33 Foot Strip on Plan 1590 J.K.) 11:10 a.m., 16th June, 1964  
as Instrument No. 906 J.A.

Utility Right of Way: Instrument No. 761096501 - 60 Feet in width  
on Plan 7610043 to The Alberta Gas Trunk Line Company Limited  
under Provisions of Section 152 of the Land Titles Act.  
Instrument No. 761096501 takes the priority of caveat 751102227,  
registered 18th September, 1975.

Mortgage to Bank of Montreal securing the sum of \$22,214,000.00,  
16th November, 1978 as Instrument No. 781185592.

AFFIDAVIT OF BONA FIDES

CANADA  
PROVINCE OF ALBERTA  
TO WIT:

I, FRANK ANTHONY WHITTAKER of the Borough of Scarborough in the Province of Ontario, make oath and say:

1. That I am the Manager, Project Financing, of the Mortgagee (the Bank) in the foregoing Debenture also containing the ingredients of a Chattel Mortgage, am aware of the circumstances connected therewith and have a personal knowledge of the facts deposed to;
2. That the said Debenture respecting its inclusion of Chattel Mortgage requirements was executed in good faith and not for the mere purpose of protecting the chattels therein mentioned against the creditors of the Mortgagor ("the Company"), nor for the purpose of preventing such creditors from recovering any claims that they have against the Mortgagor ("the Company").

SWORN before me at the :  
City of Edmonton, in the :  
Province of Alberta, :  
this 27th day of January, :  
A.D. 1981. :

\_\_\_\_\_  
Frank Anthony Whittaker

A Commissioner for Oaths in and  
for the Province of Alberta

DATED: January 27th, A.D. 1981

---

ALBERTA GAS CHEMICALS LTD.

to

BANK OF MONTREAL

---

D E B E N T U R E

---

McCUAIG DESROCHERS  
Barristers and Solicitors,  
1824 Royal Trust Tower  
Edmonton Centre,  
Edmonton, Alberta  
T5J 2Z2

Our file No. 42609/EADM

"This is Schedule "B" to the Term Credit Agreement dated  
January 27, 1981 and made between Alberta Gas Chemicals  
Ltd. and Bank of Montreal

NOTE

Date: \_\_\_\_\_, Canada

For value received, the undersigned (the "Company")  
promises to pay to Bank of Montreal (the "Bank") or order  
at its main branch in the City of Edmonton, Alberta, Canada,  
the principal sum of \$ \_\_\_\_\_ in lawful money of Canada  
[the United States of America] with interest thereon, such  
principal sum and such interest to be payable at the times  
and at the rate and subject to the terms and conditions  
contained in the agreement dated January 27, 1981 between  
the Company and the Bank.

ALBERTA GAS CHEMICALS LTD.

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

\_\_\_\_\_  
c/s